

GREATER MANCHESTER POLICE, FIRE AND CRIME PANEL

DATE: Thursday, 23rd March, 2023

TIME: 10.30am

VENUE: Council Chamber, Manchester City Council, Level 2,
Town Hall Extension, M2 5DB

SUPPLEMENTARY AGENDA

9. Police Fund Budget Report 1 - 28

A report of Andy Burnham, Mayor of Greater Manchester.

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This agenda was issued on 16th March 2023 on behalf of Julie Connor, Secretary to the Greater Manchester Combined Authority, Broadhurst House, 56 Oxford Street, Manchester M1 6EU

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GREATER MANCHESTER POLICE, CRIME AND FIRE PANEL

Date: 23rd March 2023

Subject: Greater Manchester Police Fund Revenue and Capital Budget
2023/24

Report of: Andy Burnham, Mayor of Greater Manchester

PURPOSE OF REPORT

To inform Panel members of the Greater Manchester Police Fund Revenue and Capital Budget for 2023/24, revised three-year medium term financial Plan to 2023/24 to 2025/26 and the projected position on general and earmarked reserves.

RECOMMENDATIONS

The Panel is requested to note the report.

Background papers presented to the Police and Crime Panel:

7th June 2022 - Greater Manchester Police Fund Revenue and Capital Budget 2022/23
26th January 2023 – 2023/24 PCC Budget and PCC Component of the Mayoral Precept

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**GREATER MANCHESTER
POLICE FUND
REVENUE BUDGET AND
CAPITAL PROGRAMME
2023/24**

2023/2024 REVENUE BUDGET AND CAPITAL PROGRAMME

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BACKGROUND DOCUMENTS

Background documents to this report are:

- (i) Government Settlement letters, reports and precept referendum letters
- (ii) Precept report to the Police and Crime Panel 26th January 2023
- (iii) Guidance note on Local Authority Reserves and Balances - Chartered Institute of Public Finance and Accountancy (CIPFA)
- (iv) Local Government Finance Act 1992
- (v) Local Government Act 2003
- (vi) Localism Act 2011
- (vii) Police Reform and Social Responsibility Act 2011
- (viii) The Greater Manchester Combined Authority (Transfer of Police and Crime Commissioner Functions to the Mayor) Order 2017

1. **INTRODUCTION AND BACKGROUND**

- 1.1 The Police and Crime Commissioner (PCC) within each force area has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the Chief Constable to account on behalf of the public. For Greater Manchester the PCC functions were transferred to the Mayor in May 2017. The Mayor (PCC) is the recipient of funding relating to policing and crime reduction, including government grants, the council tax precept and other sources of income. How this money is allocated is a matter for the Mayor (PCC) in consultation with the Chief Constable, or in accordance with any grant terms.
- 1.2 The provisions of Section 32 of the Local Government Finance Act 1992 require the Mayor (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. Which means the Mayor (PCC) decides how much local people pay for policing through their council tax. For Greater Manchester, the precepting authority is Greater Manchester Combined Authority with the Mayor setting the PCC precept.
- 1.3 In December 2022 the 2023/24 Provisional Settlement was announced in Parliament and details were released to Police and Crime Commissioners. Funding for the police comes both directly from a Central Government grant (74%) and from the police precept (26%).
- 1.4 In accordance with Schedule 5 of the Police Reform and Social Responsibility Act 2011 (“the Act”) and Part 2 of the Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012 (“the Regulations”), a number of reports were presented to the Police and Crime Panel, with the final proposals presented and agreed at the panel meeting held on 26th January 2023.
- 1.5 On 28th February 2023 the Mayor published the decision that confirmed:

- The 2023/24 Mayoral Police and Crime Commissioner precept would be set at £243.30 for a Band D property.
- The issuing of an appropriate overall precept requirement of £192,957,408 on the ten billing authorities in the Greater Manchester area, to be incorporated as part of the Council Tax for the purposes of Police and Crime for the financial year beginning 1 April 2023 and ending 31 March 2024.
- A 2023/24 Police Fund revenue budget of £742.088m.

2. NATIONAL POLICE REVENUE AND CAPITAL SETTLEMENTS 2023/24

- 2.1 The Spending Review in October 2021 confirmed initial grant funding for police forces for the next three years, with increases of £550m in 2022/23, £650m in 2023/24 and £800m in 2024/25. Following the 2023/24 budget announcements by the Chancellor in November 2022 the Home Office issued an updated provisional settlement on 14th December 2022.
- 2.2 The national core grant funding for police and crime across England and Wales in 2023/24 has increased by £174m (1.8%) to meet cost of final recruitment for the Police Uplift Programme (PUP) target of 20,000 additional police officers and pressures facing policing such as pay awards and non-pay inflation including energy costs. The £174m includes £100m as announced last year towards the PUP programme and the impact of the 2022/23 police officer pay award of £140m (£74m net of £66m of benefit from the reduction in employer National Insurance contributions announced by the Chancellor in November). This is below the 3% minimum increase for local government and will required a re-prioritisation of budgets and efficiencies in addition to increased precept funding.
- 2.3 The Spending Review 2021 initially confirmed that for every year of the three-year Spending Review, PCCs would be given a £10 precept flexibility, however, it was decided that given the inflationary pressures facing forces, a £15 precept flexibility would be given for 2023/24 only. Due to historic

differences in council tax the proportion that £15 represents can vary significantly between force areas. In 2022/23 on average, 34% of Police budgets are made up from Council tax, for GM this is only 26%. Greater Manchester is in the lowest quartile in England for the overall increase in Police funding for 2023/24 and overall funding per capita.

2.4 In 2023-24 the national top slices made against total police funding total £1,114m, a £259.7m reduction over last year (£1,373.7m). The biggest changes to funding are a £83.2m decrease in capital reallocations and a £80m reduction in Police Technology Programmes. A number of top slices have been also dropped, regrouped or come to an end, including: Police Uplift Programme, Police Now, National Operational Policing Units, Police and Criminal Justice System performance, Crime Reduction programmes, Rape Review and Counter Terrorism. A breakdown of the national priorities is shown in Appendix 1.

3. **PRECEPT 2023/24**

3.1 As part of the overall funding for policing in 2023/24, the Government gave PCCs the ability to raise the police element of council tax by up to £1.25 a month – £15 a year for an average Band D property and 83 pence a month - £10 a year for an average Band A property. Band A contains 45% of households out of all council tax bands in Greater Manchester.

3.2 At the Police, Fire and Crime Panel on 26th January 2023 the Mayor took the proposal to set the PCC element of the Mayoral precept at £243.30 for a Band D property and £162.20 for a Band A property. The table below shows the impact for each Council Tax band of the increase:

Policing Precept	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
2022/23 Precept	152.20	177.56	202.93	228.30	279.03	329.76	380.50	456.60
2023/24	162.20	189.23	216.26	243.30	297.36	351.43	405.50	486.60

Precept								
Change	10.00	11.66	13.33	15.00	18.33	21.66	25.00	30.00

3.3 This precept increase will provide an additional £15.5m based on the Greater Manchester council tax base. With this increase the Greater Manchester police and crime precept will remain one of the 10 lowest out of the 43 police and crime areas of England. It is important to note that Greater Manchester is more dependent than other areas on changes to government grant funding due to the lower council tax base in the region. The national £15 maximum increase will therefore raise significantly less funds for GM per head of population than in many other areas of the country.

3.4 For 2022/23 budget there was an estimated surplus on the council tax collection fund held by Greater Manchester local authorities which increased the Police Fund budget by £3.4 million. For 2023/24 the position on the Collection Fund is estimated to be a surplus of £1.9 million which is a reduction of £1.5 million. In 2022/23 the PCC received a one-off Tax Income Guarantee grant of £0.2 million to compensate for a deficit on the Collection Fund during the Covid pandemic which has ended in 2023/24.

4. REVENUE BUDGET 2023/24 AND MEDIUM TERM FINANCIAL PLAN

4.1 For 2023/24 this is an overall funding package for Police and Crime in Greater Manchester of £742.1m revenue an increase of £23.7m (3.3%) compared to 2022/23.

Police Fund Revenue Budget	2022/23	2023/24	Change	
	£m	£m	£m	%
Core Grant	522.9	524.7	1.8	
Ring Fenced uplift grant	7.8	15.9	8.1	
Pension grant	6.6	6.6	-	
Sub-total police grant funding	537.3	547.2	9.9	1.8%
Precept	177.5	193.0	15.5	
Collection Fund Surplus / -Deficit	3.4	1.9	- 1.5	
Tax Income Guarantee Grant	0.2	-	- 0.2	
Sub-total Precept related	181.1	194.9	13.8	7.6%
Total Revenue Funding	718.4	742.1	23.7	3.3%

4.2 The majority of the Police Fund budget is delegated to the Chief Constable for Greater Manchester Police and a proportion is retained to fund PCC functions and capital financing costs for the GMP capital programme. The budget is supplemented by specific grants received throughout the financial year, reserves and income.

Police and Crime Commissioner 2023/24

4.3 The PCC net budget for 2023/24 is £13.1m, which is a reduction of £11.5m compared to 2022/23 in relation to savings in capital financing costs, use of reserves and additional income. The PCC budget reflects the following assumptions for 2023/24:

- The pay award estimated for 2022/23 was 1.75%, this has been updated to reflect the higher final pay award of £1,925 per full time equivalent employee. For 2023/24 as with other GMCA budget assumptions a pay award of 4% has been estimated.
- Capital financing costs based on the latest capital programme from GMP. The budget for 2023/24 has been updated to reflect the revised Minimum Revenue Provision policy which has resulted in a saving of £5.8m compared to 2022/23.

- Changes in use of earmarked reserves included in the PCC budget such as:
 - Police infrastructure reserve of £20m continues to be applied to GMP budget to support the implementation of the Police Uplift Programme at £5m per year over the four year period 2021/22 – 2024/25.
 - Police Property Act income, reserve of £2.950m being applied to support planned expenditure included in budget for 2023/24.
 - Use of Collection Fund smoothing reserve to support a shortfall in the fund of £1.5m.
 - Use of £3.9m of PCC Transformation and Commissioning reserves to support additional Plan On A Page investments as set out in paragraph for 4.10 below.

- Income and expenditure in relation to specific grant funded programmes such as:
 - Serious Violence Home Office grant of £4.4m
 - Victims Services Ministry of Justice grant £3.5m
 - GM Integrated Rehabilitation Services grant of £1.9m from HM Prison and Probation Service

Budget for Greater Manchester Police 2023/24

- 4.4 Greater Manchester priorities for policing for the next financial year will be met from the funding received for 2023/24. The GMP budget for 2023/24 will be £729m which is an increase of £35.2m compared to 2022/23. This increase is met from the additional funding from government grant and precept increase of £23.7m and savings in the Office of PCC budget of £11.5m as described above.
- 4.5 At its meeting in January the panel received details of the Greater Manchester priorities for policing for the next financial year based on the proposed increases in precept, along with the central government grant.

4.6 When the Precept was agreed in January it was recognised to be critically important that GMP had the level of funding required to sustain the significant improvements made to date and to continue to strengthen public safety. It was estimated that for GMP to sustain the improvements achieved in 2022/23 and deliver further additional benefits to the people of Greater Manchester it would cost a further £12.2m in 2023/24 in respect of the following investment:

- The establishment of dedicated Neighbourhood Crime Teams in each district to more effectively and proactively tackle the issues that the public said were important to them in a GMP consultation last year, including tackling burglary, robbery and vehicle crime.
- The workforce level required to ensure that the significant improvements in 999 and 101 waiting times are maintained and further improved, particularly in respect of 101.
- Increased capacity and capability of crime scene investigators and digital investigators strengthening opportunities to detect neighbourhood crime and sexual offending, including such offences against children.
- Increased numbers of investigators who conduct initial investigations when a crime is first reported, to ensure more timely and effective investigations into offences that have a big impact on our communities such as criminal damage, anti-social behaviour and hate crime.

4.7 As previously reported to Police, Fire and Crime Panel in January the police budget has new unavoidable pressures of £37.7m for 2023/24:

- (i) **Full year effect of Police Officer Uplift (PUP) (£8m)** – Whilst 2022/23 was the final year of the PUP programme 2023/24 is the first year the new establishment will be in place for the full 12 months so there is a full year effect increase in the costs in 2023/24.
- (ii) **Impact of 2022/23 Pay Awards (£12m)** – The police officer and police staff pay awards in 2022/23 were higher than expected when the budget was set. Whilst there was one-off funding for the police officer increase in 2022/23 this has been consolidated in the 1.8% funding increase in 2023/24.

(iii) **2023/24 Pay awards (£15m)** – These are currently forecast to be 2.5%. This is in line with previous forecasts and national guidance although the settlement still refers to a 2% increase.

(iv) **Reduction in NI Costs (Savings of £4.1m)** – GMP will save money through the reversal of the 1% NI increase.

(v) **Energy Costs** – Current forecasts suggest an increase of **£6.8m** in gas, electric and fuel costs for GMP.

4.8 In order to sustain the investment and manage pressures described above, work was undertaken by GMP and the Mayor's office to identify a number of savings and additional income which could, without impacting on frontline policing, manage the majority of these local pressures. Once these were taken into account, the remaining shortfall was £16.1m, for which efficiency savings from energy and vacancy management have subsequently been identified by GMP.

4.9 Since the precept was set in January further work has been undertaken to determine the precise investment needs and this now reflects an additional funding requirement of £15.2m across the following areas:

- **Digital Policing Programme (£2.8m)** – The Decision to replace the Force's Records Management System known as Police Works was taken in 2022. Work is now well underway to secure a replacement system. This a significant project with many key interdependencies. The investment requirement reflects the level of additional capacity required in terms of specialist internal and external resources to deliver this programme. To mitigate this cost a £1m earmarked reserve, set aside to support this investment, will be applied in 2023/24.
- **Force Contact Centre Telephony (£0.160m)** – the Force is undergoing a refresh of the telephony systems within its contact centre. The investment requirement relates to the associated costs of licences and related implementation costs arising from this technical and functional refresh.
- **Improved Personal Protective Equipment (£3.6m)** – The Force is required to upgrade the personal protective equipment (body armour) it

provides to operational staff because of recent guidance by the College of Policing on the improved standard of protection required. The total cost of the programme is likely to reach £5.2m spanning two financial years. The funding for this cost will be met from earmarked reserves relating to funds arising from the proceeds seized from criminal activity.

- **IT and Digital Investment (£4.5m)** – Policing in the 21st century is underpinned by a digital infrastructure which supports the delivery of critical operational systems. The systems need to be robust to ensure that they withstand the risk of security compromise and deliver support to operational policing delivery. The investment will ensure that these two priorities are delivered to maintain a stable, secure, and reliable infrastructure.
- **Serious Crime Investigation (£2.1m)** – the investigation of serious, high harm crime is a key priority for the force. Integral to effective investigations and to the delivery of victim focussed services is the provision of increased capacity and capability in forensic services including digital forensic analysis, which is an ever-increasing requirement of every investigation. The funding for this will be met in part using an earmarked reserve of £1.3m set aside to support investment in forensic services.
- **Enabling Services (£0.3m)** – the Force currently secures its statutory Data Protection Officer through a 3rd party provider. Whilst this has been satisfactory it is felt that the appointment of a Data Protection Officer would be both more cost effective and provide a more resilient service in a high-risk area. The force also requires additional resources to bolster its legal function. The current demand cannot be met by in-house provision which means that services are outsourced at a significantly higher cost. Furthermore, there is a need to provide additional legal support to operational policing in relation to obtaining court orders and coronial related matters.
- **Lancaster University Management School LUMS (£0.3m)** – the emergence of the force from HMICFRS engagement has provided a rich legacy of leadership development learning and development opportunities. Working with the internationally recognised LUMS provides an opportunity to use this research to develop a leadership development programme for

GMP. The cost of this will be met from an earmarked reserve set aside for this investment.

- **Central Ticket Office investment (0.8m)** - there is a need to increase the activity carried out to improve road safety and to reduce the numbers Killed and Seriously injured through speed enforcement which is a key Force priority. This will have a net nil effect on the operating budget as it will be offset by increased fine income.
- **Business as usual Investment requirements (£0.7m)** – there are several investments which are required to improve service delivery across a range of areas. This is offset to a large extent by external funding contributions.

4.10 To fund this total investment requirement of £15.2m the following funding sources are to be applied in 2023/24:

- PCC Earmarked Reserves £3.9m
- Additional income / expenditure savings £3.0m
- Efficiency savings £1.9m
- £8.8m**

4.11 After applying the above to the investment requirement this leaves a residual gap of £6.4m to fund. This will be met using the following earmarked reserves set aside to provide bridging finance to assist with the delivery of planned service improvements associated with the Plan On A Page (POAP) improvement programme:

- GMP Plan On A Page Reserve £4.1m
- GMP Digital Policing Reserve £1.0m
- GMP Forensic Reserve £1.3m
- £6.4m**

4.12 The additional investment has been included in the budget at summary level and will be incorporated into the detailed budget as soon as business plans have been fully approved within GMP and with the Deputy Mayor's office.

4.13 Taking in account of the above, GMP and PCC budgets for 2023/24 are shown below, with a comparative breakdown of specific grants of £195m

provided in Appendix 2 and comparison of the change in budget between 2022/23 and 2023/24 provided in Appendix 3.

Police Fund Revenue Budget	GMP £m	PCC £m	Total £m
Budget Requirement			
Employee Related	679.3	2.5	681.8
Pensions	129.8	0.4	130.2
Premises Related	45.3	0.0	45.3
Supplies & Services	71.0	26.0	97.0
Agency Payments	13.0	0.0	13.0
Transport Related	12.6	0.1	12.7
Capital Financing	0.0	14.3	14.3
Additional POAP investment	15.2	0.0	15.2
Transfer to/from Reserves	-8.3	-13.1	-21.4
Specific Grants	-181.9	-13.1	-195.0
Income & Sponsorship	-42.1	-4.0	-46.1
Income and expenditure savings	-3.0	0.0	-3.0
Efficiency savings	-1.9	0.0	-1.9
Net Budget Requirement	729.0	13.1	742.1
Funding			
Home Office Grant	0.0	-547.2	-547.2
Precept/ Council Tax Surplus	0.0	-194.9	-194.9
Total Funding	0.0	-742.1	-742.1

- 4.4 The medium term financial plan for 2023/24 to 2025/26 has been revised to reflect the latest planning assumptions and is shown in Appendix 4. This includes an estimate of GM's share of Government grant funding and take up of maximum flexibility in the precept increase of £10 in 2024/25.

5. **CAPITAL PROGRAMME 2023/24**

- 5.1 The key capital spending priority continues to be the Plan on Page priorities which include information services transformation to improve contact with the public and improve officer and staff productivity, fleet replacement and a revised estates strategy. The investment also includes refresh of critical policing operational infrastructure such as body worn video, Automatic Number Plate Recognition (ANPR),¹² digital recording of Interviews and digital storage platforms.

5.2 Details of the currently planned 2022/23 and 2023/24 planned capital programme are included in the table below.

<u>Capital Programme</u>	2022/23	2023/24
	£m	£m
Capital Expenditure:		
Estates	1.915	0.000
Fleet	9.535	0.000
ICT	9.313	14.333
Other / Plan on a Page (POAP)	16.711	2.471
	37.474	16.804
Funded by:		
Borrowing	35.100	16.804
Grant	0.622	0.000
Capital Receipts	1.694	0.000
Revenue	0.058	0.000
	37.474	16.804

5.3 Previously agreed commitments on capital, particularly in relation to Fleet and Estates will be rephased into 2023/24 at the end of 2022/23. A further £16.8m of capital investment is planned to be spent in 2023/24, detailed as follows:

Planned New Capital Investment 2023/24	£m
Digital Policing Programme	0.500
Force Contact Centre Telephony Transformation	1.033
IT Investment	12.800
Serious Crime	0.554
TDU Uplift	0.294
ANPR/CCTV	1.195
Digital Fleet Project (Fleet Logistics)	0.250
Central Ticket Office Equipment	0.078
Miscellaneous Capital Upgrades	0.100
Total Investment	16.804

5.4 The decision to replace the Force's Records Management System known as Police Works is not included in the capital programme at this stage. Once likely costs are finalised the capital programme for the medium term period will need to be re-prioritised and agreed with the Mayor. Following this revenue capital financing cost implications of the revised capital programme will be included in the Police Fund medium term financial plan for 2024/25 onwards.

6. **COMMUNITY SAFETY BUDGET**

6.1 In 2023/24 the budget continues to provide over £4m allocated to Community Safety Partnerships (CSPs) to support delivery of 'Standing Together' the Police and Crime Plan, collectively making our communities safer and more resilient.

Local Authority	Community Safety Grant	Children's Safeguarding Board	Adult's Safeguarding Board	Delegation of grants to	Hate Crime	TOTAL
	£	£	£	£	£	£
Bolton	304,523	17,296	17,296	100,000	5,000	444,155
Bury	157,973	11,850	11,850	100,000	5,000	286,673
Manchester	694,584	31,866	31,866	200,000	5,000	963,316
Oldham	262,287	12,900	12,900	100,000	5,000	393,087
Rochdale	234,000	12,150	12,150	100,000	5,000	363,300
Salford	239,306	13,500	13,500	100,000	5,000	371,306
Stockport	218,973	13,800	13,800	100,000	5,000	351,573
Tameside	243,703	13,200	13,200	100,000	5,000	375,103
Trafford	200,800	12,900	12,900	100,000	5,000	331,600
Wigan	247,614	14,400	14,400	100,000	5,000	381,414
TOTAL	2,803,763	153,862	153,862	1,100,000	50,000	4,261,487

6.2 Building on the work of previous years, CSPs have continued to work closely on both GM and local priorities and are using Community Safety funds to support targeted work in neighbourhoods. Oversight and governance is managed through local partnership arrangements and the Deputy Mayor is informed of spending profiles through an initial proposal followed by a mid-year update on progress. The Community Safety Grant provides CSPs with local autonomy to supplement their existing work on key police and crime

priorities and direct funds at additional schemes which add value in places. It is important that community safety fund spend decisions are made in conjunction with GMP to maximise opportunities to make the biggest difference in places. The Deputy Mayor is keen that funding decisions taken this year reflect the developing priorities of emerging locality boards.

6.3 The Deputy Mayor continues to allocate Voluntary and Community sector grants (Standing Together), following consultation and feedback from CSPs who provide a mid-year progress update detailing the allocation of funds to local groups and voluntary sector organisations. The grants are being used to support communities to tackle grass roots issues of concern whilst developing resilience and cohesion as local people are contributing to achieving Standing Together priorities.

6.4 A summary of the types of schemes and initiatives that the Voluntary and Community Sector grants have funded are set out below:

- ▣ Tackling anti-social behaviour and improving behaviour through early intervention and diversionary work with young people
- ▣ Support for victims of domestic and sexual abuse, including victims from minority communities and provide prevention interventions in schools
- ▣ Advice and awareness regarding healthy relationships for young people
- ▣ Reducing the risk of exploitation of vulnerable young people
- ▣ Reducing the risk of offending and re-offending
- ▣ Community cohesion and hate crime
- ▣ Keeping children and young people safe
- ▣ Interventions and awareness to prevent serious violence and promote awareness of the consequences
- ▣ Supporting vulnerable adults and reducing isolation

7. **FINANCIAL RISK ASSESSMENT**

- 7.1 A key requirement of any budget setting process is the assessment of risk and how this is reflected in the financial strategy. An assessment of the major financial risks associated with the 2023/24 budget has been undertaken. These are highlighted below:

Improvement Programme

- 7.2 Implementation of GMP's improvement plan as set out in the 'Plan on a Page' (POAP) includes significant change and a commitment to fulfil promises made to the public to deliver an effective police service. The programme board overseeing the implementation of the POAP brings forward change proposals with cost implications that requires revenue and capital investment over the medium term. There will be a need to ensure this is supported by a sustainable medium term financial plan incorporating use of non-recurrent resources and efficiency savings from within existing budgets and clear risk management process.

Police precept

- 7.3 Overall Police funding is dependent on Government grant and the PCC precept. There is an assumption of a £10 precept for 2024/25 which was included the government's three-year Spending Review in October 2021. This will be subject to local consultation and decision in January each year. There is a risk that police cost pressures will exceed available funding if the maximum £10 precept increase is not agreed upon locally.

Council Tax Collection Fund

- 7.4 The 2021/22 Collection Fund surplus is estimated to be £1.9m which has been included in the funding for the 2023/24 budget. There is a risk the final position is not as favourable and surpluses are not available in future years.

Inflationary risk

- 7.5 There is a general risk around cost inflation as a consequence of the challenging global economic environment. The police officer and police staff pay awards for 2023/24 are subject to agreement and the allowance in the

budget of 2.5% may be insufficient. For every 1% increase in pay the additional cost is c£6m for the budget.

Pensions

- 7.6 In 2019/20 the Home Office provided funding of £8.5m which has now been included in core grant and a further £6.6m in specific grant to cover these additional costs. The funding in core grant for 2023/24 has rolled forward again and the specific grant of £6.6m has once again been provided, however there is a risk that the grant may not continue in future settlements.

8. RESERVES

- 8.1 Total reserves as at 31 March 2022 were £105.4m, and are predicted to be £83.3m at 31 March 2023. Based on the 2023/24 planned budget to apply £21.4m of earmarked reserves during the year, the forecast reserves at 31st March 2024 is expected to be £61.9m. These figures include a General Fund balance of £15m which is not available for planned use. Section 25 of the Local Government Act 2003, requires the Treasurer of the GMCA to be satisfied that the level of the general fund is adequate (see section 9 below).
- 8.2 Planned use of PCC reserves includes release of the PUP infrastructure funding received in 2020/21 at £5m a year over the four year period 2021/22 to 2024/25 which is included as part of the GMP revenue budget.
- 8.3 GMP earmarked reserves at March 2022 reflected a newly created reserve in 2021/22 to fund POAP priorities. The POAP reserve will be held to manage risk relating to the POAP programme of work of which £5.7m is being applied in 2022/23 and £7.3m in 2023/24.
- 8.4 The table below provides a breakdown of all Police reserves as at 31st March 2022 and projections for balances at end of financial years 2022/23 and 2023/24.

Police Reserves	Closing Balances 31-March 2022 £m	2022/23 Planned Use of Reserves £m	Forecast Balances 31-March 2023 £m	2023/24 Planned Use of Reserves £m	Forecast Balances 31-March 2024 £m
General Reserve - Police Fund	-14.821	-0.179	-15.000	0.000	-15.000
Transformation Reserve	-1.829	0.000	-1.829	1.829	0.000
Commissioning Reserve	-12.487	7.958	-4.529	2.521	-2.008
Community Crime Fund reserve	-1.897	1.245	-0.652	1.283	0.631
Justice and Rehabilitation reserve	-1.778	0.742	-1.036	0.314	-0.722
Sexual assault commissioning reserve	-3.355	0.000	-3.355	0.000	-3.355
Youth aspiration / diversion reserve	-0.093	0.000	-0.093	0.000	-0.093
Legal costs reserve	-1.855	0.000	-1.855	0.000	-1.855
Health and Justice reserve	-0.079	0.000	-0.079	0.000	-0.079
Traffic Enforcement & Road Safety	-0.108	0.025	-0.083	0.025	-0.058
Capital Financing Reserve	-3.797	0.000	-3.797	0.595	-3.202
CF Smoothing Reserve	-1.520	0.000	-1.520	1.520	0.000
RASSO	-0.660	0.320	-0.340	0.000	-0.340
Infrastructure HO Reserve	-15.583	5.112	-10.471	5.000	-5.471
Total PCC Earmarked Reserves	-45.041	15.402	-29.639	13.087	-16.552
Operational Contingency Fund	-2.111	0.211	-1.900	0.000	-1.900
Chief Constable's Insurance Reserve	-12.549	0.000	-12.549	0.000	-12.549
PFI Residual Reserve	-9.880	0.953	-8.927	1.019	-7.908
Other Earmarked Reserves	-20.970	5.682	-15.288	7.265	-8.023
Total GMP Earmarked Reserves	-45.510	6.846	-38.664	8.284	-30.380
Total Police Reserves	-105.372	22.069	-83.303	21.371	-61.932

9. GENERAL FUND RESERVE

- 9.1 A General Fund level has to be set annually based on an assessment of risk. There is no prescriptive guidance on the minimum (or maximum) level of general reserves required, either as an absolute amount or a percentage of the budget.

- 9.2 When recommending a minimum level of the General Fund level the Treasurer takes account of the strategic, operational and financial risks, and that level can be expressed in cash terms or as a percentage of the budget.
- 9.3 The General Fund is held to provide a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing and act as a contingency to cushion the impact of unexpected events or emergencies
- 9.5 Factors to be considered in setting the level of General Fund are:
- cash flow requirements
 - treatment of inflation and interest rates
 - estimates of the level and timing of capital receipts
 - the treatment of demand-led pressures
 - the treatment of planned savings/efficiencies
 - financial risks inherent in any significant new funding partnership, major outsourcing arrangement or major capital development
 - the adequacy of other funds, e.g. insurance provision
- 9.6 A risk assessment has been undertaken to establish what the minimum General Fund level should be. The assessment is not an exact science and views may differ on what constitutes key financial risks and their evaluation. Based on a calculation of 2% - 2.5% of funding the General Fund Balance at 31st March 2023 is forecast to be £15m. The 2023/24 budget and future year's estimates do not include any use of General Fund balances.

General Fund Assessment		General Fund Amount Minimum	General Fund Amount Maximum
		£m	£m
Funding 2023/24		19	
Police Grant	547.165		

Precept & Collection Fund	194.923		
Total Funding	742.088		
		2%	2.5%
Suggested balance between 2% and 2.5% of funding		14.842	18.552
Forecast Balance at 31/03/23		15.000	15.000
Difference between suggested and forecast balance		0.158	-3.552

Appendix 1

Police Funding Settlement National Top-Slice	2023/24
	£m
Arm's Length Bodies	74.7
Crime Reduction Capabilities	18.4
Cyber Crime	14.1
Drugs / County Lines	30.0
Forensics	20.6
Fraud	18.1
National Policing Capabilities	69.3
NPCC Programmes	9.5
PFI	71.6
Police Technology Programmes	526.4
Regional and Organised Crime Units	39.5
Serious Violence	45.6
Special Grant	50.0
Tackling Exploitation and Abuse	21.3
Capital Reallocations	104.9
Total	1,114.0

Appendix 2

FORMULA FUNDING AND SPECIFIC			
	2022/23	2023/24	Change
	£m	£m	£m
Formula Grant Funding			
Core Grant Funding	522.944	524.671	1.727
Ring Fenced Uplift Grant	7.801	15.891	8.090
Pension Grant	6.604	6.604	0.000
Total	537.349	547.166	9.817
Specific Grants			
Local Council Tax Support	0.000	0.000	0.000
Pension Top-Up Grants	105.133	118.641	13.508
Private Finance Initiative (PFI)	5.315	5.315	0.000
Asset Incentivisation	2.664	3.476	0.812
Counter Terrorist Unit	42.871	42.402	-0.469
PCC Commissioning Fund	3.288	3.288	0.000
Other Revenue Grants	20.359	21.878	1.519
Total	179.630	195.000	15.370

Appendix 3

2023/24 REVENUE BUDGET COMPARED TO 2022/23			
	2022/23	2023/24	Change
	£m	£m	£m
Budget Requirement			
Employee Related	641.7	681.8	40.1
Pensions	116.1	130.2	14.1
Premises Related	37.6	45.3	7.7
Supplies & Services	108.3	97.1	-11.2
Agency Payments	18.5	13.0	-5.5
Transport Related	9.7	12.6	2.9
Capital Financing	20.3	14.3	-6.0
Additional POAP investment	0.0	15.2	15.2
Transfer to/from Reserves	-17.7	-21.4	-3.7
Specific Grants	-179.6	-195.0	-15.4
Income & Sponsorship	-36.5	-46.1	-9.6
Income and expenditure savings		-3.0	-3.0
Efficiency savings		-1.9	-1.9
Net Budget Requirement	718.4	742.1	23.7
Funding			
Home Office / DHLUC Grant	-537.3	-547.2	-9.9
Precept	-177.5	-193.0	-15.5
Collection Fund Surplus/-Deficit	-3.4	-1.9	1.5
Tax Income Guarantee Grant	-0.2	0.0	0.2
Total Funding	-718.4	-742.1	-23.7

Appendix 4

MEDIUM TERM FINANCIAL PLAN 2023/24 – 2025/26									
Budget Heading	Total			GMP			PCC		
	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
	£m								
Employee Related	681.8	695.2	716.0	679.3	692.9	713.8	2.5	2.3	2.2
Pensions	130.2	146.5	147.8	129.8	146.1	147.4	0.4	0.4	0.4
Premises Related	45.3	45.8	46.4	45.3	45.8	46.4	0.0	0.0	0.0
Supplies & Services	97.0	93.9	94.1	71.0	67.8	69.8	26.0	26.1	24.3
Agency Payments	13.0	22.7	23.2	13.0	22.7	23.2	0.0	0.0	0.0
Transport Related	12.7	12.7	12.9	12.6	12.6	12.8	0.1	0.1	0.1
Capital Financing	14.3	19.8	19.8	0.0	0.0	0.0	14.3	19.8	19.8
Additional POAP investment	15.2	0.0	0.0	15.2	0.0	0.0	0.0	0.0	0.0
Transfer to/from reserve	-21.4	0.0	-2.0	-8.3	-0.4	-0.4	-13.1	-7.0	-1.6
Specific Grants	-195.0	-211.5	-210.8	-181.9	-198.6	-199.5	-13.1	-12.9	-11.3
Income & Sponsorship	-46.1	-41.8	-44.5	-42.1	-40.2	-43.0	-4.0	-1.6	-1.5
Income and expenditure savings	-3.0	0.0	0.0	-3.0	0.0	0.0	0.0	0.0	0.0
Efficiency savings	-1.9	0.0	0.0	-1.9	0.0	0.0	0.0	0.0	0.0
Net Budget Requirement	742.1	783.3	802.9	729.0	748.7	770.5	13.1	27.2	32.4
Government grant	-547.2	-579.6	-579.6	0	0	0	-547.2	-579.6	-579.6
Precept income	-194.9	-203.7	-203.7	0	0	0	-194.9	-203.7	-203.7
Total Funding	-742.1	-783.3	-783.3	0	0	0	-742.1	-783.3	-783.3
Shortfall / Surplus(-)	0	0.0	19.6						