



***Medium Term Financial
Strategy
2023/24***

1. Executive Summary

1.1. Policing is facing significant demand for the services it provides with the nature of crime evolving at a rapid pace and becoming increasingly complex. The pressure of demand must be balanced against the resources available to deliver policing in Lancashire and at the same time reflect the public's requirements. The public's views are represented in the Police and Crime Commissioner's (PCC), "Police and Crime plan". This plan sets out the priorities for policing in Lancashire whilst recognising the resources that are available to deliver the service.

1.2. The Police and Crime plan priorities are:



1.3. This is the annual review of the PCC's Medium Term Financial Strategy (MTFS or "the Strategy"). It is based on a financial forecast over a rolling four-year timeframe from 2023/24 to 2026/27 which will help ensure resources are aligned to the priorities in the Police and Crime plan. The MTFS sets the financial context for the PCC and Chief Constable's annual resource allocation process and budget setting.

1.4. Reviewing the MTFS remains essential to ensuring the PCC and Constabulary's medium term financial sustainability. Over the last ten years the PCC and Constabulary have responded to the financial challenges in a planned way through an on-going process of financial monitoring and 'business planning' recognising the resources available, managing demand for the service, identifying future financial pressures, recognising the impact of council tax increases and delivering savings and efficiencies.

1.5. PCCs are legally obliged to set a balanced budget each year and to ensure they have enough reserves to cover any unexpected events. Therefore, to legally balance the budget the PCC must make spending plans affordable by matching it to the estimated funding available over that time. The gap between the two amounts is referred to as the "funding gap". Thus, the funding gap is a combination of the best estimate of the future budget needed to cover rising cost pressures and demands for services alongside the forecast level of resources available.

1.6. Based on local estimates outlined in this report, the PCC estimates that a funding gap of £18.875m to 2026/27 needs to be met. This gap can be summarised as follows:

	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m

Spending requirement	369.526	386.650	394.656	393.667	
Resources	369.526	383.533	385.357	387.208	
Funding gap	0	3.117	9.299	6.458	18.875

1.7. The PCC will continue to have significant revenue and capital budgets to invest and deliver the Police and Crime plan priorities for the citizens of Lancashire and will ensure this is achieved by delivering an efficient and effective police force.

2. Introduction

The Purpose of the Medium-Term Financial Strategy (MTFS)

- 2.1. The MTFS is a key part of the PCC's Budget and Policy Framework which aims to ensure that all financial resources are directed towards delivery of the Police and Crime Plan priorities and the delivery of operational policing by the Chief Constable. The Strategy describes the financial direction for financial planning purposes and outlines the financial pressures over a four-year period but is reviewed annually to reflect the dynamic nature of funding.
- 2.2. The MTFS establishes the likely level of revenue resources available over the medium term and estimates the financial consequences of the demand for services. It improves financial planning and strategic financial management through providing the financial context within which the budget will be set.
- 2.3. The review also allows for consideration of the PCC's reserves policy and level of reserves to ensure there is adequate protection against unforeseen events.

The Principles of the MTFS

- 2.4. The proposed principles underlying the MTFS 2023/24 to 2026/27 are as follows:
 - The overall financial strategy will be to ensure that the PCC's resources are directed to the delivery of the Police and Crime plan and the delivery of operational policing in Lancashire. Financial sustainability will be achieved and maintained through targeted investment, reducing costs and more efficient ways of working. The MTFS will be reviewed on at least an annual basis.
 - The PCC and Chief Constable will consider a range of delivery mechanisms and funding sources to support capital investment to deliver the priorities, including the use of prudential borrowing, and will ensure that the full costs associated with financing the investment are taken into account when investment decisions are taken.
 - The PCC will maintain general reserves at a level between 3% and 5% of the net revenue budget to cover any major unforeseen expenditure (in line with the published reserves strategy).
 - The PCC and Chief Constable will aim to balance the revenue budget over the period of the MTFS without reliance on the use of the general reserve.
 - The PCC will maintain earmarked reserves for specific purposes which are consistent with achieving key priorities. The use and level of earmarked reserves will be reviewed at least annually.
 - Overall spending should be contained within original estimates. If, following monthly revenue monitoring, service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates.

- The PCC recognises the impact of increases in council tax levels and will therefore balance the need for increases against the delivery of the Police and Crime plan and demand placed on policing services.

3. Financial Context

- 3.1. In recent years the PCC has received funding from the government to contribute to the delivery of an extra 20,000 police officers in England and Wales. This funding is welcomed and has enabled Lancashire to increase officer numbers by more than 500 over the last three years. In addition, the PCC has been able to invest resource generated through increases to council tax in a further 100 additional officers over the same period.
- 3.2. Whilst this investment is extremely welcome it presents some challenges for the delivery of the MTFS. To ensure the additional grant funding received is retained there can be no reduction in police officer numbers. This means that future savings plans may have a significant impact for police staff roles as officer and staff pay represents over 80% of the total budget. For significant savings to be delivered reductions in pay would be inevitable.
- 3.3. Like all sectors policing has faced significant pressure on costs over the last 18 months with further inflationary pressures expected in the future. The ability to manage these costs is limited and as previously stated the majority of the budget is spent on staffing. This limits the ability to make savings on non-staff costs where significant cost increases are being experienced, this compounds the financial pressure on the organisation requiring significant review and planning for the identification of savings.
- 3.4. In recent years there has been an increase in the level of council tax charged in line with government funding expectations. Increases over a prolonged period places pressure on local taxpayers and consideration of the impact of these increases is a significant issue for financial planning.
- 3.5. Pressure on funding for other public sector services is felt by policing as the ability to deliver some services has resulted in an increase in work for police officers. In particular the pressure on mental health services has meant a significant demand on police time and therefore has a significant impact on budget planning.
- 3.6. In recent years the government has identified a number of policy areas for policing and attached additional funding to them. This trend has delivered a number of specific grant funding streams for policing to invest but with this structure has come a significant increase in administrative burden and reporting requirements. Such funding is often announced at short notice which is not ideal for effective financial planning.

4. Operational Policing

- 4.1. Lancashire Constabulary has an excellent track record in efficiency. The Constabulary has effectively managed different challenges year on year, providing efficient and effective services to its communities, which are both sustainable and focused on future demands. The 2022 PEEL assessment determined that Lancashire Constabulary is good at operating efficiently.
- 4.2. Annual Force Management Statements (FMS), and the finance sections link the challenges of balancing risk-based investment against the medium-term finance strategy with a continuing focus on efficiency and effectiveness.
- 4.3. This continued process is illustrated through the FMS which provides an annual snapshot of efficiency, savings and investments where needed to mitigate risk if that risk cannot be accepted (including escalation to the PCC). Each FMS references the annual process where savings and investment opportunities are considered in line with force priorities.

- 4.4. In addition, a comprehensive VFM analysis tool utilised to best identify areas to deliver efficiencies on a rolling basis.
- 4.5. The FMS and budget setting are closely linked to the business planning cycle, the annual process whereby departments and the force collectively consider efficiency and savings opportunities alongside any risk-based investments which are necessary.
- 4.6. As part of this process the Constabulary produce an annual report detailing the efficiency and savings plan that is in place to deliver the budget and this is reported to the PCC as part of the budget assurance framework.
- 4.7. The Medium-Term Financial Strategy (MTFS) sets out the financial position for the force in the next three years. Delivering this requires the management of a complex set of resources, demands and priorities, which takes account of demand profiling and results in an overarching plan. It is continually reviewed throughout the year in conjunction with the Office of the Police and Crime Commissioner in order to amend the plan within available financial resources and taking account of external pressures and changes. Integral to the MTFS are budget savings.
- 4.8. The FMS also describes known or predicted capacity and demand pressures which are then discussed by the Chief Officer Team. They then devise plans to mitigate and meet requirements within the constraints of the MTFS.
- 4.9. The Constabulary's Plan on a Page (shown overleaf) is a document designed to underpin all Constabulary activity and to offer clarity of purpose to the workforce. It was devised by considering the areas requiring the greatest focus or of the highest risk. This is not only for the benefit of frontline staff, but for the whole organisation. It incorporates a Resources section which enables the force to continuously improve, optimising the use of resources to deliver objectives and mitigate risk.



Professional.
Accountable.
Respectful.
United.

Our Vision, Strategy and Values

Our Vision

What we want to achieve



Preventing and fighting crime. Keeping our communities and people safe.

Our Strategy

The key areas we need to deliver on



Put victims at the heart of everything we do.

Reduce crime, harm, and antisocial behaviour.

Effectively respond to incidents and emergencies.

Investigate and solve crime and deliver the best outcomes to all.

Deliver an outstanding service to the public and build confidence.

Our Plan

The core areas we must focus on



Our People

Our staff are the key to our success, so we will:

- Make sure that everyone can be themselves at work, understand the role they play, and can be innovative to continuously improve.
- Continue to look after our people by prioritising engagement, health, and wellbeing.
- Develop and invest in our staff, providing training, coaching, mentoring and support so we are fit for the future.
- Create strong and empowering leaders with a focus on developing our first and second-line managers.
- Attract, retain, and develop our people and create a culture where everyone can maximise their potential.
- Reward and recognise great performance, and challenge those who don't perform.

Our Communities

To serve our communities to keep them safe, we will:

- Better understand the communities we serve.
- Have pro-active, honest, and open conversations, so we know what they are concerned about, and so we can act.
- Learn by inviting them to help us understand how we can build relationships and keep them safe.
- Build on already strong local relationships with a focus on partnership working and problem solving.
- Improve the way people contact us when they are in need.

Our Partnerships

To deliver the right services, we will:

- Understand and prioritise the needs of our communities, working together to protect those that need our help the most.
- Work with partners to ensure that people who need the most support receive the right help from the most appropriate organisation.
- Build effective and collaborative community safety partnerships with a joint understanding of local issues, focusing on long-term solutions.
- Seek opportunities to continuously improve our service by connecting with other organisations in the private, public, and academic sectors.

Our Resources

To enable us to continuously improve, we will:

- Focus on value for money and efficiency.
- Improve how we design our processes to make it as simple as possible for you to do your job.
- Predict our demand and target our resources by improving our data and making better use of the information we hold.
- Be innovative, encourage ideas and support change initiatives that help us to improve.
- Improve opportunities for agile and flexible working by changing our culture and working practices.
- Understand and reduce our impact on the environment to improve our efficiency.
- Continue with our investment in digital services, making all systems safe and secure, and easy to use and access.

Our Values

Who we are



Professional

Accountable

United

Always with respect

"It's what we do here"

5. Current financial position and outlook

5.1. In line with best practice, assumptions regarding future funding and costs are reviewed on a regular basis in order to inform the budget setting process. This report sets out the latest view of the financial outlook and incorporates information available on the following:

- potential changes to the level of resources available to the PCC in future years
- changes to the forecast level of expenditure, and
- changes to the cost of running the business.

5.2. Funding

5.2.1. Government grants

- Police grant
Also referred to as 'Core grant' this is the funding provided to each PCC for the delivery of policing in their area and is not ringfenced.
The amount of core grant has been confirmed to 2024/25 as part of the current Comprehensive Spending Review.
- Pension grant
A specific grant provided from 2019/20 to meet the additional cost arising from a central government decision in respect of employer pension contributions for police officers.
- Uplift Grant
A specific grant provided once uplift allocations have been achieved (and maintained)
- Victims Services grant
Ministry of Justice grant to support the provision of services to victims of crime.
- Counter Terrorism grant
Specific grant to support counter terror activity.
- The current assumption is that grant income (Core and specific grants) will be unchanged beyond the current Spending Review period ending in 2024/25. It is also assumed that uplift grant will 'roll in' to core grant from 2024/25 onwards.

5.2.2. Council tax

- Precept
This is the council tax charge levied by the Police and Crime Commissioner for the delivery of policing services. This is expressed as the charge for a 'Band D property' which is the measure used to calculate the total amount of council tax income each Commissioner will raise.
The Spending Review announcement by the Minister for Policing stated the clear assumption that every PCC would increase their precept by £15 in 2023/24 and £10 in 2024/25 as part of the overall funding available to policing.
As a result, the MTFS assumes that the **precept will increase by £10 in 2024/25 but no increase is assumed for 2025/26 and 2026/27.**
- Taxbase
This represents the number of properties from which council tax will be received in the County,

To enable the income from council tax to be calculated the value of the taxbase is shown as the 'number of Band D equivalent properties' and this figure is then multiplied by the Band D council tax charge for the year.

To calculate the tax base for an area, the number of dwellings in each council tax band is adjusted to take account of any discounts, premiums or exemptions. The resulting figure for each band is then multiplied by its proportion relative to Band D

(from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. The tax base is used to determine the level of council tax an authority charges each dwelling.

The current assumption based on information received from the billing authorities in Lancashire is that the taxbase will **increase by 1.5%** each year.

➤ Council tax surplus/deficit

The amount of council tax collected each year can vary from the amount calculated at the beginning of the year for a number of reasons. This can result in either a surplus or a deficit being realised. Council tax regulations require any surplus or deficit to be paid over in the year following its generation. In 2022/23 a surplus of £849,829 has been reported, this will be paid over to the Commissioner in 2023/24. There is no assumed surplus or deficit in futures years within the MTFs.

5.3. Total resources

5.3.1. This gives a forecast for resources of:

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
'Core' Grant	231.528	235.233	235.233	235.233
Additional grant for 7% pay award	8.399	13.107	13.107	13.107
Uplift Grant	6.999	6.999	6.999	6.999
Pensions Grant	3.104	3.104	3.104	3.104
Victims grant	1.755	1.755	1.755	1.755
CT Grant	1.740	1.740	1.740	1.740
Precept income	115.151	121.595	123.419	125.270
Council Tax Surplus/Deficit	0.850	-	-	-
Resources	369.526	383.533	385.357	387.208

5.4. Expenditure

5.4.1. Pay

Pay represents the single most significant element of cost for the organisation and any changes have a major impact for the budget.

Costs of pay in 2023/24 reflect the pay award of 5% from September 2022, 7% from September 2023 and the ongoing impact of uplift recruitment.

The MTFs assumes pay award increases of 2.5% in 2024/25 and 2% in subsequent years. A 1% change in pay reflects approximately £3m of cost.

5.4.2. Inflation

Specific inflationary pressure for both energy and fuel is set out in the budget for 2023/24.

In addition, £2m has been identified for non-pay inflation outside of these specific areas, reflecting the general inflation assumption of 10%.

In 2024/25 the MTFs forecasts general inflation at 7.5% and 5% in subsequent years.

5.4.3. Capital financing costs

The costs associated with borrowing are forecast to increase over the MTFs period as a result of the expected level of investment in the capital programme. The forecast

cost is based upon the amount in the programme for which borrowing is expected to be undertaken and the expected interest rates for the period.

5.4.4. Revenue contribution to the capital programme

Investment in certain capital projects reflects the short life of the asset they provide such as IT equipment or vehicles. For such assets it is more economically advantageous to fund the cost directly from the revenue budget in full rather than incur borrowing costs. The budget for this investment is to be increased by a total of £4m in 2024/25 and 2025/26 to ensure there is sufficient resource available to deliver the investment programme.

5.4.5. Forecast expenditure

Reflecting the assumptions above the MTFS includes the following forecast cost pressures:

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Uplift	4.061	-	-	-
Pay related costs	17.099	13.258	7.023	6.510
Capital financing costs	0.971	0.844	0.800	0.800
Energy price increase	3.600	-1.000	-	-
Fuel price increase	0.500	-	-	-
Non-pay inflation	2.000	1.500	1.000	1.000
Investment	-	2.475	0.800	-
Increase revenue contribution to the capital programme	-	2.500	1.500	-
Cost pressures	28.231	19.577	11.123	8.310

5.5. Savings

5.5.1. The PCC and Chief Constable have a continuous process to identify and deliver savings to support the revenue budget.

5.5.2. The Constabulary develops savings proposals through its 'Business Planning' regime and presents these for agreement by the PCC as part of the annual budget setting process.

5.5.3. This process has identified the following savings to be delivered over the MTFS period:

	£m
Departmental savings	2.350
Changes to operating model	3.400
Vacancy savings	1.900
Reduce establishment	0.525
Total savings	8.175

5.5.4. This process will continue and will deliver further proposals that will meet the funding gap set out in this report. The delivery of the agreed savings shown above will be robustly monitored through the year and progress reported to the PCC and Chief Constable through the financial monitoring process.

5.6. Funding gap

5.6.1. To determine the funding gap over the MTFS period the forecast resources and cost pressures in this report are brought into the existing budget requirement to give the following:

	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m
Budget brought forward	350.028	369.526	383.533	385.357	
Further cost pressures	28.231	19.577	11.123	8.310	
Savings	-5.722	-2.453	-	-	
Contributions to and from reserves	-3.011	-	-	-	
Spending requirement	369.526	386.650	394.656	393.667	
Resources	369.526	383.533	385.357	387.208	
Funding gap	0	3.117	9.299	6.459	18.875

5.6.2. This gives a total funding gap of £18.875m over the current MTFS period. The PCC and Chief Constable will continue to develop savings options to meet the gap in future years which will be done through the existing business planning process.

6. Looking ahead

6.1. In addition to the changes to the forecast shown above there are further issues that could affect the PCC budget in future years. These are difficult to predict in respect of likelihood and level. It is important however to recognise that there is a risk that further pressure could emerge for the budget and that the strategy that is developed is able to meet these challenges if they are realised.

6.2. Inflation and pay award

6.2.1. Recent announcements about the rate of inflation and the forecast of future rates indicate that there will be significant pressure will continue in future years. The level of inflation remains uncertain and will be closely monitored as part of the continuing financial planning process.

6.2.2. In turn it is expected that this pressure will impact upon the level of pay award made to police officers and staff which will directly affect the PCC budget in future years.

6.2.3. Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

6.3. Future government funding

6.3.1. Recent announcements by both the Prime Minister and Chancellor have indicated that firm control over government spending in future years is necessary.

6.3.2. There is therefore significant risk in any assumption on government funding in future years that will, undoubtedly, be subject to significant pressure in future years.

6.3.3. The MTFS therefore assumes no increase in government grants beyond 2024/25.

6.4. Additional government funding

6.4.1. The three-year funding announcement made by the Minister of Policing in December 2021, and the financial settlements subsequently provided, gives greater certainty to inform financial planning over the spending review period.

6.4.2. There continues to be a significant amount of additional funding for a number of areas including for Serious Violence, Violence Against Women and Girls and for Victims of Domestic and Sexual Abuse over the three-year funding period. Access to such funding requires a process of bidding that can be done against extremely short timescales. Successful bids can then require spending to be completed in a short space of time which can put pressure on resources and decision making.

6.4.3. The amount of funding for these area remains uncertain at this time and will be announced in the coming months.

6.5. Emergency Services Network (ESN) - Replacement of Airwave

6.5.1. The emergency services communications network 'Airwave' replacement programme has already 'slipped' by several years. There is a financial consequence of a delay in moving over to the new system that is not yet clear.

6.5.2. There is also a capital requirement for the equipment that will be required to operate on the new system that will impact upon future years' capital investment programme.

6.5.3. The financial impact of these is not yet fully known with estimated provision included in the draft capital programme based on best available information. When further information is received from the Home Office the financial forecast will be updated

6.6. Impact of the Police Pensions Remedy

6.6.1. The Government introduced changes to public sector pensions and introduced revised pension arrangements for Police Officers in 2015. As part of the implementation a series of protection measures were put in place to protect those officers within 10 years of their normal retirement date.

6.6.2. This policy was successfully challenged in the Courts and was found to be discriminatory on the basis of age. The Government has recently announced its proposals to remedy the discrimination. Whilst these proposals will take some time before they are in place, initial indications are that the cost of administering the remediation will be an additional cost on police forces and the ultimate cost of the remedy may require an increase in employer contributions of 10%.

6.6.3. This will form detailed discussion with the Government and the extent to which sufficient funding is made available will be a key element of the discussion.

7. Capital investment

7.1. The capital programme approved in the budget decision for 2023/24 is:

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
IT Strategy	5.991	6.000	6.000	6.000	6.000	29.991
Emergency Services Network (ESN)	0.010	2.000	0	4.000	4.000	10.010
Accommodation Strategy	22.874	50.661	37.810	16.465	2.411	130.221
Vehicle Replacement	3.500	3.500	3.500	3.500	3.500	17.500
Other Schemes	0.840	0.862	0.721	1.331	0.543	4.297
Total	33.215	63.023	48.031	31.296	16.454	192.019

7.2. Each proposed project for the accommodation element of the capital programme is subject to further, final approval being provided by the Commissioner on a scheme-by-scheme basis. The main accommodation projects included in the programme are:

- Critical Policing Infrastructure Programme (£73m) including the development of the Police HQ site at Hutton
- Pendle Police Station (£16.5m)
- Chorley Police Station (£18m)

7.3. The financing available to support expenditure arises from the sale of property which generates a capital receipt, the use of ear-marked revenue reserves, contributions from the revenue budget and borrowing.

7.4. Funding for the cost of ESN is under discussion with the Home Office. If government support is not provided the impact for Lancashire is significant requiring substantial contributions from the revenue budget to meet the cost of the scheme.

7.5. The capital programme also impacts on revenue expenditure from three main sources:

7.5.1. capital financing charges and the impact of borrowing particularly for long term assets (buildings)

7.5.2. the use of revenue resources to directly finance capital investment, and

7.5.3. revenue consequences arising from capital expenditure (computer hardware/software maintenance costs and running costs of new builds)

7.6. The impact of the capital programme has been reflected in the Revenue Budget for 2023/24 and in the Medium-Term Financial Strategy (MTFS) to 2025/26.

7.7. The investment programme is financed as follows:

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	0	0	1.000	0	0	1.000
Revenue Contribution	9.975	10.975	10.975	10.975	10.975	53.875
Borrowing	20.780	47.178	34.970	14.692	1.340	118.960
Funding for ESN	0	2.000	0	4.000	4.000	10.000
Earmarked reserves	2.460	0	0	0	0	2.460
Funding to be identified	0	2.870	1.086	1.629	0.139	5.724
Total	33.215	63.023	48.031	31.296	16.454	192.019

7.8. The financing of the capital programme reflects the Commissioner's published Financial Strategy including the forecast use of contributions from the revenue budget. This source of funding is used for assets with a shorter life such as IT systems and equipment as it is considered a more prudent approach to use such funding in this way rather than unsupported borrowing. Borrowing will continue to be used for the financing of longer life assets such as property as this reflects an appropriate method of financing for such assets.

7.9. The cost of the borrowing included in the financing of the capital programme is reflected in the revenue budget requirement and MTFS.

8. Reserves

8.1. The Commissioner sets out his [Reserves Strategy](#) each year that explains the reserves held and their planned use in conjunction with the Medium-Term Financial Strategy.

8.2. PCCs must consider the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The Chief Finance Officer is required, as part of the budget setting process each year, to provide a statement on the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion.

8.3. The PCC keeps a level of reserves to protect against the risk of any uncertainties or unforeseen expenditure. This is considered best practice and demonstrates sound financial planning. The use of financial reserves will not in itself resolve a budget problem

but it can allow for smoothing of impacts or allow time to sort out issues. Therefore, reserves are mainly used to:

- Manage the impact of cuts over a longer period of time
- Invest in schemes that allow services to be delivered more efficiently
- Provide capacity to absorb any non-achievement of planned budget reductions in each year
- To insure against major unexpected events (such as pandemics)
- To guard against general risk (managing unexpected events)

Reserves Policy

8.4. The PCC's policy on reserves is outlined within the MTFS principles as follows:

- The PCC will maintain its general reserve at a level between 3% and 5% of the net revenue budget to cover any major unforeseen expenditure. The PCC will aim to balance the revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- The PCC will maintain earmarked reserves for specific purposes which are consistent with achieving the key priorities. The use and level of earmarked reserves will be reviewed annually.
- The PCC's general reserve is available to support budget setting over the period of the MTFS and usage should be linked to the achievement of financial sustainability over the medium term.

Review of Reserves

8.5. A review of reserves is undertaken annually and covers:

- The purpose for which the reserve is held,
- An assessment of the appropriate level of the reserve to meet potential future liabilities, in line with the PCC's reserves policy and aligned to the risk management framework,
- Procedures for the reserve's management and control
- A process and timescale for future reviews to ensure continuing relevance and adequacy.

8.6. The PCC holds two types of reserve, General reserves that are available to support the revenue budget and provide security should the organisation face an unexpected issue that realises a call on its resources and Earmarked reserves that are set aside for a specific purpose. The forecast level of these general reserves for 1 April 2023 is £11.454m or 3.2% of the 2023/24 revenue budget. The Chief Finance Officer considers general reserves at this level to be appropriate and in line with the Commissioner's Reserves Strategy.

8.7. The reserves available in 2023/24 are:

	£m
<u>Earmarked reserves</u>	
Capital Financing Reserve	0.101
Employee/Public liability reserve	0.685
Local Council Tax Support Reserve	2.356
Transition Reserve	1.746
Clothing Reserve	0.786
POCA Equalisation Reserve	0.702
PCCA/Drugs Forfeiture Reserve	0.389
VMU Reserve	0.008
Operational Policing Reserve	1.691
Forensic collaboration reserve	0.084

LFSA operational reserve	0.202
Regional Collaboration – Titan	0.040
Regional Drugs Forensics collaboration	0.120
NDORS course reserve	0.922
Road Safety investment reserve	1.548
Total	<u>11.380</u>

General reserves

DFM	6.555
General Fund	12.140
Total General Reserves	<u>18.695</u>

- 8.8. There are also a number of earmarked reserves that are available to support the transition process including investment in capital projects that will support the delivery of savings in the future.
- 8.9. The Commissioner, in conjunction with the Chief Constable, will review the capital investment strategy and the reserves strategy during 2023/24 to ensure sufficient resources are made available for the financing of the capital programme in future years.

9. Risk Management

- 9.1. The PCC and Chief Constable have risk management strategies that are reviewed annually.
- 9.2. Risk registers are maintained and reviewed on a monthly basis. These are reported to the Joint Independent Audit Committee every 6 months for review and challenge,
- 9.3. All decisions made by the PCC are subject to risk consideration

10. Conclusion

- 10.1. The review of the MTFs has again been undertaken against a background of significant demand pressure, financial reforms and increasing costs. As a result, a significant level of savings needs to be delivered over the next three years.
- 10.2. The MTFs covers the period to 2026/27 and funding beyond 2023/24 remains uncertain but work continues to forecast future resources and pressures to inform the financial planning process.
- 10.3. The MTFs identifies a potential financial gap of £18.875m to 2026/27. This follows the delivery of more than £90m of savings by the PCC and Constabulary since 2010.
- 10.4. Although the financial context continues to be challenging and uncertain the PCC and Constabulary have a track record of meeting their financial obligations and maintaining financial sustainability. A collaborative approach to the budget, which is priority driven and over a medium-term planning horizon will ensure that this continues to be the case.
- 10.5. The PCC and Chief Constable will continue to keep the MTFs under frequent review given the high degree of uncertainty surrounding the potential impact of government policy and government announcements on funding decisions.