

2022/23 GRANT SETTLEMENT AND MAIN FINANCIAL DETAILS

Key Points

- The financial settlement for 2022/23 (received December 2021), includes :
 - a further increase in Government funding to Police Forces to compensate for the uplift in Police Officer numbers.
 - Increased funding to cover costs associated with the introduction of the national care levy employers national insurance contributions
 - Indicative grant levels for 2023/24 and 2024/25
 - Precept flexibility of £10 per year at Band D for 2022/23, 2023/24 and 2024/25.
- The Medium Term Financial Plan and adequacy of reserves in Appendix 3 and 4, outlines estimated future year's funding levels. Whilst a balanced budget is presented for 2022/23, future years give rise to rapidly rising deficits inclusive of funding the capital programme.
- The settlement allowed a Council Tax increase of £10 for Band D for 2022/23. Whilst recognising the impact of any increase in Council Tax on the finances of households in County Durham and Darlington, in view of the future budgetary challenges referred to later, it is the view of officers that it is more important than ever, so far as is possible, to protect the base budget by increasing the Council Tax.
- The Government have announced that they intend to review the police funding formula allocation between Forces for future years. Durham could potentially lose significant sums of grant from any changes, based on previous formula reviews. In terms of timing, any new formula could be introduced in 2023/24 at the earliest.

Grant Settlement

- The final Local Government Finance Settlement, together with the Police Grant Report for 2022/23, has been put before the House of Commons. Central funding for 2022/23 has been set at £105.7m, an increase of £5.4m from 2021/22. This increase is to fund the uplift of police officers and includes £1.5m in ring-fenced grant which will only be released when the target for the officer uplift for the year is reached. This represents a challenge for the Force and a recruitment timetable has been agreed which will be monitored internally and nationally. The grant increase also includes resource to fund the additional employers national insurance increased and an element for a pay award.
- The estimated settlement for future years is based on current best estimates and includes further funding for additional uplift of officers and other service costs. It is not known whether future years will include any portion of ring-fenced grant, although the assumption is that officer numbers will remain static beyond March 2023.
- Capital grant has been rolled into revenue grant to give PCC's more financial flexibility.

- Grant levels, actual for 2022/23 and estimated for future years, is as follows:

	2021/22 £000 actual	2022/23 £000 actual	2023/24 £000 est	2024/25 £000 est	2025/26 £000 est
Police Grant including uplift grant	92,037	98,353	99,253	100,653	100,653
Legacy Council Tax Freeze Grants	6,110	6,110	6,110	6,110	6,110
Pension Grant	1,260	1,260	1,260	1,260	1,260
COVID grant	352	353	353	-	-
Central Government Funding	100,469	106,076	106,976	108,023	108,023

- As well as general grant, there will continue to be other specific grants in 2022/23 for example pension admin grant.
- The Ring-fenced grant is specifically used to fund the increase in office numbers and so is already deducted from the PCC's budget requirements.
- Every 1% variation in the Band D Council Tax affects the Council Tax Requirement by £0.4m. A £10 increase in Council Tax, which is the maximum increase recommended to avoid a referendum and is a 4.3% rise, would result in an increase to the base budget of £1.6m for every year in the future. This would increase the Band D precept from £230.24 to £240.24 per annum, an increase of £10 per annum, which is 19p per week. The impact on the majority of households in County Durham and Darlington which are Band A properties, would be an increase of £6.67 from £153.49 to £160.16 per annum, which is equivalent to 13p per week.
- The Government has continued with a number of 'top sliced' funding streams totalling £1.37bn in 2022/23.

Level of Financial Reserves

- To ensure ongoing financial viability it is important that the Police and Crime Commissioner continues to maintain a suitable level of reserves. Whilst there is no specific guidance on what represents a suitable level of reserves in percentage terms, it is important to take into account the various risks to be faced when coming to a view on reserve levels. It is the view of Chief Finance Officer (for the PCC and Chief Constable) that general reserves should not be used to support day to day expenditure given: the level of funding uncertainty in future years (where the grant allocation has not been confirmed by the Home Office) beyond the current spending review period; localisation of council tax benefit; rising costs and council tax capping limits. Reserves should only be used to invest in capital expenditure or invest in expenditure which will lead to clear efficiencies, except where grant related reserves are held for a specific purpose.
- The current policy statement on the level of reserves includes the following:
 - The Police and Crime Commissioner will set aside sufficient sums in earmarked reserves as it considered prudent to do so. The PCC Chief

Finance Officer will be authorised to establish such reserves as are required, will review them for both adequacy and purpose, and report on a regular basis to the Police and Crime Commissioner.

- The Police and Crime Commissioner will aim to maintain, broadly, general reserves of between 4% and 5% of the revenue estimates which are currently about £5.871m and £7.339m respectively (based on 2022/23 revenue funding of £146.786m) subject to an annual review by the PCC Chief Finance Officer as part of the budget process.
- The following tables show the estimated movement in financial reserves over the period to 31st March 2025 assuming a £10 Band D Council Tax increase for 2022/23 and the two following years.

Summary of Total Reserves

Financial Reserves	Balance 31/3/21	Move 2021/22	Est Balance 31/3/22	Move 2022/3	Est Balance 31/3/23	Move 2023/4	Est Balance 31/3/24	Move 2024/5	Est Balance 31/3/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General	6,559	0	6,559	0	6,559	0	6,559	0	6,559
Capital Grants Unapplied	2,514	41	2,555	(381)	2,174	(1,695)	479	0	479
Capital Contribut'ns	54	0	54	(54)	0	0	0	0	0
Capital Receipt	16,193	100	16,293	(16,200)	93	(93)	0	0	0
Earmarked	10,918	1,905	12,823	(9,946)	2,877	(353)	2,524	0	2,524
Total Reserves	36,328	2,046	38,284	(26,581)	11,703	(2,141)	9,562	0	9,562

The above usage is to fund the draft capital programme and will be subject to regular review. This usage shows a significant reduction in reserves.

Key Risks and financial resilience

- The following key risks with associated mitigating action and responsible persons are included within the medium term financial plan (see appendices 3 and 4 for more details):
 - Revised allocation formula between Forces,
 - An ageing estate portfolio putting increased pressure on facilities management budgets,
 - Police officer capacity to respond to service demands,
 - Flexibility to move police resources to areas of need,

- Demand continues to rise and change,
- Collaboration may require up-front costs of change,
- Uncertainty about partners' future budget plans,
- The impact of any move to multiyear pay awards,
- Uncertainty in relation to future pension costs,
- Adequate future funding of uplift.
- In relation to financial resilience, the key issues to note are :
 - Reserves will be almost depleted by 2024/25 as a result of funding capital investment
 - There will be revenue deficits from 2023/24 to manage (see appendix 3)
 - There will be a need to plan and deliver savings from 2023/24

Cost Control

Given the continual impact of austerity, cost control is more important than ever. External audit review Value for Money arrangements each year and give the PCC and Chief Constable positive assurance in this regard. Internal audit also review financial controls and financial planning assumptions on a regular basis and their last report gave substantial assurance to the Chief Constable.

Specifically, the following controls are in place:

- Monthly budget reviews are carried out in each Command.
- The Chief Finance Officer reviews the overall Force and PCC budgets each quarter.
- Overtime is reviewed by the Force Executive and each Command monthly.
- Detailed outturn reports are produced for Joint Audit Committee.
- Experienced and qualified Finance staff work closely with the Commanders and Executive officers.
- The Deputy Chief Constable and Assistant Chief Officer chair the Strategic Resource Group which controls overall officer and staff numbers to ensure they remain in line with budget.
- Benchmarking is carried out regularly eg use of the VFM profiles and other external data.
- Commissioning Boards for both the PCC and Chief Constable are in place to ensure planned changes in resources and grants are carefully considered.

Medium Term Financial Plan 2022/23 to 2025/26

Introduction

The prevailing national financial climate has transformed the way in which we perceive the delivery of public services. The Policing Service has an ongoing imperative to evidence value for money and deliver a consistently high level of services with shrinking financial resources. The austerity measures which have prevailed in recent years will continue to require the delivery of value for money and the bearing down on costs.

This plan demonstrates in financial terms how the Police and Crime Commissioner (PCC) will strive to achieve his vision for policing in County Durham and Darlington. The plan provides an outline of the demands and consequential revenue resource requirements of the PCC and Constabulary for the four financial years commencing 1st April 2021. The plan also details the proposed five year capital programme and the revenue consequences of that programme.

Durham Constabulary has embraced a corporate scorecard approach called “Plan on a Page”. This strategic financial plan has been compiled in a way which reflects those strategic intentions and has been developed alongside the local Policing Plan.

The plan is owned by both the PCC and Constabulary. Individual and collective responsibility is exercised over the management of performance and resources. Governance arrangements are in place to ensure that the PCC holds the Constabulary to account through regular reporting of issues. Within the Constabulary, internal accountability meetings are regularly held to ensure objectives are met.

Purpose

The purpose of this financial planning document is to provide a basis for determining:

- The level of resources which are likely to be available in the future to deliver national and local priorities;
- The future demands upon the revenue budget;
- The impact of external factors;
- The amount of capital investment which is required to achieve corporate objectives;
- The revenue consequences of such capital investment;
- The future reserve levels of the PCC;
- The impact of additional demands on the level of council tax levied by the Police and Crime Commissioner;
- The main financial risks facing the PCC and Constabulary.

Strategic Planning Principles

In constructing its financial plans the PCC benefits from following the principles below:

- *Ensure that finance contributes to improved outcomes by ensuring finance follows priorities.*
- *To ensure overall financial stability.*
- *Set a comprehensive, timely, balanced and realistic budget;*
- *Take into account pay and price inflation, risk management, and achievability of savings targets;*
- *Follow its treasury management policy;*
- *Follow its reserves policy;*
- *Raise awareness of and communicate key financial messages both internally and externally;*

The medium term financial plan has been compiled following the established principles that have been adopted by the PCC and within the following further conditions:

- *Budgets set will be affordable and not jeopardise the financial stability of the PCC in either the short or long term;*
- *Precept increases will be kept to a minimum consistent with the provision of effective and efficient services;*
- *All spending plans will need to demonstrate that they can achieve value for money and support best value principles;*
- *Spending will be agreed only when the necessary funding is identified and approved;*
- *External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs to the PCC;*
- *The PCC's finances will be publicised to stakeholders in an open and transparent manner;*
- *Customers and citizens will be involved in the budget process.*

Key Strategic Areas & Objectives

The approach to strategic planning is now shaped by the prevailing drive to demonstrate value for money in a time of reducing resources. The Constabulary has a strategy map, Plan on a Page, based on a balanced scorecard approach. This has enabled colleagues across the Constabulary to understand how their activities link with and support delivery of the key outcomes required that will help to achieve the PCC and Constabulary's Vision.

The Vision:

“Durham Constabulary will deliver excellent policing, inspiring confidence in victims and our communities by protecting neighbourhoods, tackling criminals and solving problems around the clock, proud to deliver value for money policing across County Durham and Darlington.”

The strategy map is structured into four key areas which enable the Constabulary to identify:

- What we need to be best at (Core Deliverables),
- What we need to help us (Enabling Factors),
- The resources we need (Resources),
- Use the funding efficiently and effectively (Value for Money).

Each key area describes a number of strategic objectives that informs where the PCC and Constabulary need to focus their attention and resources. The process collects each strategic objective and identifies key linkages ensuring alignment to the corporate vision. The strategic objectives supporting each key area are:

- What we need to be best at (Core Deliverables):
 - Protecting Neighbourhoods - ‘Ensure proactive approaches, with partners, to identify & protect vulnerable people and reduce harm’,
 - Tackling Criminals - ‘To have fewer victims and reduce re-offending’,
 - Solving Problems – ‘Empower the people in the organisation to take responsibility to collectively solve problems’.
- What we need to help us (Enabling Factors):
 - Effective Service Provision,
 - Managing our Data and Information – ‘Ensure our information supports our ability to make informed decisions for the benefit of the public’,
 - Futures – ‘Be a learning organisation that can embrace digital transformation, adapt quickly to change with innovative, efficient and effective approaches’,

- Organisational Attitudes and Behaviours – Ensure our attitudes and behaviours generate legitimacy, trust and confidence in the public and colleagues’.
- The resources we need (Resources):
 - Our People – ‘Have the right people, who contribute, with the capacity and capability to deliver, with wellbeing and leadership as our focus’,
 - Our Stuff – ‘Have the right resources to help us do the job’.
- Use the funding efficiently and effectively (Value for Money):
 - Ensure a balance budget and generate income,
 - Identify & consider collaborative opportunities which bring tangible benefits & realise efficiencies,
 - Have a suitable medium term and long term financial plan with identified contingencies,
 - Prepare for future funding changes and austerity and maximise savings from new ways of working,
 - Have a fully costed and funded capital plan with aligned capital investment,
 - Invest wisely.

Revenue Expenditure

Financial Planning Assumptions

The key income planning assumptions have been driven by funding announced in the provisional government figures and have been collated on a table and explained in detail in the previous section on police service funding.

The key expenditure related planning assumptions are reflected in the attached table

	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Officer Pay Inflation (from September each year)	3.5%	2.5%	2%	2%
Officer Pension Contribution Increase	Nil	Nil	Nil	Nil
Staff Pay Inflation	3.5%	2.5%	2%	2%
Police Staff Pension Contribution Increase	0%	0%	0%	0%
Police Officer Vacancy Factor	0%	0%	0%	0%
Police Staff Vacancy Factor (except for pcso's call handlers and detention officers which is set at 0%)	8%	8%	8%	8%
Energy & Fuel Inflation	5%	5%	5%	5%
Other Non-Pay Inflation (except where contractually based)	2%	0%	0%	0%
Council Tax Increase Band D	£10	£10	£10	1.98%
Tax Base Growth	Actual	1%	1%	1%
Other Income Inflation	0%	0%	0%	0%

Work Force Planning

The following table shows expected workforce numbers at the end of each financial year.

	Outturn 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/24	Estimate 2025/26
Officers	1,275.0	1,365.0	1,365.0	1,365.0	1,365.0
PCSO's	146.0	146.0	146.0	146.0	146.0
Staff	1,061.0	1,056.0	1,056.0	1,056.0	1,056.0
Apprentices	54.0	54.0	54.0	54.0	54.0
PCC	17.2	34.4	33.0	32.4	32.4
Total FTE	2,553.2	2,655.4	2,654.0	2,653.4	2,653.4

These figures are kept under continuous review.

This table considers the impact of all the income and revenue assumptions over the medium term.

Budget Heading	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	£'000	£'000	£'000	£'000	£'000
Employees	116,442	123,593	130,972	134,539	138,947
Premises	5,296	5,395	6,111	6,303	6,466
Transport	2,372	2,447	2,567	2,605	2,641
Supplies and Services	12,697	13,273	12,011	12,570	12,206
Joint & Other Authorities	3,944	2,654	2,654	2,654	2,654
<u>less</u>					
Income					
Customer & Client Receipts	(4,841)	(2,980)	(3,032)	(3,012)	(2,964)
Collaboration income	(1,233)	(895)	(895)	(895)	(895)
Secondment Income	(878)	(1,026)	(1,026)	(1,026)	(1,026)
Interest	(35)	(85)	(50)	(50)	(50)
Special Grants	(3,382)	(1,942)	(419)	(419)	(419)
<u>plus</u>					
Contribution To/ From (-) Reserve	1,199	0	0	0	0
Capital Financing Costs	5,315	3,547	4,163	7,066	3,721
<i>Police Constabulary</i>					
Costs	136,896	143,981	153,056	160,335	161,281
Victims Commissioning Grant	(870)	(1,304)	(1,304)	(1,304)	(1,304)
PCC commissioning	1,555	2,670	2,648	2,651	2,694
Community Safety Grant	621	239	261	258	264
PCC Costs	1,148	1,199	1,231	1,252	1,283
Net Expenditure	139,350	146,785	155,892	163,192	164,218
<i>Funded by</i>					
DCLG Grant	(42,061)	(42,061)	(42,061)	(42,061)	(42,061)
Police Grant	(49,584)	(54,768)	(57,192)	(58,592)	(58,592)
Council Tax Support Grant	(6,110)	(6,110)	(6,110)	(6,110)	(6,110)
Pension grant	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)
COVID grant	(353)	(353)	(353)	0	0
Council Tax	(39,982)	(42,233)	(44,801)	(47,296)	(48,715)
Total Funding	(139,350)	(146,785)	(151,777)	(155,319)	(156,738)
<i>(Surplus) / Deficit</i>	-	-	4,115	7,873	7,480

Comment:

- The latest HMIC Value for Money Profiles has been used to identify areas for potential efficiency savings.

- A detailed workforce plan has been produced which compliments this plan.

Funding Formula

The Home Office still have plans to review the funding formula allocation between Forces in future years. Our understanding, based on previous exemplifications published in 2015, is that Durham could potentially lose up to £10m per annum from the changes.

Capital Expenditure

The enclosed capital summary sets out proposed expenditure for capital projects for 2022/23 to 2025/26 and the associated funding options. The PCC will no longer receive a capital grant from 2022/23.

There are a number of options open to the PCC to funding capital expenditure and these include capital receipts, use of reserves, revenue contributions to capital or borrowing. Funding generated from borrowing would incur interest charges at prevailing market rates (unless the PCC enters into specific term borrowing arrangements such as fixed interest rates over a fixed borrowing term).

The impact of capital receipts generated from the sale of land owned by the PCC for development of commercial or housing purposes has been included in the funding.

Revenue Impact of the Capital Programme

The PCC can determine to meet part of the capital requirement through applying capital receipts, making revenue contributions, applying reserves, and/or (under the provisions of the Prudential Code) borrowing.

The associated future capital financing charges as a result of this provisional programme have been determined based upon the expected lifespan of the asset, generally as follows: Motor Vehicles (4 years); ICT Systems (5 years); ANPR and other Equipment (10 years); Minor Building Work (20 years); Major New Buildings (40 or 60 years).

Grant is applied to those assets with the shortest lifespan. The capital receipts arising from the sale of the police headquarters' site have been used to partly fund the capital programme from 2016/17 onwards.

The following table contains a summary of capital expenditure by asset category.

	Outturn 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Expenditure					
Buildings: Major works	2,180	21,108	2,291	0	0
Buildings: Minor Works	321	650	1,700	500	500
Buildings carry forward from prior year	0	704	0	0	0
Vehicles	907	1,200	1,200	1,400	1,400
Vehicle carry forward from prior year	0	838	0	0	0
ICT	1,632	2,275	2,574	4,275	2,945
ICT carry forward from prior year	0	2,000	600	0	0
Equipment	42	954	200	320	50
Total	5,082	29,729	8,565	6,495	4,895
Funding					
Capital Grant	0	381	1,695	0	0
Special Grant	92	0	0	0	0
Capital Receipts	0	16,354	2,193	100	2,100
Revenue Contribution	4,990	2,951	3,477	6,395	2,795
Strategic Reserve	0	9,593	0	0	0
Self-Financed Borrowing	0	450	1,200	0	0
Total	5,082	29,729	8,565	6,495	4,895
Capital Financing Costs					
Minimum Revenue Provision	325	325	415	400	655
Revenue Contribution	4,990	2,951	3,477	6,395	2,795
Contribution from Reserves	0	9,593	0	0	0
Interest Charges	0	272	272	272	272
Total	5,315	13,141	4,164	7,067	3,722

The most significant capital expenditure is explained over the next few paragraphs and a table showing detailed planned expenditure is included at the bottom of this section.

Estates

The primary focus for the Estates programme will be outlined in the new Estates Strategy which has been subject to consideration by the PCC.

There will still be a regular buildings improvement and maintenance programme undertaken for the rest of the Estate.

Fleet

The fleet replacement programme is kept under constant review and it is planned to spend a relatively consistent figure each year on vehicles.

ICT

The ICT Strategy will outline the capital schemes to be delivered over the period covered by the plan. A large proportion of the ICT expenditure in the capital

programme relates to maintaining existing systems. Another key scheme is the national requirement for all Forces to upgrade their emergency services communications.

Key Risks

The following are the key risks contained within the plan

Risk	Mitigating Action	Person Responsible
Loss of funding due to reallocation between Forces	<ul style="list-style-type: none"> • Workforce planning to reduce officer/staff numbers • Cost reduction plans to be developed and implemented • Maximise precept income 	<ul style="list-style-type: none"> • PCC Chief Finance Officer and Deputy Chief Constable
An ageing estate portfolio putting increased pressure on facilities management budgets	<ul style="list-style-type: none"> • Agree and deliver capital programme time • Effective project planning 	<ul style="list-style-type: none"> • PCC Chief Finance Officer / PCC
Police officer capacity to respond to service demands	<ul style="list-style-type: none"> • Allocating resource to priority activities • Deliver agreed training programme. • Productivity measurement and management • Strategic Threat Assessment agreed and implemented 	<ul style="list-style-type: none"> • Commanders /Executive Team
Flexibility to move police resources to areas of need	<ul style="list-style-type: none"> • Plan on a page promulgated across the organisation • Regular Force threat and risk meetings • Update workforce plan • Targeted reviews to be carried out 	<ul style="list-style-type: none"> • Executive Team / Tasking & Coordination
Demand continues to rise	<ul style="list-style-type: none"> • Introduction of new Force structure • On-going crime prevention/detection and problem solving initiatives. 	<ul style="list-style-type: none"> • Heads of Commands

Risk	Mitigating Action	Person Responsible
	<ul style="list-style-type: none"> • Productivity measurement and management • Deliver agreed training programme • New shift pattern introduced for response officers 	
Collaboration may require up-front costs of change	<ul style="list-style-type: none"> • Identify 'invest to save' budget/reserve 	<ul style="list-style-type: none"> • PCC Chief Finance Officer/Exec/PCC
Move to multiyear pay award	<ul style="list-style-type: none"> • Include in planning assumption • Calculate cashflow loss/ budget savings 	<ul style="list-style-type: none"> • PCC/CC Chief Finance Officer
Uncertainty in relation to future pension costs	<ul style="list-style-type: none"> • Police officers, request grant funding (national issue) • Staff, identify corresponding savings 	<ul style="list-style-type: none"> • PCC/CC Chief Finance Officer
Adequate future funding of uplift	<ul style="list-style-type: none"> • Ensure influence, where possible, of national financial position 	<ul style="list-style-type: none"> • PCC/CC Chief Finance Officer

Monitoring and Review

This financial plan will be subject to continuous review and forms part of the overall planning processes within the PCC and Constabulary. This will ensure that an accurate future financial forecast is maintained to give an indication as to the affordability of spending plans which in turn will be fed into the corporate planning process.

The content of this plan will be kept under review as part of normal medium term financial planning procedures.

Purpose of Report

1. The purpose of this report is to provide the Police and Crime Commissioner (PCC) with reassurance and confidence in the accuracy and quality of the financial estimates for the years 2022/23 to 2025/26.
2. The robustness of the financial estimates considers important factors such as risks facing the PCC and the adequacy of financial reserves to enable the PCC to have flexibility in dealing with any unplanned events that may have a significant financial consequence during the course of the budget year 2022/23.

Background

3. The Police and Crime Commissioner decides every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services.
4. The decision on the level of the council tax must be taken before the coming financial year begins and that level cannot be changed during the year, so allowances for risks and uncertainties that may create an increase in service costs or a loss of income must be made by:
 - a. Making realistic and prudent allowances in the financial estimates for the policing services provided, and also,
 - b. Ensuring that there are adequate reserves in place that can be drawn on to help manage the impact of any incident or eventuality that causes the PCC to exceed the budget estimates in 2022/23 for the delivery of policing services to the community of County Durham and Darlington.
5. Section 25 of the Local Government Act 2003 requires that the PCC's Chief Financial Officer reports to the PCC when considering the budget and council tax on the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that the PCC will have authoritative advice available to him prior to making the budget setting decisions.
6. Section 25 also requires the PCC to consider this report when making decisions about the budget.

Critical Role of Risk Management

7. There is considerable and continuous attention given to the risks facing the delivery of policing services in County Durham and Darlington. Each of the risks identified by the Force is allocated to and formally assessed by a strategic programme board. When each board meets work plans are modified to reflect new risks, or to reflect the best available information and the impact of mitigating actions.
8. In setting the budget the risks facing the PCC are influenced by the uncertainties of the economic environment and the level of expenditure reductions in the Policing

Service and the wider public sector, all of which present difficulties in delivering a balanced budget. The key risks have been identified in the Budget report.

9. The Annual Governance Statement gives assurance in relation to the organisation's arrangements for the management of risk and ensuring proper arrangements are in place for governing its affairs and looking after the resources at its disposal.

Robustness of Estimates

10. The budget process has involved the senior leadership teams in each Command, who have considered and evaluated a variety of service delivery options that balance the twin needs of maintaining service delivery and balancing the budget.
11. These options, identifying areas where savings can be made to provide the resources to fund the unavoidable service pressures, have been reported to the PCC and his Executive, which includes the Chief Constable and the PCC's Chief Financial Officer.
12. The key income and expenditure related planning assumptions are reflected in the attached table

	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Officer Pay Inflation (from September each year)	3.5%	2.5%	2%	2%
Officer Pension Contribution Increase	Nil	Nil	Nil	Nil
Staff Pay Inflation	3.5%	2.5%	2%	2%
Police Staff Pension Contribution Decrease (including lump sum payment)	0%	0%	0%	0%
Police Officer Vacancy Factor	0%	0%	0%	0%
Police Staff Vacancy Factor	8%	8%	8%	8%
Energy & Fuel Inflation	5%	5%	5%	5%
Other Non-Pay Inflation (except where contractually based)	2%	0%	0%	0%
Council Tax Increase Band D	£10	£10	£10	1.98%
Tax Base Growth	Actual	1%	1%	1%
Other Income Inflation	0%	0%	0%	0%

In relation to Government grant, assumptions for 2022/23 and 2023/24 are based on estimated uplift figures using standard capitation rates.

13. In relation to the robustness of the above table, the following should be noted:
 - Pay inflation. This is in line with the NPCC multi year pay submission to the 2022 PRRB. A 1% differential is approx. £1.1m.
 - Pension increases. It is expected that any increase in police officer pension contribution will be funded by government grants

- Energy and Fuel. The outturn for 2021/22 includes an extra £0.4m for the increased energy costs. The costs for future years include this additional amount plus inflation of 5%.
 - Council Tax. This will be subject to the maximum permitted limit by Central Government.
 - Tax Base Growth. Future growth is based on historic trends. A 1% differential is approx. £0.4m.
 - Other Income Inflation. In recent years income budgets have been over-achieved therefore the budget estimates are considered reasonable.
 - Officer numbers are increased based on the uplift projections. Staff roles have also increased to support the additional officers.
14. Given the uncertainty about the future resources available to the PCC at the time of preparing this report, the estimates beyond 2022/23 are at present set out with the best available information at the time of this report. There have as yet been no indications of future years funding allocation by the Home Office.

Adequacy of Reserves

15. The CIPFA Local Authority Accounting Panel (LAAP) has issued a guidance note on Local Authority Reserves and balances (LAAP Bulletin 77) to assist local authorities in determining the adequacy of reserves. This guidance is not statutory, but compliance is seen as best practice.
16. The guidance however, states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of the budget. Each Police and Crime Commissioner and local authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.
17. The current policy statement on the level of reserves includes the following:
- a. *The PCC will set aside sufficient sums in earmarked reserves as considered prudent to do so. The PCC Chief Finance Officer will be authorised to establish such reserves as are required, will review them for both adequacy and purpose, and report on a regular basis to the Police Crime and Victims' Commissioner.*
 - b. *The PCC will aim to maintain, broadly, general reserves of between 4% and 5% of the revenue estimates currently £5.871m and £7.339m respectively (based on 2022/23 revenue funding of £146.786m) subject to an annual review by the PCC Chief Finance Officer as part of the budget process.*
18. Earmarked reserves have been established as a means of building up funds to meet known or predicted requirements. The level of earmarked reserves will be in the region of £12.8m at the end of March 2022.
19. The General Reserve has been set at approx. 4.5% of the revenue funding for 2022/23 and will be £6.559m at the end of March 2021.

20. The reserves are set at a level to accommodate any significant financial impact on capital or revenue expenditure in 2022/23.
21. The PCC's approach to the management of risks alongside the PCC's financial management arrangements suggest that the level of resources identified in the Annual Budget 2022/23 is sufficient to provide reassurance and confidence in the delivery of policing services to County Durham and Darlington.