

**OFFICE OF THE
POLICE AND CRIME COMMISSIONER
FOR MERSEYSIDE**

BUDGET

2023/24

OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR MERSEYSIDE

BUDGET REPORT 2023/24

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RESOLUTION OF THE POLICE AND CRIME COMMISSIONER FOR MERSEYSIDE

THE BUDGET 2023/24

RESOLVED- That following detailed consideration of the Joint Report on the Budget by the Chief Finance Officer and the Chief Constable, and in accordance with Sections 43-48 of the Local Government Finance Act 1992, the Police and Crime Commissioner (PCC):-

- (a) noted the Revised Estimate for 2022/23 as set out in **Table 1**;
- (b) noted the Forecast Capital Expenditure for 2022/23 as set out in **Appendix C**;
- (c) approved the suspension of the carry-over rules as set out in **paragraph 3.1.13**;
- (d) approved in principle the strategy for utilising the estimated 2022/23 budget underspend, as set out in **Table 2**, pending the final outturn position to be reported to the Police and Crime Commissioner;
- (e) approved the Net Budget Requirement of **£401,313,837** for 2023/24, incorporating a £15 Council Tax precept increase on the 2022/23 level as set out in **Appendix A**;
- (f) approved the proposed allocation of the 2023/24 Community Safety Funding as detailed in **Table 7**;
- (g) approved the Capital Programme and financing arrangements as set out in **Appendix C** of this report;
- (h) issues an appropriate precept requirement of **£97,737,150** on the five Billing Authorities in the Merseyside area, to be levied as part of their Council Tax for the purposes of the Police and Crime Commissioner for Merseyside's expenses for the financial year beginning 1st April 2023 and ending 31st March 2024.
 - a precept of £167.98 for properties in Band A
 - £195.98 for properties in Band B
 - £223.97 for properties in Band C
 - £251.97 for properties in Band D
 - £307.96 for properties in Band E
 - £363.96 for properties in Band F
 - £419.95 for properties in Band G
 - £503.94 for properties in Band H;

- (i) requires the five Billing Authorities in the Merseyside area to pay to the Chief Finance Officer the amounts due from them respectively in pursuance of paragraph (h) above, by ten, equal instalments payable on or before:-

the 21st day of April 2023
the 1st day of June 2023
the 7th day of July 2022
the 14th day of August 2023
the 20th day of September 2023
the 26th day of October 2023
the 1st day of December 2023
the 12th day of January 2024
the 19th day of February 2024
the 15th day of March 2024.

- (j) approved in broad terms the Medium Term Financial Strategy (MTFS) as set out in **Appendix D**; and
- (k) approved the Reserve Strategy 2023/24 to 2027/28 set out in **Section 3.6** and **Appendix G**.



EMILY SPURRELL
MERSEYSIDE POLICE
& CRIME COMMISSIONER

Originator	John Riley, PCC Chief Finance Officer, & Serena Kennedy, Chief Constable Merseyside Police
Decision Number (to be completed on approval)	
Submitted to	Emily Spurrell, Police and Crime Commissioner for Merseyside
Subject	2023/24 Budget and Revised Medium Term Financial Strategy 2023/24 to 2027/28

Summary:

The PCC within each force area has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the police to account on behalf of the public. The PCC is the recipient of funding relating to policing and crime reduction, including government grant and precept and other sources of income. How this money is allocated is a matter for the PCC in consultation with the Chief Constable, or in accordance with any grant terms.

The provisions of Section 32 of the Local Government Finance Act 1992 require the PCC to set a balanced budget. In addition, Section 26 of the Police Reform and Social Responsibility Act 2011 establishes the PCC as a precepting authority for the purposes of the 1992 Act.

In constructing the budget for 2023/24, the 2022/23 base budget is adjusted for known commitments/savings, pay and non-pay inflation to determine the net budget requirement for 2023/24. It is noted that the net budget requirement has increased significantly due mostly to the impact of pay and non-pay inflation, in both 2022/23 and 2023/24.

The funding settlement announced by the Home Office has increased the level of resources available to the PCC and Force. The PCC has received additional grant to partly offset the impact of the 2022 pay award and the Government has increased the precept referendum threshold and expects all PCCs to increase their precepts by up to £15 on a Band D equivalent property without the need to hold a referendum.

The PCC, after giving careful consideration to the options available to her regarding the precept, proposes to increase the precept to the referendum threshold. This increase equates to an increase of £10 pa for Band A properties (i.e., 19p per week) the majority of Council Taxpayers on Merseyside. During the budget process the PCC consulted the Chief Constable, the Police and Crime Panel and the general public, all of whom support this proposal.

Despite maximising the precept, and the Chief Constable identifying savings, there is still estimated to be a net budget deficit of £8.153m in 2023/24. In order to bridge this deficit and balance the budget the PCC plans to utilise the earmarked reserves, one-off savings and keep to the planned minimum savings target for the Chief Constable which was assumed previously. However, it is noted that the use of reserves and one-off savings in this way only has the effect of pushing the saving requirement into future years, but importantly does provide the PCC and Chief Constable with more time to identify and implement the necessary savings plans.

With regard to the medium term, the assumptions underpinning the financial strategy have been updated and it is now forecast that over the medium term there will be an overall savings requirement of £15.275m. This is a position that will provide significant challenges for the PCC and Chief Constable to continue to balance the budget over the period without impacting on the efficiency and effectiveness of the Force. The potential extent of the savings requirement is likely to result in the decivilianisation of police staff posts in the future if real terms funding settlements are not provided by the Government and the Home Office insist on Forces maintaining their current police officers numbers.

Recommendations:

That following detailed consideration of the Joint Report on the Budget by the Chief Finance Officer and the Chief Constable, and in accordance with Sections 43-48 of the Local Government Finance Act 1992, the Police and Crime Commissioner:-

- (i) notes the Revised Estimate for 2022/23 as set out in **Table 1**;
- (ii) notes the Forecast Capital Expenditure for 2022/23 as set out in **Appendix C**;
- (iii) approves the suspension of the carry-over rules as set out in **paragraph 3.1.13**;
- (iv) approves in principle the strategy for utilising the estimated 2022/23 budget underspend, as set out in **Table 2**, pending the final outturn position to be reported to the Police and Crime Commissioner;
- (v) approves a Net Budget Requirement of **£401,313,840** for 2023/24, incorporating a £15 Council Tax precept increase on the 2022/23 level as set out in **Appendix A**;
- (vi) approves the proposed allocation of the 2023/24 Community Safety Funding as detailed in **Table 7**;
- (vii) approves the Capital Programme and financing arrangements as set out in **Appendix C** of this report;

- (viii) issues an appropriate precept requirement of **£97,737,150** on the five Billing Authorities in the Merseyside area, to be levied as part of their Council Tax for the purposes of the Police and Crime Commissioner for Merseyside's expenses for the financial year beginning 1st April 2023 and ending 31st March 2024.

a precept of £167.98 for properties in Band A
£195.98 for properties in Band B
£223.97 for properties in Band C
£251.97 for properties in Band D
£307.96 for properties in Band E
£363.96 for properties in Band F
£419.95 for properties in Band G
£503.94 for properties in Band H;

- (ix) requires the five Billing Authorities in the Merseyside area to pay to the Chief Finance Officer the amounts due from them respectively in pursuance of paragraph (viii) above, by ten, equal instalments payable on or before:-

the 21st day of April 2023
the 1st day of June 2023
the 7th day of July 2022
the 14th day of August 2023
the 20th day of September 2023
the 26th day of October 2023
the 1st day of December 2023
the 12th day of January 2024
the 19th day of February 2024
the 15th day of March 2024.

- (x) approves in broad terms the Medium Term Financial Strategy as set out in **Appendix D**; and
- (xi) approves the Reserves Strategy set out in **Section 3.6** and **Appendix G**.

Outcome / approval by:



Signed _____ Date:
Police and Crime Commissioner for Merseyside

Public Access to Information

Information in this form and associated reports is subject to the Freedom of Information Act 2000 and the Elected Local Policing Bodies (Specified Information) Order 2011. Where it has been indicated that this is a decision of significant public interest, all of this form except Part 2 will be made available on the website within 3 working days of approval. Any information that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form.

Originator Checklist (must be completed)

<p>Is this a decision of significant public interest?</p> <p><i>This includes a decision with any impact on the community, expenditure in excess of £50,000, or any decision that would be of obvious interest to the media or the general public.</i></p>	Yes
<p>Is there a Part 2 form?</p> <p><i>This section should only include information that, if published:</i></p> <ul style="list-style-type: none"> <i>a) would, in the view of the chief officer of the police, be against the interests of national security;</i> <i>b) might, in the view of the chief officer of police, jeopardise the safety of any person;</i> <i>c) might, in the view of the chief officer of police, prejudice the prevention or detection of crime, the apprehension or prosecution of offenders, or the administration of justice; or</i> <i>d) is prohibited by any enactment.</i> <p><i>breaches commercial sensitivity.</i></p>	No
Approved by legal adviser (if appropriate)	Not Applicable
Approved by finance (if appropriate)	Yes
Equality assessment	Yes
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Consultation undertaken	Police & Crime Panel and General Public
Communications and media	Yes
Have identified risks been considered	Yes

PART 1 – For publication

1. Purpose of the Report

The purpose of this report is to:-

- (i) provide an update on the Revised Estimate for 2022/23;
- (ii) seek approval for the Revenue Budget of the Police and Crime Commissioner for 2023/24;
- (iii) seek approval for the Capital Programme of the Police and Crime Commissioner for 2023/24;
- (iv) seek agreement on the Medium Term Financial Strategy for 2023/24 to 2027/28; and
- (v) seek approval of the strategy for General Balances, Reserves and Provisions.

2. Background

- 2.1 The PCC within each force area has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the police to account on behalf of the public. The PCC is the recipient of funding relating to policing and crime reduction, including government grant and precept and other sources of income. How this money is allocated is a matter for the PCC in consultation with the Chief Constable, or in accordance with any grant terms.
- 2.2 In accordance with the provisions of Section 32 of the Local Government Finance Act 1992, the PCC is required to set a balanced budget. In addition, Section 26 of the Police Reform and Social Responsibility Act 2011 establishes the PCC as a precepting authority for the purposes of the 1992 Act.
- 2.3 Since 2010/11, the Police Service has faced significant financial and operational challenges due to reductions in Government funding and changes in Government policies, e.g. Austerity and the Police Uplift Programme. In addition, the police service has also seen significant cost pressures and continual changes in the demand for policing.
- 2.4 In terms of funding, Central Government funding to PCCs fell by 22.2% in real terms. After taking account of PCCs ability to raise the precept, PCCs received 10.5% less funding in real terms from central and local sources in 2022/23 than they received in 2010/11. Police forces' experiences of funding reductions varied and the forces that relied on Government funding experienced the greatest cuts.
- 2.5 Merseyside Police is one of those forces that is dependent on Government funding and during this period Merseyside's Government funding was reduced by 21.2% in real terms and overall funding, when taking account of increases in precept, reduced by 14.6% in real terms, which was well above the national average.

- 2.6 As a result of the Government's austerity programme, the PCC and Merseyside Police had to make significant savings to ensure that a balanced budget was achieved annually. The delivery of the savings meant reductions in the strength of the Force. In 2010/11, Merseyside Police had a Police Officer establishment of 4,588 full time equivalents (fte), 2,296 fte Police Staff and 466fte Police Community Support & Traffic Officers (PCS&TOs). By 2019/20 Police Officer numbers had fallen by 24.4% (1,121fte) to 3,467fte, PCS&TOs had reduced by 46.6% (217fte) to 249fte and Police Staff numbers fell by 12% (279fte) to 2,017fte. The impact of these reductions was felt in every area/department of the Force, particularly Neighbourhood Policing, Investigations and Preventative Policing.
- 2.7 However, in July 2019 the Government recognising that policing had been cut too far introduced a new policy called the 'Police Uplift Programme' (PUP) to recruit an additional 20,000 police officers nationally by the end of March 2023.
- 2.8 To monitor the programme, the Home Office established a baseline establishment for each Force as at 31st March 2020. Merseyside's baseline was set at 3,447 police officers.
- 2.9 Subsequently, by the end of March 2023 the Government had provided funding for 20,000 police officers nationally. Merseyside's overall 'Uplift' recruitment target was 665 police officers. It is noted that no additional Government funding was provided to fund inflationary and cost pressures during this period, these were expected to be funded by PCCs maximising their precepts and Forces continuing to make cashable savings. The PCC has previously adopted a strategy of maximising the precept, in line with the Governments expectations, and with the support of the general public and the Police and Crime Panel (PCP), which along with savings by the Force and the utilisation of one-off reserves has enabled balanced budgets to be set. In addition, it also enabled the Force to achieve their recruitment targets of 665 additional police officers by the end of March 2022, a full year ahead of schedule. However, it is noted that Merseyside still has 450 Police Officers less than it did in 2010/11, i.e., before the Government's austerity programme.
- 2.10 Despite the significant challenges faced by the Force, Merseyside Police continues to provide an effective and efficient police service. In the most recent PEEL inspection by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), Merseyside Police was judged to be 'Good' in 11 of the 13 areas of policing inspected, 1 area was judged 'Adequate' and the Force was judged 'Outstanding' in 'Disrupting Serious and Organised Crime'. With regard to strategic planning, organisational management and value for money, Merseyside was found to be good at operating efficiently.

3. 2023/24 Budget and Medium Term Financial Strategy

3.1 Revised Estimate 2022/23

Introduction

3.1.1 In 2022/23 the PCC, with the support of the Chief Constable, was able to set a balanced budget. In doing so, the PCC approved a Net Budget Requirement of £392.498m. In order to balance the budget the PCC maximised the precept, the Chief Constable identified estimated savings of £2.9m to be achieved and the PCC approved the utilisation of £2.7m of earmarked reserves.

Projected Out-turn Position 2022/23

3.1.2 The overall out-turn position is made up of three key elements:-

- Performance against budget for devolved and central budgets;
- Progress against agreed savings targets; and
- Variations in the levels of specific grants assumed in the original budget.

3.1.3 The performance against each of these measures is shown in **Table 1** below, with further explanation of the items set out below the table.

Table 1: Summary of Estimated Out-turn Position 2022/23

	£m	£m
Central Budget Underspends:-		
Pensions	(3.307)	
Capital Financing	(0.475)	
Regional Units	(0.819)	
Chief Constables Priority Fund	(0.229)	
Proceeds of Crime Act	(1.432)	
Forcewide Services	(0.847)	
Other Net Central Underspends	(0.307)	(7.416)
Central Budget Overspends:-		
Other Net Central Overspends	0.193	0.193
Devolved Budgets:-		
Excess Underspend on Devolved Budgets		(3.549)
Excess Underspend on PCC budget		(0.088)
Suspension of Carry-over rules:-		
Under-spends		(1.533)
Over-spends		1.989
PCC Budget		(0.025)
Total Estimated Operational Underspend		(10.429)
Under Achievement of in-year Savings Targets		0.510
Overspend on Pay and Prices		4.030
Total Available Underspend		(5.889)

Central Budget Underspends

- 3.1.4 **Pensions** - The central pensions' budget provides for the employer's cost of police pensions, injury pensions and the cost of ill-health retirements. The underspend of £3.307m, is due to a combination of factors. Firstly, increased recruitment levels over the last three years as a result of Operation Uplift has led to a temporary reduction in average salary levels and a subsequent reduction in pensions costs. At the same time there has been an increase in the number of police officers opting out of the pension scheme upon joining the Force although it is not known at this stage whether this will be an ongoing position. In addition, the Force has a budget provision for an expected level of ill health retirements. Whilst the cost of each ill health retirements is difficult to predict and varies depending on individual circumstances, the current forecast is for the ill-health retirement element of the underspend to be £0.340m.
- 3.1.5 **Capital financing** – Capital financing costs include both the cost of borrowing to finance the capital programme and the minimum revenue charge (MRP) to reflect the cost of replacing those items. The underspend of £0.475m on capital financing costs includes an underspend on MRP due to lower than anticipated capital expenditure in the previous year due to the availability of vehicles and building materials. Whilst the cost of borrowing has increased significantly over the last financial year, this is largely offset by increased interest income received from temporary deposits made as part of the PCC/Force cash-flow management. **It is proposed that at year end the underspend on capital financing costs is transferred to the Estate Strategy Reserve to enable it to be available to fund the Estate Strategy.**
- 3.1.6 **Regional Units** – During 2022/23, the Regional Units have been working with a number of vacancies across their teams which has resulted in underspends on employee costs and supplies and services related expenditure. Consequently, it is expected that there will be an overall underspend at year end, of which Merseyside's total share is currently estimated to be £0.819m. The North West PCCs & Chief Constables Joint Oversight Committee are due to consider how best to utilise the underspend as part of their considerations of final outturn report. **Consequently, it is proposed to set aside the remaining underspend until the Joint Oversight Committee formally decides on how best to utilise the underspend.**
- 3.1.7 **Chief Constables Priority Fund** – As part of the 2013/14 Budget Report, the PCC agreed to a change in the treatment of any unspent balance on the Chief Constables Priority Fund, allowing for the creation of a reserve to enable the monies to be available to fund larger strategic projects which span financial years. It is anticipated that at the end of 2022/23, there will be a balance of £0.229m and **it is proposed to transfer this underspend to the Fund at the end of the year to enable it to be available to support future initiatives.**
- 3.1.8 **POCA Income** - The Asset Recovery Incentivisation Scheme (ARIS) incentivises law enforcement agencies to boost asset recovery under the Proceeds of Crime Act (POCA). Receipts from cash forfeitures and confiscation orders are inherently difficult to forecast with potentially large budget variances. During 2021/22, the Force invested some additional resources in this area, and this, together with the additional arrests made as part of Operation Venetic, has resulted in forecast income being £1.432m more than budgeted. **Consequently, it is proposed to transfer this additional income to the POCA**

Reserve at the end of the year to enable it to be available to support future projects and operations.

3.1.9 **Forcewide Services** – The Forcewide services budget includes provision for costs which cannot easily be aligned to a particular devolved budget or operational strand. As part of the 2022/23 Budget Report, the Medium Term Financial Strategy included growth of £2.250m relating to the increase in National Insurance rates linked to the Health and Social Care Levy. This levy was removed with effect from 1st November 2022 resulting in an underspend of £0.831m. This underspend is reflected in the Forcewide Services budget at the end of the year. This adjustment in National Insurance rates has been taken into account by the Government within the 2023/24 settlement with funding for all forces reduced accordingly.

3.1.10 **Other Net Central Underspends** – This underspend of £0.307m represents underspends across a number of smaller budgets including the Police Federation, Staff Associations and Secondments.

Central Budget Overspends

3.1.11 **Net Central Overspends** – The net forecast overspend on central budgets of £0.193m includes £0.053m in relation to insurance premium costs which have seen increases above inflation and £0.113m in relation to the West Coast Niche collaboration. This cost relates to a regional development team which was not permanently funded but put in place to explore further benefits from collaborative working. This work is due to be reviewed during 2023/24.

Devolved Budgets - Carry Over 2022/23

3.1.12 The PCC's approved carry-over rules apply to the devolved budgets only, with variations on other budgets directly affecting the PCC's overall under or overspend position. Within devolved budgets, any overspend position can be carried forward in total to the following year whereas any underspend is carried forward up to 1% of budget or £0.025m whichever is the greater.

3.1.13 However, due to the on-going structural changes faced by the Force, particularly in relation to the recruitment of additional police officers under Operation Uplift, the resultant impact on devolved budgets is considered a Force level impact and not one which should benefit or penalise individual devolved budget holders. **Therefore, it is proposed that the PCC approves the suspension of the carry-over rules for 2022/23.** The estimated amounts that would have fallen within the carry-over criteria for 2022/23 are £1.533m in terms of under-spends and £1.989m relating to over-spends.

3.1.14 Included within the devolved budgets is the budget for the Office of the Police & Crime Commissioner (OPCC). It is anticipated that there will be an estimated underspend of £0.113m at the year end. The main reasons for this underspend are savings on employee costs, supplies, and services. **It is proposed that the underspend relating to the OPCC is transferred into the PCC's Crime Prevention Strategy Reserve to enable the PCC to continue to fund initiatives that will secure or contribute to crime prevention.**

- 3.1.15 During 2022/23 the PCC awarded Crime and Disorder Reduction grants of £2.091m to the five local Community Safety Partnerships and the Voluntary Sector. It is anticipated that all the grant funding will be utilised by the end of the year.
- 3.1.16 The PCC, in conjunction with the Chief Constable, has developed a Reserve Strategy which is highlighted in **section 3.6** of this report. As highlighted in **paragraphs 3.1.5 to 3.1.14** provision has been made for the carry-forward of the specific balances relating to specific underspends. These provisions leave a balance which **it is proposed to transfer £1.5m to the Invest to Save Reserve with the remaining balance being transferred to the Budget Support Reserve** to support the budget in future years. A summary of appropriations is shown in **Table 2** below:-

Table 2: Proposed Utilisation of Estimated Underspend

	£m
Total Available Underspend	5.889
Less:-	
Transfer to Estate Strategy Reserve	(0.475)
Transfer to NWROCU Reserve	(0.819)
Transfer to Chief Constables Priority Fund	(0.229)
Transfer to POCA Reserve	(1.432)
Transfer of OPCC underspend to PCC Crime Prevention Reserve	(0.113)
Transfer to Invest to Save Reserve	(1.500)
Balance to be transferred to Budget Support Reserve	(1.321)

Specific Grants

- 3.1.17 The 2022/23 budget included estimates for a number of specific grants totalling £15.994m. Following the agreement of the budget, these assumptions can change as further announcements are made or the PCC and Force successfully attract new funding. As a result of these changes the amount for specific grants for 2022/23 is now estimated at £39.324m, an increase of £23.330m.
- 3.1.18 **Table 3** below breaks down the movement in specific grants, with the largest increase in specific grants being £8.085m in relation to funding to address the increasing impact of County Lines. The Force have received additional funding of £3.328m to tackle serious violence, including funding for Operation Grip, focussing on the night time economy, and Operation Adder, combatting drug use. The PCC has also successfully secured additional specific grants funding of £5.899m in 2022/23, relating the Violence Reduction Partnership, Victim Support Services, the Safer Streets Fund and the DA Perpetrator Fund. The table also shows that the PCC/Force received a specific grant of £2.333m from the Home Office towards the additional costs of the agreed pay awards for officers and staff which exceeded Force budgets.

Table 3: Movement in Specific Grants 2022/23

Specific Grant	Movement	£m
Serious Violence Fund – Police Grip Funding	Increase	1.653
Project Adder	Increase	1.675
Borders	Increase	3.685
County Lines	Increase	8.085
Grant Funding to support additional pay award	Increase	2.333
Violence Reduction Unit (PCC)	Increase	2.494
Victims Support Services (PCC)	Increase	1.706
Domestic Abuse Perpetrator Programme (PCC)	Increase	0.817
Safer Streets Fund (PCC)	Increase	0.882
Total Movement in Specific Grants	Increase	23.330

Savings Targets 2022/23

- 3.1.19 The budget for 2022/23 included savings targets totalling £2.934m. Within this total, £2.121m related to savings identified as part of the Force Savings Panel which identified posts that had been vacant for a significant period and which could be deleted. The ongoing work to upgrade the estate has allowed for the closure of some sites which are no longer operational allowing for savings on running costs and maintenance requirements with a resultant ongoing saving identified of £0.113m. A revised plan for future work on the estate is currently being developed which it is anticipated will provide further savings in the future. Continuing work by the legal services team has allowed a further reduction of £0.250m in contributions to the Insurance Fund, increasing the total saved over the last three years to £1.000m.
- 3.1.20 It is estimated that at the end of the year, overall savings of £2.424m will be achieved, with the shortfall of savings of £0.510m being carried forward and addressed within the 2023/24 budget (see **Table 4**). This shortfall of savings relates to a decision to reverse some post deletions following the Savings Panel process (£0.060m) and delays in the review of enabling functions to enable the capture of efficiencies delivered by the implementation of the new system; this having been offset in part by the absorption of increased demand within enabling functions resulting from the increase in officer numbers through Uplift. This work will be revisited in 2023/24. With regard to targeted Collaboration savings of £0.250m, whilst the force actively collaborates with other forces and agencies where beneficial, it has become increasingly difficult to identify areas where budget can actually be reduced to provide savings; the focus being more on improving the efficiency and effectiveness of the services delivered.

Table 4: Overall Performance compared with Savings Targets 2022/23

Savings	Original Target £m	Estimated Out-turn £m	Variance Over/ (Under) £m
Budgeted Savings			
Saving Panel	2.121	2.061	(0.060)
Estate Strategy Savings	0.113	0.113	0.000
Collaboration	0.250	0.000	(0.250)
Reduction in Insurance Fund Contributions	0.250	0.250	0.000
SmartForce efficiencies	0.200	0.000	(0.200)
Total Savings Target	2.934	2.424	(0.510)

Capital Forecast 2022/23

- 3.1.21 The original budget for 2022/23 provided for total capital expenditure of £32.562m. As part of the 2021/22 outturn report, the PCC approved the rephasing of £16.581m of expenditure of which £13.918m related to the ongoing work on the St Anne Street premises. Provision for this delay had already been built into the 2022/23 capital plan and consequently, only £2.663m carry forward was actually required to be added to the original budget for 2022/23, with a revised total budget of £35.225m (see **Appendix C**).
- 3.1.22 It is forecast that at year end capital expenditure will total £11.451m, an underspend of £23.774m against the revised budget. As in the previous year, the underspend is largely due to delays within the Estate Strategy Programme, with an underspend of £18.165m across the Estates Programme; £9.659m in relation to St Anne Street and an underspend of £8.506m in relation to other proposed Estate projects which did not commence. A further underspend of £3.054m is forecast in relation to vehicles. Supply chain issues continued throughout the year with significantly reduced availability across the market and long lead times. Details of the forecast outturn by individual expenditure category is detailed in **Appendix C**.
- 3.1.23 Expenditure on the Estate Strategy during 2022/23 is estimated at £5.200m with delays experienced on the refurbishment work of the St Anne Street facility in addition to a rephasing of other Estates projects initially planned for 2022/23. With regard to St Anne Street, forecast expenditure of £5.200m represents an underspend of £9.659m compared to budget with delays cause by issues identified with the cladding of the building as well as continuing supply chain issues. Other capital work on the Estate originally budgeted at £8.506m has subsequently been rephased into later years as part of an overall review of the Estate Strategy during 2022/23.
- 3.1.24 The revised 2022/23 budget for IT Strategy was £2.791m. Whilst projects have largely been progressing to plan it is anticipated that there will be some delays with resultant expenditure of £2.288m for the year, an underspend of £0.503m.

- 3.1.25 The total Technical Budget for the year was £4.186m with forecast expenditure of £2.134m; an underspend of £2.052m. Within this figure, the underspend on the ESN budget of £3.378m reflects the continuing delays to this national project with further delays now expected until 2027/28 at the earliest. The technical equipment budget of £0.095m relates to the Merseyside share of the cost of assets purchased on behalf of the NWROCU. The variance resulting from the forecast expenditure of £1.639m is funded by a combination of partner force contributions and specific grant funding in addition to the release of £0.515m from the NWROCU Reserve. Operational equipment purchased during the year includes replacements to the Force Armoury with anticipated costs of £0.473m; an underspend of £0.218m.
- 3.1.26 Expenditure on the vehicle replacement programme is forecast to be £1.429m compared to a budget of £4.483m. The budget for 2022/23 has been largely committed but with continuing delays in delivery due to shortages across all vehicle categories, it is likely that there will again be a significant underspend in relation to this budget; currently forecast at £3.054m. The budget associated with vehicles that have been ordered but not delivered will be carried forward into 2023/24.

3.2 2023/24 Base Budget

Police Funding Settlement

3.2.1 On 31st January 2023, the Home Office published the final Police Funding Settlement.

National Headlines

3.2.2 The national headlines from the settlement were as follows:-

- (i) Overall police funding totals £17,194.8m, of which £11,913.0m is Government funding (69%) and £5,281.8m precept funding (31%). This assumes that all PCCs will increase their precept Band D Equivalent level by £15 and that tax bases increase in line with the Office of Budget Responsibility (OBR) forecasts;
- (ii) Of the Government funding, £9,796.7m (82%) has been allocated to PCCs, £1,114.0m (10%) has been top sliced/reallocated to fund national priorities and £1,002.2m (8%) for Counter-Terrorism Policing;
- (iii) The Government funding to PCCs consists of core grant funding, Legacy Council Tax grants, Council Tax Freeze grants, National and International Capital City grant, Precept grant, Pensions grant and a ringfenced grant for the Police Uplift Programme;
- (iv) The Government have also confirmed the total grant funding for Police Forces will increase by £174.4m in 2023/24. As part of the CSR21, the Government stated that there would be an additional £100m in police grant funding in 2023/24 to support the PUP. In addition, during 2022/23 the Government committed to provide an additional £140m to support the 2022/23 pay award, however it also vowed to claw back grant funding relating to the removal of the Health and Social Care Levy on Employers, estimated to be £65.6m;
- (v) The Government have confirmed that PCCs will be able to increase their Band D Equivalent precept by up to £15 in 2023/24 without the need to call for a local referendum. The Government are assuming that all PCCs will increase their precept in full and that council tax base levels increase in line with the latest OBR forecasts and that this will provide an additional £349m of funding to the Police Service;
- (vi) Flat cash pension grant allocations compared to 2022/23;
- (vii) The Government have set aside £104.9m for police capital reallocations to fund national priorities, including Police Technology Programmes, Crime Reduction Capabilities and the National Police Air Service;
- (viii) The Government expects to see at least £100m of cashable efficiency savings delivered from Force budgets by 2024/25; and
- (ix) Overall the total grant and precept funding (assuming PCCs maximise their precept flexibility) has increased by £523.4m, i.e. 3.6% compared to 2022/23.

Impact on Merseyside

- 3.2.3 Merseyside has received **total grant funding of £315.9m**, which is an increase of £5.6m, i.e. 1.8%, on the 2022/23 revenue grant level of £310.3m. This increase equates to Merseyside's share of the £174.4m national increase in core grant funding. This amount includes the following:-
- (i) **£287.568m** is Core Grant;
 - (ii) Up to **£9.165m from a ring-fenced specific grant for the PUP**. This will be released to the PCC if the Force successfully demonstrate that they have maintained their overall headcount, comprised of the agreed adjusted police uplift baseline of 3,447 police officers plus the additional 665 Police Officers recruited under the PUP, giving a minimum Police Officer headcount of 4,112;
 - (iii) **£15.641m in Legacy Council Tax Grants**, i.e. Legacy Local Council Tax Support Grant £14.103m and Legacy Council Tax Freeze Grant £1.538m, which is the same amount as previous years; and
 - (iv) **£3.570m Pension Grant**, which is unchanged from 2022/23.
- 3.2.4 Overall, assuming that the PCC sets the precept at the referendum threshold and the tax base increases in line with the latest OBR forecasts, the total funding made available by the Government to the PCC is £412.5m, an increase of £12.4m (3.1%) on the 2022/23 level of £400.1m. The increase is made up of £5.7m in grant funding plus the assumed precept increase of £6.7m.

Council Tax Referendums

- 3.2.5 The Government believes that local people should decide whether to accept an 'excessive' council tax increase. Consequently, the Localism Act 2011 introduced arrangements for council tax referendums. A referendum will take place if an Authority, including a PCC, proposes a percentage increase to the basic amount of council tax which exceeds a level agreed by the Government.
- 3.2.6 On 31ST January 2023 the Secretary of State for Department for Levelling Up, Housing & Communities confirmed the referendum principles for 2023/24; that PCC's will be able to increase their police precepts by up to £15 for a Band D equivalent property. This means if a PCC wishes to raise their relevant basic amount of council tax in 2023/24 by more than £15 this would be deemed "excessive" and would trigger a local referendum under the Localism Act 2011. The result of a referendum will be binding.
- 3.2.7 The PCC therefore needs to consider the potential costs of a referendum and rebilling if a precept is set which is deemed 'excessive.' However, the proposals contained within this report do not fall within this category.

Revised Revenue Base Budget

3.2.8 The revenue base budget is the foundation of the budgeting process. It is updated each year to reflect committed levels of service and any changes that have occurred during the year. These adjustments include:-

- committed costs (including Local, Regional and National commitments) and savings;
- the full year impact of the recruitment of additional police officers due to PUP including incremental pay growth;
- the movement in capital financing costs associated with the implementation of the capital programme;
- the impact of pay and price increases; and
- adjustments to cover net movements in specific grants.

3.2.9 After these changes have been applied to the revenue base budget, a revised base budget is calculated. This budget is then offset against the level of assumed funding to give either a budget deficit or surplus to be addressed in the year. It is assumed that the PCC increases the precept by £15 for a Band D Equivalent property. The changes applied for the year 2023/24 have been summarised in **Table 5** below.

Table 5: Summary Net Budget Requirement 2023/24 incorporating a £15 Precept Increase on a Band D Equivalent Property

	2023/24
	£m
Base Budget B fwd.	402.819
Committed Growth/Savings:-	
Under achievement of 2022/23 savings target	0.510
Increase in Capital Financing Costs	0.734
Other Net Commitments/(Savings)	(1.818)
Removal of Health and Social Care Levy Budget	(2.250)
Pay Inflation - fye 2022 pay award above original assumption	4.224
Price Inflation above 2022/23 contingency	2.064
Allowance for Pay Inflation	12.234
Allowance for Price Inflation	3.317
Net Budget Requirement	421.834
Assumed Funding:-	
Core Police Grant	(287.568)
Ring-fenced Specific Grant for Police Uplift Programme	(9.165)
Legacy Council Tax Grants	(15.641)
Pensions Grant	(3.570)
B Fwd. Precept Level	(89.811)
Precept Increase due to Increase in Tax Base	(2.107)
Precept Increase due Assumed £15 Increase in Band D Equivalent Property	(5.819)
Total Assumed Funding	(413.681)
Net Budget Deficit/(Surplus)	8.153
Collection Fund Surplus	(0.367)
Contribution from Budget Support Reserve	(5.204)
Surplus Contribution from the Merseyside LGPS (Chief Constable)	(2.000)
Deficit Contribution to the Merseyside LGPS (OPCC)	0.034
Budget Shortfall	0.616
Chief Constable Savings Target	(0.616)
Proposed Balanced Budget	0.000

3.2.10 **Appendix A** provides a draft summary budget for 2023/24 assuming a precept increase of £15 for a Band D equivalent property.

Merseyside Local Government Pension Scheme - Surplus and Deficit Contributions

3.2.11 It is noted that balance the budget there is a net contribution of £1.966m from the Merseyside Local Government Pension scheme. The following paragraphs detail the rationale for this net contribution.

- 3.2.12 Police and OPCC staff, subject to certain qualifying criteria, are eligible to join the Merseyside Local Government Pension Scheme (LGPS), which is a funded defined benefit scheme. Pensions and other retirement benefits are paid from the fund and individual employers, e.g. the Chief Constable and the PCC, and employees make regular contributions into the fund so that the liabilities are paid for evenly, over the employment period. Actuarial valuation of the fund, i.e. an appraisal of a pension fund's assets (e.g. equities, property and cash balances) versus liabilities, are undertaken every three years to determine the contribution rates needed to meet its liabilities and the latest valuation is currently being finalised.
- 3.2.13 Wirral MBC is the administering authority for the Merseyside Pension Fund (MPF) and has delegated responsibility and accountability for overseeing the fund. Securing the 'solvency' and 'long term cost efficiency' of the LGPS is a regulatory requirement. Consequently, a key long term funding objective of the MPF Funding Strategy is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities, i.e., the solvency funding target. This objective is considered on an individual employer specific level when setting individual contribution rates.
- 3.2.14 The MPF have undertaken their planned triannual review of the Fund. The actuarial review was undertaken by the funds actuary's Mercer. The results of the actuarial valuation show that the Chief Constable has assets of £564.3m against liabilities of £523.4m, giving an overall fund surplus of £40.9m. This is equivalent to a funding level of 107.8%, well above the MPF's 100% solvency funding target. At the last triannual review the Chief Constable's had assets of £439.8m against liabilities of £428.4m, giving an overall fund surplus of £11.4m, i.e. a funding level of 102.7%. The improvement in the Funds position is due mainly to investment returns being significantly better than that assumed by the actuary at the last triannual review and salary growth also being lower than assumed, consequently the Chief Constable contributing more than required.
- 3.2.15 Following discussions with MPF and the actuary, the Chief Constable has agreed a plan to reduce the fund surplus by £6m over the next three years, i.e. £2m pa, in order to support the revenue budget. Based on the current valuation results this would still leave a surplus of £34.9m, i.e. a funding level of 106.7%. This action and the fund position are deemed to be prudent and will retain a funding buffer in the event of adverse market conditions and reduce the exposure to hikes in contributions at the 2025 valuation. It is noted that Future Employer Service Rates, (i.e. that contribution rates payable by the Chief Constable, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future), will increase to 17.5% from 16.8% from 1st April 2023 in line with the recommendations from Mercer. This is due primarily to changes in the actuarial assumptions, e.g. salary growth, and reflects changes in the profile of membership. This will ensure that sufficient resources will be available to liabilities as they fall.
- 3.2.16 With regard to OPCC Fund, the results of the actuarial valuation show that the fund has assets of £2.600m against liabilities of £3.057m, giving an overall fund deficit of £0.457m. This is equivalent to a funding level of 85.1%. At the last triannual review the OPCC had assets of £1.450m against liabilities of £1.881m, giving an overall fund deficit of £0.431m., i.e. a funding level of 77.1%, well below the MPF's 100% solvency funding target. However, due to the fact that the fund is in deficit the PCC has agreed to a deficit reduction plan, the aim of which is to eliminate the deficit as quickly as is affordable,

and agreed to make additional annual contribution of £0.034m, £0.036m and £0.037m over the next three years. The PCC has also agreed to align the Future Employer Service Rate with that of the Chief Constables 17.5%, an increase of 0.01% on the current rate. This is reflected in the Revenue Budget proposals.

PCC Controlled Expenditure

- 3.2.17 The PCC controls the budgets for the cost of the Office of the Police and Crime Commissioner (OPCC), Community Safety Funding, Victims Support Services grant and the Violence Reduction Partnership (VRP) grant. In 2023/24 the total level of controlled expenditure is estimated to amount to £11.454m, which is a reduction of £1.392m compared to 2022/23 (see **Table 6**). This reduction is due mainly to the planned reduction in the VRP grant by the Home Office.

Table 6: PCC Controlled Expenditure 2023/24

	2022/23	2023/24	Movement
	£m	£m	£m
Office of the Police & Crime Commissioner	1.475	1.539	0.064
Community Safety Fund*	2.091	2.111	0.020
Victim Support Services Grant	3.416	3.416	0.000
Violence Reduction Partnership Grant	5.864	4.388	(1.476)
Total	12.846	11.454	(1.392)

* of which £0.084m will be funded via earmarked reserves in 2023/24

- 3.2.18 Consequently, the PCC is proposing a budget of £1.539m for her office, equivalent to 0.37% of the overall budget. It is noted that it is proposed to increase the OPCC budget by £0.064m to address a number of budgetary issues. **Appendix B** details the proposed OPCC budget. In addition, the PCC is proposing to increase the overall funding for the Community Safety Fund by £0.020m to address an ongoing increase in demand for the Appropriate Adult Service. However, on the whole there is no impact on the Force budget due to the proposed virement of £0.084m from the Community Safety Fund, which is funded via the general police grant. The reduction in Community Safety funding is to be funded from earmarked reserves in 2023/24.
- 3.2.19 The PCC proposes to continue setting aside funding to support community safety initiatives that help prevent crime and reduce Anti-Social Behaviour (ASB). In addition, it is proposed to continue to fund all the partners who were supported in 2022/23 at the same level (see **Table 7** below).

Table 7: Proposed Allocation of the Community Safety Fund 2023/24

	2022/23 Allocation	Proposed 2023/24 Allocation	Movement
	£m	£m	£m
Liverpool CC	0.854	0.854	0.000
Wirral MBC	0.345	0.345	0.000
Sefton MBC	0.332	0.332	0.000
Knowsley MBC	0.181	0.181	0.000
St Helens MBC	0.175	0.175	0.000
Positive Futures - North Liverpool Ltd*	0.058	0.058	0.000
Positive Futures - Everton in the Community*	0.026	0.026	0.000
Appropriate Adults Service	0.120	0.140	0.020
Total	2.091	2.111	0.020

**To be funded via earmarked reserves in 2023/24*

- 3.2.20 In addition to the Community Safety funding above, the PCC has balances within the Crime Prevention Reserve and Police Property Act Fund that can be utilised to secure, or contribute to securing, crime and disorder reduction on Merseyside.
- 3.2.21 It is noted that the PCC is currently undertaking a review of the Community Safety Fund, and the above reserves, with a view of implementing a new strategy that will contribute to delivering the PCC's policing plan priorities. The PCC has established a small working group to conduct this work and draft initial proposals for consideration. The initial findings are planned to be shared with members of the PCP before finalising.
- 3.2.22 The PCC has responsibility for the commissioning of local victim support referral and associated services. These services are funded by a grant from the Ministry of Justice. In 2022/23 the PCC was awarded a three year grant funding covering the period 1st April 2022 to 31st March 2025.
- 3.2.23 In 2020/21, the PCC received a specific grant to establish a Violence Reduction Partnership on Merseyside. This funding was subsequently continued in 2021/22. During 2022/23, the PCC received a three year indicative grant offer covering the period 1st April 2022 to 31st March 2025, with £5.864m to be received in 2022/23, £4.388m in 2023/24 and £4.342m in 2024/25.

Tax Base and Collection Fund

- 3.2.24 The five Local Authorities, i.e., Billing Authorities, on Merseyside are required to notify the PCC of their annual council tax base. The calculation of the council tax base is, in essence, the number of dwellings within the authority's boundary presented as 'Band D equivalent.' This means dwellings falling outside Band D are converted into a proportionate Band D value. The number of properties is then adjusted to take account of discounts and exemptions for disabled occupants, single occupiers, students, exempt dwellings, as well as reductions in accordance with the council tax support scheme. A further adjustment is made for non-collection of council tax. Once the PCC has been

notified by all the Local Authorities, the total tax base for Merseyside can then be determined and this multiplied by the precept charge for the Band D equivalent property set by the PCC to give the total level of precept income that the PCC should receive, i.e., the precept requirement. Once the PCC sets the precept and determines the requirement the Local Authorities are notified to collect the precept on behalf of the PCC as part of their council tax bills. The Local Authorities pay the annual precept requirement to the PCC in ten instalments during the year.

3.2.25 The PCC has been notified of adjustments relating to the Tax Base and Collection Fund by each of the Local Authorities within Merseyside.

3.2.26 Consequently, the Tax Base across Merseyside has increased by 8,891.25 Band D equivalent properties. This equates to an increase in precept income of £2.107m before any change in the level of precept levied. This represents a recurring income stream and consequently the precept income within the base budget calculation is increased accordingly. Details of the movement in Tax Bases and the implications for the PCC budget is contained in **Table 8** below:-

Table 8: Collection Fund and Tax Base

	Council Tax Base 2022/23	Council Tax Base 2023/24	(Increase) / Decrease in Tax Base	(Increase) / Decrease in Tax Base	(Increase) / Reduction in Precept Income
	£	£	£	%	£
Liverpool CC	108,460.97	114,506.34	(6,045.37)	5.57%	(1,432,571.33)
Sefton MBC	84,170.40	85,663.60	(1,493.20)	1.77%	(353,843.60)
St. Helens MBC	53,290.00	53,317.00	(27.00)	0.05%	(6,398.19)
Wirral MBC	95,172.39	95,585.07	(412.68)	0.43%	(97,792.78)
Knowsley MBC	37,907.00	38,820.00	(913.00)	2.41%	(216,353.61)
Total	379,000.76	387,892.01	(8,891.25)	2.35%	(2,106,959.51)

3.2.27 The overall increase in the Tax Base is 2.35%, which is greater 0.85% greater than the 1.50% increase assumed within the original MTFS and forecast by the Office of Budget Responsibility.

3.2.28 With regard to the Collection Fund for 2023/24, an overall Collection Fund surplus has been declared by the Merseyside Local Authorities. The PCC's share of the overall surplus amounts to £0.367m, after taking account of the recovery of collection fund accrued in 2021/22 due to the impact of Covid-19 in 2020/21 (i.e. £0.997m).

3.2.29 In 2021/22 in anticipation of significant deficits being declared due to the pandemic, the Government laid down the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020. These regulations extend, from one to three years, the period over which local authorities, including major preceptors, could repay deficits in their local tax collection funds which have accrued during financial year 2020/21 as a result of the economic impact of the Covid-19 pandemic. Consequently,

£2.992m of the 2020/21 deficit was phased in three equal tranches across the financial years 2021/22, 2023/24 and 2023/24, resulting in £0.997m pa over the three years.

3.3 Staffing

Police Officers

- 3.3.1 The budget challenges faced by the Force since 2010/11 had an inevitable impact on police officer numbers and up until the end of 2019/20 the Force had seen a net reduction in police officer posts of 1,121fte, which was equivalent to 24.4% reduction in budgeted strength. From 2020/21, the Government has supported a national increase in officer numbers of 20,000 and this has enabled the Force to increase its forecast budgeted strength by 665fte at the end of 2022/23. Of these additional 665 officers, 23 have been designated by the Home Office for allocation to the North West ROCU with a further 14 anticipated in 2023/24 – a total of 37. It is noted that despite the PUP, Merseyside will still have 450fte less police officers than it did at the start of austerity in 2010/11.
- 3.3.2 The estimated budgeted police officer fte posts during 2023/24 is shown in **Table 9**. The number of posts funded by external partners including specific grants is also highlighted in **Table 9**.

Table 9: Anticipated Budgeted Police Officer Posts in 2023/24

	FTE
Budgeted Police Officer Posts as at 31.03.23	4,138.4
Estimated Increase /(Reduction) in Police Officers	0.0
Estimated Budgeted Police Officer Posts as at 31.03.24	4,138.4
<i>Of which, are externally funded posts</i>	<i>132.9</i>
Estimated Net Movement in Year	0.0

- 3.3.3 As at 31st December 2022 there were 4,100.32 actual fte police officers with resultant vacancies of 38.08 ftes. Intakes of new recruits are planned prior to the year end to address these vacancies.

Police Staff

- 3.3.4 The estimated budgeted number of police staff fte posts, excluding PCS&TOs, during 2023/24 is shown in **Table 10**. It is noted that that police staff numbers have increased by 220 since the start of PUP. The number of posts funded by external partners including specific grants is also highlighted in the table having increased by 73 during 2022/23 due to additional specific grant funding. There are no anticipated changes to staffing numbers during 2023/24.

Table 10: Anticipated Budgeted Police Staff Posts

	FTE
Budgeted Police Staff Posts as at 31.03.23	2,324.9
Estimated Increase /(Reduction) in Police Staff	0.0
Estimated Budgeted Police Staff Posts as at 31.03.24	2,324.9
<i>Of which, are externally funded posts</i>	248.2
Estimated Net Movement in Year	0.0

3.3.5 As at 31st December 2022 there were 2,199.07 actual FTE police staff.

Police Community Support and Traffic Officers

3.3.6 At the end of 2022/23 the anticipated budgeted establishment for PCS&TOs is 237.0fte which includes 4.5 externally funded posts. There are no anticipated changes to this establishment or external funding for 2022/23. **Table 11** provides a summary of the movement in budgeted posts.

Table 11: Anticipated Budgeted PCS&TOs Posts

	FTE
Budgeted PCS&TO posts as at 31.03.23	237.0
Estimated Increase /(Reduction) in posts	0.0
Estimated Budgeted PCS&TO Posts as at 31.03.24	237.0
<i>Of which, are externally funded posts</i>	4.5
Estimated Net Movement in Year	(0.0)

3.3.7 As at 31st December 2022 there were 181 actual fte PCS&TOs with resultant vacancies of 56ftes, with further recruitment planned before the end of the financial year.

Office of the Police and Crime Commissioner

3.3.8 The budgeted establishment of the OPCC in 2023/24 will be 27fte, an increase of one on the previous year. The additional post relates to the establishment of a Regional OPCC Business Support Advisor to support the North West Joint Oversight Committee. The postholder will be located at the OPCC and will be jointly funded by the North West PCCs. The budgeted establishment includes the PCC and Deputy PCC posts, plus four posts partly funded through the Victim Support Services grant and the Income Generation, Monitoring and Evaluation Officer from the Invest to Save Reserve for two years to enable the post to become established and self-financing.

3.3.9 As at 31st December 2022 there were two vacancies within the OPCC, including the Deputy PCC post. Although it is noted that the DPCC post has now been filled.

3.4 Capital Programme 2023/24 to 2027/28

3.4.1 The draft capital plan at **Appendix C** shows projected capital expenditure for the next five financial years. Figures have been included to accommodate:-

- The IT Strategy;
- Technical Equipment;
- The Estate Management & Strategy; and
- The Vehicle Replacement Programme.

3.4.2 In 2023/24 the total planned capital expenditure amounts to £22.017m, with the majority being allocated for the continued implementation of the Estate Strategy, particularly the completion of the refurbishment of St Anne's Street Police Station and custody suite. It is noted that the estimated costs relating to the IT Strategy and Vehicle Replacement Programme have been uplifted to take account of the impact of the PUP.

3.4.3 In relation to the financing of the capital expenditure programme, it is assumed that borrowing under the terms of the Prudential Code will fund capital expenditure not met from capital receipts or reserves. In this regard, capital receipts are utilised in full each year to reduce borrowing requirements. In 2023/24 it is estimated that there will be a need to borrow externally £11.887m to fund the planned expenditure. The costs of financing this level of borrowing have been factored into the revenue budget and MTFS. It is also anticipated that capital receipts of £9.730m will be generated. In the event that this level of capital receipts is not generated, further borrowing will need to be undertaken in the year and this would have a negative impact on the MTFS.

3.4.4 With regard to the Estate Strategy, it is estimated that a further £131.8m will be required to complete the existing strategy by 2032/33. Of this amount £94.2m is planned to be spent within the five year capital programme detailed in **Appendix C**, with the remaining £37.6m to be incurred by 2032/33. Some of this expenditure will be offset by capital receipts generated from the sale of surplus property, however the majority of this expenditure will need to be financed via prudential borrowing. The additional capital financing costs associated with this level of borrowing are estimated to be in the region of £9.7m, of which £3.8m is reflected within the MTFS. It is noted that of the £9.7m, £6.2m is committed in principle, subject to the approval of the individual estate projects. A review of the strategy is currently being finalised to ensure that it is still appropriate and affordable.

Prudential and Treasury Management Indicators 2023/24

3.4.5 The Local Government Act 2003 introduced the current system of capital financing and control. The basic principle of this system is that the PCC is free to invest in assets and set their own overall level of borrowing, provided that these capital spending plans are affordable, prudent and sustainable.

3.4.6 The PCC is governed by a set of regulations known as the Prudential Code for Capital Finance in Local Authorities (the Code), which ensures that the objectives of affordability, prudence and sustainability are met. The Code specifies arrangements for

PCCs to set and monitor prudential indicators and impose limits for the current and next three financial years.

3.4.7 The prudential indicators, and their purpose and method of calculation, are detailed within The Treasury Management Strategy 2023/24. They will be based on the capital programme and the assumptions consistent with the MTFs.

3.4.8 A key prudential indicator is the indicator for affordability, i.e. the estimate of financing costs to the net revenue stream. The indicator of affordability highlights the revenue implications of existing and proposed capital expenditure. It identifies the proportion of the revenue budget required to meet capital financing costs to ensure the investment remains within sustainable limits. Affordability should be considered in the light of medium and long-term forecasts.

3.4.9 **Table 12** below shows the indicator over the MTFs period and at the end of the Estate Strategy. The indicator shows the capital financing costs increasing over the MTFs period, as a result of the proposed implementation of the Estate Strategy. The increase in financing costs will increase the ratio from 2.78% in 2023/24 to 3.29% in 2027/28. However, following the completion of the Estate Strategy by 2032/33 the ratio is forecast to be 4.31%. It is considered that this ratio is within acceptable limits and the PCC is not planning to commit an excessive proportion of net revenue to capital financing costs. However, this is predicated on the PCC and the Chief Constable being able to maximise resources and identify cashable savings to enable a balanced the budget in future years.

Table 12: Prudential Code Indicator - Affordability

		2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2032/33 Estimate
Financing Costs	£m	11.506	11.612	10.867	12.365	14.534	20.493
Net Revenue Stream	£m	413.682	423.747	429.787	435.938	442.116	474.956
Ratio of Financing Costs to Net Revenue Stream	%	2.78%	2.74%	2.53%	2.84%	3.29%	4.31%

The Minimum Revenue Provision

3.4.10 The Minimum Revenue Provision (MRP) is a statutory charge relating to the repayment of debt. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 require the PCC to decide upon an appropriate level for the MRP which they consider 'prudent'.

3.4.11 Prudent provision is not defined within the Regulations, but the guidance sets out several options that could be considered, the over-riding principle being that the charge to revenue should be linked to the lives of the assets funded by borrowing. These options will be detailed within the 2023/24 Treasury Management Strategy, along with recommendations on the levels of the MRP.

3.5 Medium Term Financial Strategy

3.5.1 The PCC operates within a framework whereby the Financial Strategy and five year Medium Term Financial Planning regime aim to provide stability and confidence in supporting the achievement of the PCC's and Chief Constable's priorities and objectives.

3.5.2 It is important that the financial challenges facing the PCC and the Force over the medium term are considered when the precept and the annual budget are being determined.

3.5.3 The MTFS has been refreshed to take account of the best available advice and professional judgement available at the time of writing. It will change as new announcements are delivered and assumptions on variables, such as pay and inflation become more certain.

3.5.4 The main assumptions upon which the latest MTFS has been developed are as follows:-

- (i) The Core Grant is increased annually over the MTFS period. **Assumption is changed from 2022/23.**

It is assumed that the Force will receive a share of the planned increases in overall Force funding of £150m in 2024/25 announced as part of the CSR21, equivalent to the proportion of overall Government Grant it received in 2022/23, i.e. 3.3%. This has a positive impact on the MTFS.

In addition, as part of the Autumn Statement 2022, the new Chancellor announced that after the current spending review period (CSR21), departmental resource spending will grow at 1% a year in real terms. Consequently, it is now assumed that the General Grant will increase by 1% pa rather than being maintained at the 2024/25 level. **This has a positive impact on the MTFS;**

- (ii) In addition, the Police Uplift Programme specific grant will be rolled into the Core Grant to enable the Force to maintain its existing police officer numbers. **Assumption unchanged from 2022/23.**

It is noted that the Government have continued to ringfence this specific grant in order to ensure that Forces maintain their overall officer headcount comprised of their agreed Police Uplift baseline plus their allocation of the additional 20,000 additional police officers. Merseyside's baseline establishment was 3,447 police officers, the PUP allocation was 665 police officers giving an overall minimum headcount of 4,112 police officers;

- (iii) The PCC maximises the precept income by setting the precept level at the Referendum Threshold. **Assumption unchanged from 2022/23.**

It is noted that the Referendum Threshold in 2024/25 is assumed to fall back to an increase of £10 per Band D equivalent property as stated in the CSR21 then an assumed annual increases of 1.95% per Band D equivalent property. **This has a neutral impact on the MTFS;**

- (iv) The tax base will change in line with the OBR annual forecasts contained within their Economic and Fiscal Outlook report which is published alongside the settlement. **Assumption unchanged from 2022/23.**

*The latest forecasts are that on average the council tax base nationally will increase by 1.14% (previously assumed increase of 1.4%) in 2024/25, followed by increases of 1.11% (1.2%), 1.09% (0%) and 1.0% over the MTFS period. **This has a negative impact on the MTFS;***

- (v) Legacy Council Tax Grants are assumed to be static. **Assumption unchanged from 2022/23;**

- (vi) All Specific Grants are assumed to be static. **Assumption unchanged from 2022/23;**

- (vii) Future pay awards are assumed to be 2.5% over the next two years followed by 2.0% increase pa over the rest of the MTFS period. **Assumption unchanged from 2022/23.**

*It is noted that the Government assumed a 2% increase pa in the three year CSR21 and that Government spending plans have not altered, except for the additional grant funding to support the 2022 pay award and the increased precept flexibility. Following the provisional settlement announcement the Minister for Crime, Policing and Fire wrote to the APCC and NPCC requesting that "PCCs should consider the pressures on their budgets, including the potential for a 2023/24 pay award above 2% next year, for which they should budget accordingly". The Government will once again be seeking recommendations from Police Pay Review Body (PRRB) before announcing the 2023 pay award in the Autumn. **This has a significant and negative impact on the MTFS;***

- (viii) Non-pay inflation is now assumed to be in line with the OBR's forecasts announced at the time of the Autumn Statement. **Assumption changed from 2022/23.**

Subsequently, it is assumed that inflation will increase by 5.5% in 2023/24, before falling to zero in 2024/25, then -1% in 2025/26 before settling around 2%, i.e. the Government's target for the Bank of England, by 2027/28. **This has a negative impact on the MTFS;**

- (ix) Capital financing costs are based upon the capital programme contained within **Appendix 4**, as well as the latest fixed term interest rates published by the Public Loans Work Board (PWLb). **Assumption unchanged from 2022/23.**

In order to reduce inflation and bring inflation back down to its target rate of 2% the Bank of England (BoE) have increased interest rates over the last year to discourage spending. As a consequence this has meant higher borrowing costs. Although not directly linked to the BoE base rate the rates applied to the Public Work Loans have also increased. In the last MTFS PWLB interest rates were assumed to be 1.76% the revised assumption is that PWLB fixed interest rates will be 4.66%. **This has a negative impact on the MTFS;**

- (x) Adjustments have been made for known committed spend items including pension charges and payments to national bodies. **Assumption unchanged from 2022/23**; and
- (xi) The Budget Support Reserve will be utilised to support the revenue budget and fund the 2020/21 accrued Covid-19 collection fund deficits. **Assumption unchanged from 2022/23**; and
- (xii) Reserves will be utilised to maintain the savings requirement over the current CSR21 period as per the previous MTFS in order to provide the PCC and Chief Constable with more time to identify and implement the necessary savings plans. This has the effect of pushing the savings requirement back but not removing it. **New Assumption.**

3.5.5 Whilst there is a reasonable basis for the assumptions on funding for 2023/24, there remains uncertainty after this period. The assumptions beyond 2023/24 will change as new announcements, such as the next Autumn Statement, a new Comprehensive Spending Review and the outcome of the Funding Formula Review are delivered and assumptions on variables such as the precept and pay and price inflation become more certain.

3.5.6 After taking account of all these factors, a revised draft MTFS has been calculated and is summarised in **Table 13** below. A detailed draft MTFS is contained within **Appendix D**. It can be seen that the PCC and Force will be able to balance the budget in 2023/24. However, they are potentially required to identify savings of £15.275m over the MTFS period.

Table 13: Summary of the Revised MTFS Savings Requirements

Description	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Total Net Budget Requirement	421.835	429.614	435.565	443.904	446.902
Total Assumed Funding	(413.682)	(423.747)	(429.787)	(435.938)	(442.116)
Net Budget Deficit/ (Surplus)	8.153	5.867	5.778	7.966	4.786
Contribution from Reserves/one-off funding	(7.537)	(5.209)	(4.529)	0.000	0.000
Savings Requirement	0.616	0.658	1.249	7.966	4.786
Cumulative Savings Requirement	0.616	1.274	2.523	10.489	15.275

- 3.5.7 As demonstrated by **Table 13**, there still remains a very significant financial and policing challenge for the PCC and the Force in the years ahead, The main reasons for this being that it is assumed that Government Core funding will not increase in real terms pa to address the full impact of pay and price inflation, or enable the PCC to finance capital financing costs associated with implementing the capital programme, particularly the remaining estate strategy.
- 3.5.8 The Forces Community First Programme Board, at which the OPCC Chief Executive represents the PCC, will continue to review the more strategic change processes in order to deliver the savings required and make efficiencies in all areas of business and improve the service that the Force provide to the public. The PCC and Force will continue to work with local forces, other emergency services and national work streams to consider options where collaboration can support how the Force can deliver local services in a better, more efficient way.
- 3.5.9 In addition, the PCC, in consultation with the Chief Constable, will continue to look to utilise reserves and in year underspends to address any budget deficits, as well enable the immediate release of savings from the revenue account, and provide more time to deliver efficiency savings required. However, it is noted that reserves can only be utilised once.

Sensitivity Analysis

- 3.5.10 **Table 14** below shows how sensitive the underlying assumptions within the MTFS are to small percentage changes and demonstrates the potential financial impact on the annual budget if the assumptions are changed.

Table 14: Estimated Impact on MTFS if Underlying Assumptions Change

	Additional Cost / (Income) £m
1% increase in Pay Inflation (full year effect)	3.505
1% increase in Price Inflation	0.609
1% increase in Core Grant (including Uplift)	(2.875)
1% increase in the Precept	(0.977)
£1 increase in the Precept	(0.384)

- 3.5.11 Using these as guides to assess the impact of change, it can be seen that the overall budget is sensitive, particularly to changes in pay inflation and core grant funding. It is of course possible for a combination of all of these factors to work either for or against the PCC, resulting in either additional savings requirement or an additional resource.
- 3.5.12 To provide an indicative analysis of the considerable impact that the pay assumptions have on the overall financial position, further sensitivity analysis has been undertaken to assess the potential impact of the 2023 pay award being greater than that assumed within the MTFS above. The base assumption within the MTFS is that the pay awards are assumed to be 2.5% in 2023/24 and 2024/25 before falling to 2.0% pa (**para 3.5.4 (vii)**). The following sensitivity scenario has been modelled:-

- A pay award of 5% in 2023/24 followed by 2.5% in 2024/25 and 2.0% pa over the remaining MTFS period;

Table 15: Budget Deficit/Surplus under Different Pay Award Scenario

Description	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Total Net Budget Requirement	426.868	433.341	435.565	443.904	446.902
Total Assumed Funding	(413.682)	(423.747)	(429.787)	(435.938)	(442.116)
Budget Deficit/ (Surplus)	13.186	9.594	5.778	7.966	4.786
Contribution from Reserves/one-off funding	-7.537	-5.209	-4.529	0.000	0.000
Savings Requirement	5.649	4.385	1.249	7.966	4.786
Cumulative Savings Requirement	5.649	10.034	11.283	19.249	24.035

3.5.13 The above scenario illustrates the impact of a 5% pay award in 2023/24. From **Table 15** above it can be seen that the cumulative savings requirement would increase significantly from £15.275m to £24.035m over the MTFS period, an increase of £8.760m. The net budget deficit in 2023/24 would subsequently increase to £13.186m. In order to balance the budget, the planned utilisation of reserves would need to be brought forward, thus minimising the level of savings the Chief Constable would have to make in 2023/24. However, the full year impact of the pay award and the utilisation of reserves earlier than planned would mean that significant savings would be required in 2024/25 to balance the budget, much greater and earlier than assumed in **Table 13** above. If this scenario arose there would be an expectation that the Home Office would provide some additional funding similar to that provided for the 2022 pay award and possibly the Government would also increase the referendum threshold in 2024/25 above the £10 assumed.

Long Term Financial Strategy

3.5.14 In addition, to the MTFS a long term financial plan is maintained. The plan is based on the continuation of the assumptions detailed in **paragraph 3.5.4** above and runs until 2032/33. **Appendix F** summarises the long term financial plan. During the period beyond the current MTFS it is forecast that there will be an additional saving requirement of £17.930m. This position reflects the assumption that the assumed level of funding will not be sufficient to cover the impact of pay and price inflation, as well as the additional capital financing costs associated with the completion of the Estate Strategy. In addition, it is noted, that the estimated savings requirement in 2028/29 amounts to £5.034m, of which £3.241m relates to capital financing costs associated with implementing the capital programme detailed in **Appendix C**.

3.5.15 It is important that this position is considered when approving individual capital projects or additional investments, as well as the requirements of future savings programmes to ensure future balanced budgets any additional investments or growth.

3.6 General Balances, Reserves and Provisions Strategy

- 3.6.1 The reserve strategy is produced and published as part of the overall budget setting process. The reserve strategy meets the statutory requirement to consider annually the level of reserves that should be held to meet future expenditure requirements when setting the budget. The strategy seeks to achieve a balance between providing financial resilience to meet unexpected events and proactively utilising reserves to support the PCC and Force to deliver an efficient and effective police service.
- 3.6.2 The PCC must decide the level of general balances that should be retained before deciding the level of council tax precept. General balances are maintained as a matter of prudence. They enable the PCC to provide for cash flow fluctuations and unexpected costly events and thereby help protect the PCC and Force from overspending the annual budget, should such events occur. Reserves and provisions are retained for specific purposes or for known future financial obligations respectively.
- 3.6.3 The PCC has adopted a risk-based approach to determine the appropriateness of the levels to be retained, including the minimum acceptable level of general balances. As a consequence, the Chief Finance Officer and Chief Constable review all balances, reserves and provisions as part of the budget setting process and again as part of closing the annual accounts.
- 3.6.4 The responsibilities of the PCC, Chief Finance Officer and Chief Constable relating to the financial management of reserves are detailed within the Financial Regulations contained within the approved Corporate Governance Framework.

General Balances

- 3.6.5 The Police Service, as one of the major emergency services, is required to respond to incidents of an unexpected nature over which it has little or no control. A major incident, or a series of events, could put extraordinary pressure on the budget in a particular year. As a result, financial prudence dictates that a level of General Balances should be retained to provide resilience against the effect of such a situation. This area is explored further in the Chief Finance Officer's accompanying report on the adequacy of financial reserves.
- 3.6.6 The Chief Finance Officer and the Chief Constable have undertaken a review of the level of these balances, taking into account the risks included within the PCC and Force Risk Registers. A breakdown of this analysis is included at **Appendix E**. This risk-based review has concluded that the minimum acceptable level of General Balances should be in the region of £13.100m in 2023/24. This equates to 3.1% of the 2023/24 direct resource funding, i.e. General Grant (including Uplift), Pensions Grant and Precept. The current level of General Balances is just below the risk assessed amount, which is deemed acceptable. The Chief Finance Officer will review the risk-assessment as part of the year end procedures and, if required, adjust the level of general balances to the risk-assessed level by adjusting existing earmarked reserves.

- 3.6.7 The anticipated level of General Balances for 2022/23 and 2023/24 are shown in **Table 16** below. It is anticipated that this level of balances will be retained over the remaining MTFS planning period, subject to changes in the risk assessment. Further details of the level of General Balances over the MTFS planning period are detailed in **Appendix F**.

Table 16: General Balances

	2022/23 £m	2023/24 £m
Balance at beginning of year:	12.990	12.990
<i>Planned Movement in Year</i>	<i>0.000</i>	<i>0.000</i>
Balance at end of year:	12.990	12.990
Percentage of Direct Resource Funding	3.2%	3.1%

- 3.6.8 In recent years, collection fund surpluses and deficits declared by the Billing Authorities have been offset against General Balances. This is due to the uncertain and one-off nature of these amounts. At the end of January 2023 the Billing Authorities notified the PCC that there will be an overall surplus on the Collection Fund in 2022/23, which means that the PCC will receive a one-off receipt of £0.367m in 2023/24. **It is proposed to charge this against the revenue budget in 2023/24.**

Earmarked Reserves

- 3.6.9 There are two types of earmarked reserves, 'useable reserves,' i.e. those reserves that can be applied to fund expenditure or reduce council tax precept, and 'unusable reserves,' i.e. those reserves the PCC is not able to use to provide services.

Useable Earmarked Reserves

- 3.6.10 The PCC holds a number of useable earmarked reserves which have been set aside to finance future specified costs. These reserves include sums set aside for major schemes, such as the Estate Strategy or the purchases of assets, or to fund the costs of major reorganisations. An insurance reserve for self-insurance purposes and reserves has been retained to enable year-end underspends at departmental level to be carried forward.
- 3.6.11 As of 1st April 2022, £36.880m was held in earmarked reserves, including £8.376m within the Restructure Reserve and £9.625m in the Budget Support Reserve (see **Appendix F**). It is anticipated that at the end of the year earmarked reserves will amount to £35.317m.

Table 17: Earmarked Reserves

	2022/23 £m	2023/24 £m
Balance at beginning of year:	36.880	35.317
Estimated Transfers In	1.359	0.000
Estimated Transfers Out	(8.811)	(9.831)
Estimated Appropriation	5.889	0.000
Balance at end of year:	35.317	25.486
Percentage of Direct Resource Funding	8.5%	6.0%

- 3.6.12 During 2023/24, it is noted that £5.204m will be released from the Budget Support Reserve to support the revenue budget. Capital receipts generated in the year, along with the Estate Strategy, will be utilised to fund the capital programme. Consequently, it is anticipated that the level of earmarked reserves at the end of 2023/24 will have been reduced to £25.486m, equivalent to 6.0% of direct resource funding (see **Table 17**). Details of the reserves held is contained within **Appendix F**, along with details of the planned and estimated movement to and from the reserves during 2023/24 and the remaining MTFs planning period.
- 3.6.13 It is noted that, during the MTFs planning period, it is assumed the PCC will release all of the Budget Support Reserve to support the revenue budget as part of the Reserve Strategy.
- 3.6.14 All of the earmarked reserves are for funding planned expenditure on projects and programmes over the MTFs period, with the exception of the Insurance Reserve, an element of the POCA Reserve and the Section 152 Reserve. With regard to the Restructure Reserve the actual timing of when this reserve will be utilised is unclear. At present, it is anticipated that there will be approximately £14.982m of balances remaining within these reserves that will fund specific projects and programmes beyond the current planning period.
- 3.6.15 In accordance with Home Office guidelines on Police Reserves, **Appendix F** also provides an analysis of the level of General Balances and Earmarked Reserves estimated to be held on 31st March 2023, i.e. £48.307m, over the following three categories:-
- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan;
 - Funding for specific projects and programmes beyond the current planning period; and
 - As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management.

Unusable Earmarked Reserves

- 3.6.16 The PCC also holds unusable earmarked reserves that arise from the interaction of legislation and proper accounting practice, either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements. These reserves are not resource-backed and cannot be used for any other purpose. Details of the unusable reserves held and their purpose are contained in **Appendix F**. The movement in these reserves is determined at year end and detailed within the Annual Statement of Accounts.

Provisions

Insurance Provision

- 3.6.17 The PCC holds an Insurance Provision to finance internal insurance claims. This self-insurance policy currently substantially assumes the risk in respect of public, employer and motor liabilities.
- 3.6.18 The nature of police activities is such that there can be potentially large claims from time to time. This is predominantly why there are few insurers willing to offer cover and the reason the PCC arranges insurance cover with large excesses. The excess for liability (Public and Employer's), and motor claims is currently £0.750m and £0.120m respectively. This balance of internal and externally funded insurance provides the most economic advantage to the PCC.
- 3.6.19 The size of these excesses means that all but very large claims are paid by the PCC. Therefore, annual assessments are made of potential liabilities and the level of fund contributions required to meet these liabilities. Due to both late reporting and the length of time it takes to settle claims, it can be a number of years before the final costs are known. However, the fund review makes allowance for these factors and, at 31st December 2022, liabilities were estimated to be in the region of £3.340m.
- 3.6.20 This amount consists of two elements; firstly an amount of £2.381m of known obligations based on the insurance companies and in-house reserved amounts, inclusive of a 36% win/loss ratio. Secondly, a contingency of £0.959m has been set aside, which is an estimate of claim events which have occurred but have not yet been reported to the PCC, resulting from the long life cycle of claims as referred to above, inclusive of the win/loss ratio.
- 3.6.21 **Table 18** shows the anticipated movement in the insurance provision.

Table 18: Insurance Provision

	2022/23 £m	2023/24 £m
Balance at beginning of year:	3.797	3.340
Approved Contribution from Revenue	2.000	2.000
Estimated Expenditure	(2.371)	(2.000)
<i>Estimated Transfer from/(to) Insurance Reserve*</i>	<i>(0.086)</i>	<i>0.000</i>
Balance at end of year:	3.340	3.340

**transfer not reflected within Appendix F*

- 3.6.22 From **Table 18**, it can be seen that the value of the overall Insurance Provision is anticipated to be broadly in line with the estimated Insurance Provision requirement. The Chief Finance Officer will review the balance on the Insurance Provision at year end to ensure that it is at an appropriate level and if required, an appropriation to or from the Insurance Reserve will be made to ensure the provision matches the funding requirement.

3.6.23 It is noted that as part of the 2022/23 budget deliberations, the PCC approved a reduction of £0.250m in the annual contributions to the Insurance Fund in 2022/23 as part of the savings target.

Municipal Mutual Insurance (MMI) Provision

3.6.24 The MMI provision is held to fund the risk that the PCC may be called upon to pay additional levies in respect of the winding up of the MMI Company. At the start of the year £2.846m was held in the provision which matched the worst case scenario.

3.7 2023/24 Precept Proposal

Referendum Threshold

3.7.1 The Secretary of State for Department for Levelling Up, Housing & Communities, in consultation with the Home Secretary, has confirmed the referendum principles for 2023/24; that PCC's will be able to increase their police precepts by up to £15 for a Band D Equivalent Property. This means that if a PCC wishes to raise their relevant basic amount of council tax in 2023/24 by more than this level this would be deemed "excessive" and would trigger a local referendum under the Localism Act 2011. The result of a referendum will be binding.

Proposed 2023/24 Precept

3.7.2 As expected by the Government, the PCC is proposing to set the precept at the referendum threshold of £15 for a Band D equivalent property. This will ensure that Merseyside receives all the resource funding that the Government has made available to the PCC within the grant settlement.

3.7.3 The impact of such an increase on Band A properties and on Band D properties, is as shown in **Table 19** below.

Table 19: Impact of Increasing the Precept by £15 on a Band D Council Tax Property

	Band A £pa	Band D £pa
2022/23 Precept Level	157.98	236.97
2023/24 Precept Level	167.98	251.97
Increase on previous years	10.00	15.00
Percentage increase on previous years	6.33%	6.33%
Increase per week	0.19	0.29

3.7.4 Detailed below are the advantages and disadvantages of increasing the precept.

Advantages:-

- (i) Builds the increase into the base budget, and grows the council tax yield protecting against future grant cuts and any potential adverse changes in the funding formula;

- (ii) The proposed increase is within boundaries of the referendum threshold and therefore is not deemed 'excessive' and does not trigger need for a referendum;
- (iii) The increase is in line with the expectations of the Government and maximises the resources available to Merseyside Police;
- (iv) Increases income by £5.818m from 2022/23; and
- (v) Equates to an increase of £10pa for Band A properties (i.e. 19p per week), who make up the majority of Council Tax payers on Merseyside.

Disadvantages:-

- (i) Results in an increase in council taxpayers Council Tax;
- (ii) Increases the tax burden on the local community; and
- (iii) Risks adverse publicity.

Public Consultation Exercise

3.7.5 The PCC has commissioned an independent research company to undertake a robust and representative telephone survey to ask the general public whether they would support increasing the precept by £15. Almost half (49%) of residents across Merseyside say they are willing to contribute an extra 19p a week (for a Band A property) over the next year in their council tax precept to help protect Merseyside Police. A quarter (26%) were not willing to contribute this increase and a further quarter (25%) felt unsure, mainly due to the uncertainty caused by the current cost of living crisis.

Police and Crime Panel

3.7.6 On 2nd February 2023 the PCC, in accordance with The Police Reform and Social Responsibility Act 2011, notified the Police and Crime Panel of her proposal to increase the precept by £15 in 2023/24. Following consideration of the evidence presented, the Panel issued a report on 3rd February 2023 and *"agreed by a majority vote to endorse the Commissioner's proposal for a 6.33% increase in the precept."*

PCC Precept Decision

3.7.7 Following consultations with the Chief Constable, the endorsement of the Police and Crime Panel and the support from the general public the PCC has decided to increase the precept by £15 on a Band D Equivalent property. This increase will allow the PCC to reduce the budget deficit, along with savings identified by the Chief Constable, and the utilisation of reserves will enable a balanced budget to be set. The budget will address the inflationary and demand pressures facing the Force, maintain existing police officer numbers, protect PCS&TO and police staff posts, as well as assist the Chief Constable to deliver the PCC's Police and Crime Plan objectives. However, it is noted that the planned utilisation of reserves to balance the budget only postpones the requirement to deliver savings.

4. Financial and Staffing Implications

The financial and staffing implications are detailed in **Section 3** of this report.

5. Risk Assessment

5.1 Whilst every endeavour is made to accommodate all known cost pressures within the PCC budget proposals, some issues remain, which could in the future represent a risk to the PCC and/or create budget pressures. Some of these items are outside the control of the PCC or Force, whereas others are issues which may need to be addressed, but there is uncertainty as to the level or source of funding required. The PCC needs to be aware of these risks when considering the budget and MTFS as they have the potential to impact upon the Force's ability to meet the agreed budget and Police and Crime Plan objectives. The following risks could materially affect the future financial position:-

- (i) **Pay Inflation** – the pay element of the net revenue budget is approximately 85% of the budget and therefore any small increase in pay can have a significant impact. With public sector employees' organisations seeking real terms pay awards for their members to help with the cost of living crisis and persistent high inflation. However, any unfunded increases in pay above the assumed pay assumptions would require further recurring savings to be achieved to balance the budget, with the risk of decivilianisation due to the requirements and funding implications of the PUP;
- (ii) **Non-Pay Inflation** – the assumptions around non pay inflation are based on the OBR independent forecasts that accompany the Government's Autumn Statement or spending review. However, these are based on economic and fiscal forecasts centred on domestic political and global economic developments known at the time of publication. At the time of publication latest forecasts, the OBR recognised there was uncertainty associated with external factors that surround their forecasts, such as prospects for energy prices or interest rates and the continuation of the conflict in Ukraine. Any one of these uncertainties could ultimately lead to inflation increasing further or remaining high for a longer period than forecast, all of which could lead to additional costs to the force and subsequently further savings if additional funding is not provided;
- (iii) **Core Grant Funding** - The PCC has made assumptions on the level of the future grant allocations. However, due to the uncertainties around future funding levels these assumptions could be under or over-stated. In addition, the Home Office have ringfenced £9.2m of the core grant to ensure that there is a clear incentive on forces to maintain their officer numbers. In respect of Merseyside the minimum headcount is 4,112 police officers. In the event that the Force actual headcount is less than this level at either 30th September or 31st March there is a risk that this funding will not be available at the year end. It is unclear how long the ringfencing of the grant will be in place;
- (iv) **Police Funding Formula Review** – The Home Office are currently finalising their review of the Police Funding Formula, the aim of which is to develop a new formula to allocate 'core' police grant funding provided to PCCs. It is expected that the Home Office will undertake an initial public consultation on the broad

principles of the review and consult on the purpose, structure and components of a new formula early in 2023. Plans for the final phases of the review will be set out by the Home Office once they have considered the responses to the first public consultation. However, at this stage it is not anticipated that a new formula will be used to allocate funding until the 2025/26 provisional settlement at the earliest due to the Government's commitment to the current CSR21, which runs until the end of 2024/25.

There is a risk that if a new formula is introduced that Merseyside could see a reduction in its core grant funding. However, it is expected that the Home Office would implement transitional arrangements to offer some short term protection to those PCCs adversely affected by any change in grant allocations; and

- (v) **The Emergency Services Network** – The Home Office has been leading a cross-government programme to deliver a new Emergency Services Network (ESN) critical communications system. ESN is planned to replace the current Airwave service used by the emergency services to transform how they operate. Unfortunately, the programme has been plagued by contractual and financial issues and subsequently been paused whilst the Home Office undertakes a fundamental review of the business case. As a consequence, Forces and Regions have been standing down resources due to the level of work required to support the programme. It is currently assumed that there will be no requirement to stand these resources up again before 2025/26. If the project does get back up running it will incur considerable capital expenditure in respect of equipment and infrastructure, which will require significant funding to cover these costs. However, once the new network has replaced Airwave it is expected to generate significant cashable savings and efficiencies for the police service.

6. Equality & Diversity Impact Assessment

The recruitment of the additional Police Officers and Police Staff will provide an opportunity for the Force to address the workforce gender and diversity balance.

7. Environmental Impact Assessment

The implementation of the Capital Programme, in particular the Estate Strategy, contained at **Appendix C** of the budget report, will help the Force reduce its carbon footprint.

8. Conclusions

- 8.1 The PCC has a number of statutory duties including ensuring an efficient and effective police service and producing an annual balanced budget, together with consulting on and setting the annual precept for Merseyside.
- 8.2 The PCC/Force is funded mainly from Government grants and the precept. In December each year the Home Office announce the provisional grant settlement which includes the details of the grant funding and the level of precept income that the Home Office expect PCCs to raise if they set their precepts at the referendum level. The amount that a PCC can increase the precept is limited by the Council Tax Referendum Thresholds.

- 8.3 In constructing the budget for 2023/24, the 2022/23 base budget is adjusted for known commitments/savings, pay and non-pay inflation to determine the net budget requirement for 2023/24. It is noted that the net budget requirement has increased significantly due mostly to the impact of pay and non-pay inflation, in both 2022/23 and 2023/24.
- 8.4 During 2022/23 inflation rose sharply as a consequence of the ongoing conflict in Ukraine and the associated impact on the supply chain of the covid pandemic. The high level of inflation was characterised by steep increases in global energy and food prices, increases in domestic labour cost and suppliers passing on increased costs in the form of higher prices for goods and services. In October inflation peaked at 11.1%, a forty year high, and has remained above 10%. The Prime Minister recently promised to “halve inflation in 2023 to ease the cost of living and give people more financial security”. This promise is in line with the expectations of both the OBR and BoE.
- 8.5 The 2022/23 budget assumed that non-pay inflation would increase by 4% however as highlighted above inflation was much higher and as a result the Force saw its costs increase by an additional £2m. These additional costs have been managed in year but require funding in 2023/24. A further consequence of persistently high inflation is that the non-pay assumption for 2023/24 has had to be increased from the 2% previously assumed to 5.5% equating to further £2m cost pressure.
- 8.6 With regard to the 2022 pay award, the Home Secretary approved the recommendations made by the PRRB resulting in a pay award equivalent to 5%. Which was 2% above that budgeted for. It is noted that pay awards in the Police Service are awarded from 1st September, therefore any increase has an impact in year and in the following year also. The Home Office did provide an additional grant in 2022/23 to partly address the increase, this funding has continued to be provided in 2023/24. However, the funding does not cover the cost of all of the pay award, the Home Office expects PCCs/Forces to address any additional costs through the precept or efficiency savings.
- 8.7 In terms of the 2023 pay award the PRRB is currently undertaking its review and is expected to make its recommendations to the Home Secretary in the Autumn. For planning purposes, the PCC is assuming the pay award will be 2.5%, slightly more than the 2% that the Government provided for within the CSR21. It is noted that there is a real risk that the assumption around pay may be understated. Any unfunded award above this assumed level would increase the net budget deficit in year, as well as have an impact on 2024/25 and beyond.
- 8.8 The funding settlement announced by the Home Office has increased the level of resources available to the PCC and Force. The PCC has received additional grant to partly offset the impact of the 2022 pay award and the Government has increased the precept referendum threshold and expects all PCCs to increase their precepts by up to £15 on a Band D equivalent property without the need to hold a referendum.
- 8.9 The PCC, after giving careful consideration to the options available to her regarding the precept, proposes to increase the precept to the referendum threshold. This increase equates to an increase of £10 pa for Band A properties (i.e., 19p per week) the majority of Council Taxpayers on Merseyside. During the budget process the PCC consulted the

Chief Constable, the Police and Crime Panel and the general public, all of whom support this proposal.

- 8.10 Despite maximising the precept, and the Chief Constable identifying savings, there is still estimated to be a net budget deficit of £8.153m in 2023/24. In order to bridge this deficit and balance the budget the PCC plans to utilise the earmarked reserves, one-off savings and keep to the planned minimum savings target for the Chief Constable which was assumed previously. However, it is noted that the use of reserves and one-off savings in this way only has the effect of pushing the saving requirement into future years, but importantly does provide the PCC and Chief Constable with more time to identify and implement the necessary savings plans.
- 8.11 With regard to the medium term, the assumptions underpinning the financial strategy have been updated and it is now forecast that over the medium term there will be an overall savings requirement of £15.275m. This is a position that will provide significant challenges for the PCC and Chief Constable to continue to balance the budget over the period without impacting on the efficiency and effectiveness of the Force. The potential extent of the savings requirement is likely to result in the decivilianisation of police staff posts in the future if real terms funding settlements are not provided by the Government and the Home Office insist on Forces maintaining their current police officers numbers.

Appendix A – PCC Overall Summary Budget 2023/24 assuming a £15 Precept Increase

ORIGINAL ESTIMATE	PROBABLE OUTTURN	FINANCIALLY ACCOUNTABLE UNITS	ORIGINAL ESTIMATE
2022/23	2022/23		2023/24
£	£		£
1,427,116	1,362,914	OFFICE OF THE POLICE & CRIME COMMISSIONER	1,539,422
2,090,528	2,090,528	Community Safety Funding	2,027,000
1,663,000	3,368,525	Victim Support Services	3,415,541
3,370,000	5,863,803	Violence Reduction Unit	4,388,080
0	1,700,060	Other Home Office Specific Grants	0
13,433,599	13,971,797	STRATEGIC DEVELOPMENT	15,172,378
		CRIMINAL JUSTICE	
23,492,825	25,054,338	Criminal Justice	25,809,299
56,053,395	60,434,646	Response & Resolution	60,590,854
		ADMINISTRATIVE SUPPORT	
10,896,595	13,104,037	Organisational Development	11,180,638
41,843,416	46,434,552	Resources Directorate	45,332,224
		OPERATIONS	
55,650,792	44,711,829	Local Policing	54,595,844
-	5,004,989	Preventative Policing	7,003,395
50,416,552	53,533,970	Investigations	54,937,993
21,185,240	23,598,342	Force Intelligence Bureau	22,030,570
		OPERATIONAL SUPPORT	
29,215,662	41,351,360	Matrix Uniform and Events	31,526,257
3,637,174	4,009,880	Central & Regional Forensics	3,800,594
570,023	2,486,534	Operational Contingency Fund	2,480,364
		NON RECHARGEABLE FINANCING ITEMS AND LEVIES	
54,183,846	52,405,753	Police Pensions	56,880,748
186,308	39,607	Attachments	186,308
6,390,890	14,504,883	Forcewide Services	6,707,414
5,298,420	4,912,145	Underwater Search Unit / Regional Units	5,357,988
20,881,759	20,942,490	Capital Charges	20,942,490
(2,750,093)	(4,644,057)	Income	(3,132,294)
(2,892,274)	(17,989,961)	Specific Grant Funding - Borders	(2,894,001)
(5,033,000)	(10,932,388)	Specific Grant Funding - OPCC	(7,804,000)
(3,569,992)	(3,569,992)	Specific Grant Funding - Pensions	(3,569,992)
(4,498,990)	(4,498,990)	Specific Grant Funding - Ring Fenced Uplift	(9,164,609)
-	(2,332,810)	Additional grant towards Pay award	-
13,419,312	-	Recruitment of additional officers	-
2,250,000	-	National Insurance Increase	-
(250,000)	-	Savings from Collaborative working	-
(250,000)	-	Reduction in Insurance Fund	-
(113,000)	-	Estates Strategy Savings	-
(74,904)	-	Budget Savings/Reinvestment	-
(200,000)	-	Savings from ERP	-
-	-	Increase in LGPS contribution rate	492,000
-	-	Reduction in past service costs - LGPS	(1,966,000)
-	-	Savings target to be addressed	(615,747)
397,924,199	396,918,784	Net Cost of Services	407,250,758

Appendix A – PCC Overall Summary Budget 2023/24 assuming a £15 Precept Increase (cont.)

ORIGINAL ESTIMATE	PROBABLE OUTTURN	FINANCIALLY ACCOUNTABLE UNITS	ORIGINAL ESTIMATE
2022/23	2022/23		2023/24
£	£		£
397,924,199	396,918,784	Net Cost of Services	407,250,758
8,377,000	4,029,980	Contingency for Pay and Prices increases	8,701,986
406,301,199	400,948,764	Net Cost of Services at Outturn Prices	415,952,744
(20,881,759)	(20,942,490)	Capital Appropriations	(20,942,490)
6,940,264	6,256,802	MRP and DEBT Repayment	6,285,393
2,430,040	3,173,612	Interest Payable	5,262,193
(40,000)	(574,678)	Interest and Investment Income	(40,000)
394,749,744	388,862,010	Net Operating Expenditure	406,517,840
		Appropriations	
472,193	472,193	Contribution to Reserves (collection fund)	-
	474,568	Contributions to Estate Strategy Reserve	-
(2,724,319)	(2,724,319)	Contribution to/from Budget Support Reserve	(5,204,000)
-	228,715	Carry Over - CC Priority Fund	-
-	819,496	Carry Over - NWROCU	-
-	1,431,570	Carry Over - POCA Reserve	-
-	1,320,877	Contribution to Budget Support Reserve	-
-	112,508	Contribution to PCC Crime Prevention Reserve	-
	1,500,000	Contribution to Invest to Save Reserve	-
392,497,618	392,497,618	TOTAL NET EXPENDITURE TO BE MET FROM GOVERNMENT GRANTS AND TAXATION	401,313,840
		Less : Specific Home Office Revenue Grants	
(150,464,219)	(150,464,219)	General Grant	(150,987,205)
(136,108,404)	(136,108,404)	DCLG Formula Funding	(136,581,028)
(15,640,992)	(15,640,992)	Government Legacy Grants	(15,640,992)
(472,193)	(472,193)	Collection Fund	(367,465)
(89,811,810)	(89,811,810)	PRECEPT REQUIREMENT	(97,737,150)
379,001	379,001	Council Tax Base (Number of Band D Equivalent Properties)	387,892
£236.97	£236.97	Council Tax - Band D	£251.97
£10.00	£10.00	Increase on Previous Year	£15.00

Appendix B - Office of the Police & Crime Commissioner Budget 2023/24

	Revised Estimate 2022/23	Growth*	Budget 2023/24	Net Movement
Description	£	£	£	£
Employee Related Expenditure				
Support Staff Salaries	951,399.00	34,000	985,399.00	34,000
Support Staff Salaries Nat. Ins.	109,644.00	5,000	114,644.00	5,000
Support Staff Salaries Superannuation	165,271.72	5,000	170,271.72	5,000
Support Staff Subsistence & Incidental Expenses	208.00	0	208.00	0
Support Staff Recruitment	0	0	0	0
Support Staff Training	10,000.00	0	10,000.00	0
Total Employee Related Expenditure	1,236,522.72	44,000	1,280,522.72	44,000
Transport Related Expenditure				
Support Staff Travel & Car User Mileage	10,000.00	0	10,000.00	0
Support Staff Public Transport Fares	12,000.00	0	12,000.00	0
Total Transport Related Expenditure	22,000.00	0	22,000.00	0
Premises Related Expenditure				
Rents	20,000.00	0	20,000.00	0
Total Premises Related Expenditure	20,000.00	0	20,000.00	0
Supplies and Services				
Stationery	1,000.00	0	1,000.00	0
Photocopy Charges	1,000.00	0	1,000.00	0
Reference Books/Newspaper	2,900.00	0	2,900.00	0
Police Misconduct & Appeals Hearings	25,000.00	0	25,000.00	0
Mobiles-rental	3,675.07	0	3,675.07	0
General Subscriptions	40,451.21	0	40,451.21	0
Marketing Materials	6,000.00	20,000	26,000.00	20,000
Audit Committee Attendance Allowance	10,000.00	0	10,000.00	0
Total Supplies and Services	90,026.28	20,000	110,026.28	20,000
Third Party Payments				
Lay Visitors Scheme	10,500.00	0	10,500.00	0
Treasury Management Services	40,020.00	0	40,020.00	0
Insurance Advice	26,740.00	0	26,740.00	0
External Audit Fees	29,613.00	0	29,613.00	0
Total Third Party Payments	106,873.00	0	106,873.00	0
Total OPCCM Budget	1,475,422.00	64,000	1,539,422.00	64,000

**the growth relates to the regrading of the Portfolio & Partnership Officers during 2022/23, the PCC's share of the costs of the new Regional OPCC Business Support Advisor and establishment of a budget line to fund research, including the annual online precept survey.*

Appendix C – Capital Programme 2022/23 to 2027/28

	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Original Budget	Revised Budget	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
CAPITAL EXPENDITURE	£m	£m	£m	£m	£m	£m	£m	£m
Total IT Strategy	2.570	2.791	2.288	3.490	3.715	3.650	3.650	4.000
Technical								
Technical Equipment (TSU inc ROCU)	0.095	0.095	1.639	0.095	0.095	0.095	0.095	0.095
ESN costs	3.334	3.400	0.022	0.000	0.000	0.000	0.000	3.334
Operational Equipment	0.250	0.691	0.473	0.250	0.250	0.250	0.250	0.250
Total Technical	3.679	4.186	2.134	0.345	0.345	0.345	0.345	3.679
Estates Management	0.400	0.400	0.400	0.400	0.400	0.400	0.400	0.400
Estates Strategy								
St Anne Street	14.859	14.859	5.200	6.000	0.000	0.000	0.000	0.000
Other Estate Strategy	8.000	8.506	0.000	8.150	14.500	21.100	24.700	19.750
Total Estate Strategy	22.859	23.365	5.200	14.150	14.500	21.100	24.700	19.750
Total Estates	23.259	23.765	5.600	14.550	14.900	21.500	25.100	20.150
Total Vehicles	3.054	4.483	1.429	3.632	3.632	3.632	3.632	3.632
TOTAL CAPITAL EXPENDITURE	32.562	35.225	11.451	22.017	22.592	29.127	32.727	31.461

Appendix C – Capital Programme 2022/23 to 2027/28 (cont.)

	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Original Budget	Revised Budget	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
FUNDING	£m	£m	£m	£m	£m	£m	£m	£m
Home Office Capital Grants	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
External borrowing	22.859	25.522	4.305	11.887	12.092	21.100	24.700	19.750
Self-financed borrowing for short life assets	0.596	0.596	3.360	0.400	0.000	7.777	7.777	10.381
Capital Receipts	8.430	8.430	1.340	9.730	10.500	0.250	0.250	1.330
Funding from Reserves/Other Funding								
ESN Reserve	0.677	0.677	0.022	0.000	0.000	0.000	0.000	0.000
NW ROCU Reserve	0.000	0.000	0.515	0.000	0.000	0.000	0.000	0.000
Estate Strategy	0.000	0.000	0.888	0.000	0.000	0.000	0.000	0.000
External Funding (NWROCU)	0.000	0.000	1.021	0.000	0.000	0.000	0.000	0.000
Total Funding from Reserves	0.677	0.677	2.446	0.000	0.000	0.000	0.000	0.000
TOTAL FUNDING	32.562	35.225	11.451	22.017	22.592	29.127	32.727	31.461

Appendix D – Medium Term Financial Strategy 2023/24 to 2027/28

	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	2027/28
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Base Budget B Fwd.		402.819		421.835		429.614		435.565		443.905
Under achievement of previous years savings		0.510		-		-		-		-
Committed Growth/Savings From Previous Year		0.000		- 0.616		-0.658		-1.250		-7.967
Revised Base Budget		403.329		421.219		428.957		434.316		435.938
Committed Growth/(Savings)										
Uplift Enabling Costs	-0.126		-		-		-		-	
Counter Terrorism Uplift for 3 Officers (2021/22)	-0.271		-		-		-		-	
Capital Financing - Committed	0.596		-0.332		-1.516		0.095		1.252	
Capital Financing - Committed in Principle	0.138		0.438		0.771		1.169		1.153	
ESN Costs	-		-		0.200		0.390		-0.010	
Community First Review – Fingerprints	0.179		-		-		-		-0.065	
Data Protection Team	-0.087		-		-		-		-	
National Insurance Levy	-2.250		-		-		-		-	
McCloud Pensions Resolution	-		-0.150		-		-		-	
Impact of 2022 Pay Award in 2022/23	4.224		-		-		-		-	
Removal of Special Branch Budget	-1.455		-		-		-		-	
HQ Security Double Running	- 0.150		-0.150		-		-		-	
Increase Resources in Recruitment	-		-0.150		-		-		-	
Impact of Non-Pay Inflation above 2022/23 contingency	2.064		-		-		-		-	
Regional Forensics	-0.400		-0.200		-		-		-	
Increase in Future Service Costs (LGPS)	0.493		-		-		-		-	
		2.955		-0.544		-0.545		1.654		2.330
Total		406.284		420.675		428.412		435.970		438.268

Appendix D – Medium Term Financial Strategy 2023/24 to 2027/28 (Cont.)

	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	2027/28
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Pay Inflation		12.234		8.939		8.038		7.412		7.451
Price Inflation		3.317		-		-0.642		0.523		1.183
Gross Base Budget Requirement		421.835		429.614		435.807		443.905		446.902
One-off Commitment/(Savings)										
Dedicated Security Posts	2.894		2.894		2.894		2.894		2.894	
Victims Services	3.416		3.416		3.416		3.416		3.416	
VRU Partnerships	4.388		4.342		4.342		4.342		4.342	
One-off Commitment/(Savings)		10.698		10.651		10.651		10.651		10.651
Specific Grant Funding										
Dedicated Security Posts	-2.894		-2.894		-2.894		-2.894		-2.894	
Victims Services	-3.416		-3.416		-3.416		-3.416		-3.416	
VRU Funding	-4.388		-4.342		-4.342		-4.342		-4.342	
Specific Grant Funding		-10.698		-10.651		-10.651		-10.651		-10.651
Net Base Budget Requirement		421.835		429.614		435.807		443.905		446.902

Appendix D – Medium Term Financial Strategy 2023/24 to 2027/28 (Cont.)

	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	2027/28
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
FUNDING:-										
General Grant	- 287.568		- 287.568		- 290.444		- 293.348		- 296.282	
Ring-fenced uplift funding	-9.165		-9.165		-9.165		-9.165		-9.165	
General Grant Uplift	-		-4.950		-4.950		-4.950		-4.950	
Pensions Grant	-3.570		-3.570		-3.570		-3.570		-3.570	
Legacy Council Tax Grants	-15.641		-15.641		-15.641		-15.641		-15.641	
Total Police Grant		- 315.944		- 320.894		- 323.770		- 326.674		- 329.608
B Fwd. Precept Level	-89.811		-97.737		- 102.853		-106.017		- 109.264	
Increase in tax base	-2.108		-1.112		-1.137		-1.157		-1.093	
Assumed precept Increase	-5.819		-4.003		-2.028		-2.090		-2.152	
Total Assumed Precept		-97.737		- 102.853		-106.017		- 109.264		- 112.509
Total Assumed Funding		-413.681		-423.747		- 429.787		- 435.938		- 442.116
Gross Deficit/(Surplus)		8.153		5.867		6.020		7.966		4.786
Less Savings identified to date:-										
Estate Strategy Savings	-		-		-0.242		-		-	
Total Savings identified to date		-		-		-0.242		-		-

Appendix D – Medium Term Financial Strategy 2023/24 to 2027/28 (Cont.)

	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	2027/28
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
One-Off Funding:-										
Collection Fund Deficit/(Surplus)	-0.367		-		-		-		-	
Contribution to/(from) Budget Support Reserve	-5.204		-3.245		-2.566		-		-	
Surplus Contribution from Merseyside LGPS – CC Fund	-2.000		-2.000		-2.000		-		-	
Deficit Contribution to Merseyside LGPS - OPCC Fund	0.034		0.036		0.037		-		-	
Total use of one-off funding		-7.537		-5.209		-4.529		-		-
Further Savings Required		0.616		0.658		1.249		7.966		4.786
Cumulative Savings required		0.616		1.274		2.523		10.489		15.275

Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28
Pay inflation	2.50%	2.50%	2.00%	2.00%	2.00%
Non-pay inflation	5.50%	0.00%	-1.00%	0.80%	1.80%
Precept	£15	£10	1.95%	1.95%	1.95%
Core Grant Funding	1.8%	1.6%	1%	1%	1%
Change in tax base	2.35%	1.14%	1.11%	1.09%	1.00%

Appendix E – Summary Long Term Financial Strategy 2023/24 - 2032/33

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revised Base Budget	403.329	421.219	428.957	434.316	435.938	442.117	448.420	454.853	461.418	468.118
Movement in Capital Financing Costs	0.734	0.106	-0.745	1.264	2.405	3.241	2.134	0.490	0.439	-0.342
Net Commitments/Savings	2.221	-0.650	-0.042	0.390	-0.075	-0.795	0.000	0.000	0.000	0.000
Assumed Pay Inflation	12.234	8.939	8.038	7.411	7.451	7.558	7.659	7.741	7.852	7.952
Assumed Non-Pay Inflation	3.317	0.000	-0.642	0.523	1.183	1.334	1.352	1.366	1.386	1.403
Net Operating Expenditure	421.835	429.614	435.565	443.905	446.902	453.454	459.565	464.450	471.094	477.131
Total Funding	-400.094	-413.682	-423.747	-429.787	-435.938	-442.116	-448.420	-454.853	-461.417	-468.117
Increase in precept income	-7.926	-5.116	-3.164	-3.247	-3.245	-3.341	-3.440	-3.542	-3.647	-3.756
Increase in general grant	-0.996	-4.950	-2.876	-2.904	-2.933	-2.963	-2.992	-3.022	-3.053	-3.083
Increase in Specific Grants	-4.666	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Funding	-413.682	-423.747	-429.787	-435.938	-442.116	-448.420	-454.853	-461.417	-468.117	-474.956
Budget Shortfall/(Surplus)	8.153	5.867	5.778	7.967	4.786	5.034	4.713	3.032	2.976	2.175
Contribution (from) / to Reserves	-7.537	-5.209	-4.529	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Savings Not Yet Identified	0.616	0.658	1.249	7.967	4.786	5.034	4.713	3.032	2.976	2.175
Cumulative Savings Requirement	0.616	1.274	2.523	10.489	15.275	20.309	25.022	28.054	31.030	33.205
Assumptions	%	%	%	%	%	%	%	%	%	%
Pay inflation	2.50%	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Non-pay inflation	5.50%	0.00%	-1.00%	0.80%	1.80%	2.00%	2.00%	2.00%	2.00%	2.00%
Core Grant Funding	1.80%	1.60%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Precept increase	6.33%	4.05%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%	1.95%
Change in tax base	2.35%	1.14%	1.11%	1.09%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Appendix F - Risk Based Calculation of Adequacy of General Balances

Thematic Risk from Strategic Risk Map	Overall Likelihood Score*	Estimated mid-point Cost	Financial Requirement
		£m	£m
Domestic Abuse	4.0	12.000	0.480
Drugs	2.0	12.000	0.240
Serious Violence	3.0	12.000	0.360
Firearms Discharges	2.0	15.000	0.300
Economic Crime	4.0	8.000	0.320
Child Protection	4.0	10.000	0.400
Cyber Crime	3.0	8.000	0.240
RASSO	3.0	8.000	0.240
Firearms Availability	4.0	8.000	0.320
County Lines	3.0	10.000	0.300
OIC	5.0	8.000	0.400
Organisational Risk			
Digital demand			1.000
Investigative Demand			1.500
Training demand			1.000
Pensions (McCloud)			2.000
Level of General Balances required to provide adequate financial resilience against risks identified in Strategic Risk Register.			9.100
Contingency for Significant Operational Incidents			4.000
Level of General Balances required to provide adequate financial resilience against risks identified in Strategic Risk Register and National Risks			13.100

**The table uses the Force Risk Matrix to assess likelihood of identified risks and measures this against an assessment of the financial impact of those risks.*

Appendix G – Reserve Strategy 2021/22 to 2027/28

	Balance as at 31st March 2022	In	Out	Appropriations	Balance as at 31st March 2023	In	Out	Appropriations	Balance as at 31st March 2024	Balance as at 31st March 2025	Balance as at 31st March 2026	Balance as at 31st March 2027
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
GENERAL BALANCES	12.990	0.000	0.000	0.000	12.990	0.000	0.000	0.000	12.990	12.990	12.990	12.990
<i>% of Direct Resource Funding</i>	3.2%				3.1%				3.1%	3.0%	3.0%	2.9%
PROVISIONS:-												
INSURANCE PROVISION	3.797	0.000	0.000	0.000	3.797	0.000	0.000	0.000	3.797	3.797	3.797	3.797
MMI PROVISION	2.847	0.000	0.000	0.000	2.847	0.000	0.000	0.000	2.847	2.847	2.847	2.847
TOTAL PROVISIONS	6.644	0.000	0.000	0.000	6.644	0.000	0.000	0.000	6.644	6.644	6.644	6.644
<i>% of Direct Resource Funding</i>	1.7%				1.6%				1.6%	1.5%	1.5%	1.5%

Appendix G – Reserve Strategy 2023/24 to 2027/28 (cont.)

	Balance as at 31st March 2022	In	Out	Appropriations	Balance as at 31st March 2023	In	Out	Appropriations	Balance as at 31st March 2024	Balance as at 31st March 2025	Balance as at 31st March 2026	Balance as at 31st March 2027
EARMARKED RESERVES:-	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Restructure Reserve	8.376	0.000	- 0.066	0.000	8.310	0	0.000	0.000	8.310	8.310	8.310	8.310
Budget Support Reserve	9.625	3.221	- 3.152	1.321	11.015	0	0.000	-5.204	5.811	2.566	0.000	0.000
Drugs and Serious Violence Reserve	3.820	0.000	- 2.110	0.000	1.710	0	- 0.855	0.000	0.855	0.000	0.000	0.000
Uplift Reserve	2.794	0.000	- 2.794	0.000	0.000	0	0.000	0.000	0.000	0.000	0.000	0.000
POCA Reserve	0.934	0.000	- 0.225	1.432	2.141	0	- 0.820	0.000	1.321	0.500	0.500	0.500
Chief Constables Priority Fund	0.726	0.000	0.000	0.229	0.955	0	- 0.477	0.000	0.478	0.000	0.000	0.000
Invest to Save Reserve	0.636	1.132	- 0.302	1.500	2.966	0	- 1.500	0.000	1.466	0.000	0.000	0.000
Civil Litigation Reserve	0.381	0.000	- 0.381	0.000	0.000	0	0.000	0.000	0.000	0.000	0.000	0.000
Estate Strategy Reserve	0.888	0.000	- 0.888	0.475	0.475	0	- 0.475	0.000	0.000	0.000	0.000	0.000
Capital Receipts Reserve	0.000	0.000	0.000	0.000	0.000	0	0.000	0.000	0.000	0.000	0.000	0.000
Emergency Services Network Res	0.743	0.000	- 0.743	0.000	0.000	0	0.000	0.000	0.000	0.000	0.000	0.000
Section 152 Reserve	1.372	0.676	- 1.248	0.000	0.800	0	0.000	0.000	0.800	0.800	0.800	0.800
NWROCU Reserve	1.465	0.000	- 0.607	0.819	1.677	0	0.000	0.000	1.677	1.677	1.677	1.677
Police Property Act Fund	0.873	0.256	- 0.110	0.000	1.019	0	- 0.300	0.000	0.719	0.419	0.000	0.000
PCC Crime Prevention Reserve	0.441	0.000	0.000	0.113	0.554	0	- 0.200	0.000	0.354	0.154	0.000	0.000
PCC Victim Support Reserve	0.111	0.000	- 0.111	0.000	0.000	0	0.000	0.000	0.000	0.000	0.000	0.000
Insurance Reserve	3.695	0.000	0.000	0.000	3.695	0	0.000	0.000	3.695	3.695	3.695	3.695
TOTAL EARMARKED RESERVES	36.880	5.285	- 12.737	5.889	35.317	0	- 4.627	-5.204	25.486	18.121	14.982	14.982
% of Direct Resource Funding	9.2%				8.5%				6.0%	4.2%	3.4%	3.4%

Appendix G – Reserve Strategy 2023/24 to 2027/28 (cont.)

Compliance with Home Office guidance on police reserves.

On 31st March 2018 the Minister for Policing and the Fire Service published new guidance on the information that each PCC must publish in terms of police reserves. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:-

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

This information is provided in the below which analyses the level of General Balances and Earmarked Reserves estimated to be held on 31st March 2023, i.e. £48.307m, over the headings.

Appendix G – Reserve Strategy 2023/24 to 2027/28 (cont.)

An Analyses of the level of General Balances and Earmarked Reserves Estimated to be held on 31st March 2023 over Home Office Categories

	Planned expenditure on projects & programmes over next 5 years	Funding for specific projects & programmes beyond 2027/28	As a general contingency or resource to meet other expenditure needs	Balance as at 31st March 2023
	£m	£m	£m	£m
GENERAL BALANCES	-	-	12.990	12.990
EARMARKED RESERVES:-				
Restructure	-	8.310	-	8.310
Budget Support Reserve	11.015	-	-	11.015
Drugs and Serious Violence	1.710	-	-	1.710
Invest to Save Reserve	2.966	-	-	2.966
PCC Crime Prevention Reserve	0.554	-	-	0.554
Section 152	-	0.800	-	0.800
NWROCU Reserve	-	1.677	-	1.677
POCA	1.641	0.500	-	2.141
Chief Constables Priority Fund	0.955	-	-	0.955
Police Property Act Fund	1.019	-	-	1.019
Estate Strategy	0.475	-	-	0.475
Insurance Reserve	-	-	3.695	3.695
TOTAL EARMARKED RESERVES	20.335	11.287	3.695	35.317
TOTAL GENERAL BALANCES & EARMARKED RESERVES	20.335	11.287	16.685	48.307

Appendix G – Reserve Strategy 2023/24 to 2027/28 (cont.)

Description of the Earmarked Reserve Held

Useable Earmarked Reserves

- **Restructure Reserve** is to be utilised to fund the potential redundancy or redeployment protection costs associated with the work of the Community First Programme. The utilisation of this reserve allows for the immediate release of savings from the revenue account, thus ensuring continued financial resilience. In addition, some of the reserve is to be released to support the budget over the medium term.
- **Budget Support Reserve** was established to carry over the planned budget surpluses to be released to support the revenue budget.
- **Police Uplift Programme Reserve** was established to carry over underspends on the programme to be used in future years.
- **Invest to Save Reserve** has been established to reinvest underspends in support of initiatives that will generate future savings. All bids from the reserve are authorised by the PCC and are overseen operationally by the Community First Programme Board.
- **Emergency Services Network Reserve** has been created to help fund the costs of purchasing new handsets for the whole Force as part of the National upgrade of the Police Emergency Services Network.
- **The Estate Strategy Reserve** was created to assist towards the capital financing of implementing the Estate Strategy, and so help cushion the impact on the Revenue Account.
- **Section 152 Reserve** is used to hold proceeds of vehicle auction sales where the vehicle has been seized under Section 152 legislation, and the funds may be repayable to the vehicle's owner.
- **Insurance Reserve** is a contingency which is an estimate of claim events which have occurred but have not yet come to the attention of the Force or the PCC, inclusive of the win/loss ratio.
- **Victim Support Reserve** has been established to support victims of crime.
- **POCA Reserve** contains any additional POCA receipts above budgeted levels. The reserve is to be used to smooth out any budget shortfalls in the POCA budget, as well as fund specific projects and operations. But also can be used to fund local crime fighting priorities for the benefit of the community.

Appendix F – Reserve Strategy 2023/24 to 2026/27 (cont.)

- **PCC Crime Prevention Strategy Reserve** is used to make a crime and disorder reduction grant to any organisation or person. A crime and disorder reduction grant is a grant which, in the opinion of the PCC, will secure, or contribute to securing, crime and disorder reduction in the body's area.

Useable Earmarked Reserves (cont.)

- **Civil Litigation Fund** has been established from an internal recharge on Departments and is to be used to reduce civil litigations.
- **Carry-over Reserve** is the accounting arrangement to enable the PCC and Force to carry over approved under and overspends.
- **Chief Constables Priority Fund** enables the Chief Constable to carry over underspends on the Fund to enable the monies to be available to fund larger strategic projects which span financial years.
- **Police Property Act Fund** is generated by the disposal of property, which remains in police possession, in connection with their investigations into a suspected offence, and the owner cannot be ascertained or the disposal of property of offenders in certain cases, which have been confiscated. Under the terms of the Police (Disposal of Property) Regulations 1975, the PCC is able to dispose of funds, to make payments of such amounts as the PCC may determine for such charitable purposes as she may select, and also to meet the expenses incurred in the conveyance, storage, safe custody and sale of the property.
- **Capital Receipts Reserve** holds income from the sale of assets, which can only be used to finance new capital expenditure or repay outstanding debt on assets, financed from loans.

Unusable Earmarked Reserves

- **The Pensions Reserve** – this is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes.
- **The Revaluation Reserve** – this is a reserve that records unrealised gains in the value of fixed assets. The reserve increases when assets are revalued upwards and decreases as assets are depreciated or revalued downwards or disposed of.
- **The Capital Adjustment Account** – this is a specific accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system.
- **Collection Fund Adjustment account** – this is specific to the changes in accounting entries relating to the Collection Fund Accounts held by the Billing Authorities.
- **Accumulated Absences Account** – this account represents the value of outstanding annual leave and time off in lieu as at 31st March each year.

Originator's Approval

Signed _____ Sue McTaggart
Chief Executive Date: 16.02.23

Signed _____ John Riley
Chief Finance Officer Date: 16.02.23

Signed _____ Serena Kennedy
Chief Constable Date: 16.02.23

**POLICE AND CRIME COMMISSIONER FOR
MERSEYSIDE
MATHER AVENUE POLICE TRAINING CENTRE
MATHER AVENUE, LIVERPOOL, L18 9TG**