

# HAMPSHIRE & ISLE OF WIGHT POLICE AND CRIME COMMISSIONER

## Report

<b>Date Considered:</b>	<b>26 January 2024</b>
<b>Title:</b>	Council Tax Precept 2024/25, Budget 2024/25 and Medium Term Financial Strategy 2023/24 to 2027/28
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### 1. Recommendations

#### The Police and Crime Panel (P&CP):

- 1.1. Supports a precept increase of £10 per annum for Band D properties, which is the equivalent of £0.83 per month, or 19p per week and is in line with inflation at 3.98%.
- 1.2. Notes the recommendations from the Chief Constable on the operational requirements for 2024/25 onwards, and the request that the PCC supports a precept increase to enable the delivery of those requirements, as set out in Appendix A.
- 1.3. Notes that consultation has been undertaken over to determine the public support for a precept increase, and that the overall collective outcome of the consultation shows that there is majority support for a precept increase, but with a notable minority of 31% supporting no increase,
- 1.4. Notes that 61% of households across Hampshire & IoW (HIOW) are in properties in council tax bands A-C, and would therefore see a precept increase of less than £10 per annum as set out in Appendix C.
- 1.5. Notes that the precept in HIOW in 23/24 was £9.81 below the national average police precept and as the referendum limit is £13 for Band D properties, the HIOW precept is still expected to be below the national average.
- 1.6. Note that the total uplift in police officer numbers in HIOW over the three-year period 2020/21 to 2022/23 delivered through the Government's Uplift programme was 498, but that with the support of the PCC, Hampshire and Isle of Wight Constabulary (HIOWC) is on track to actually deliver 650 new officers in total by April 2024. The officers funded in the 2024/25 budget will be in addition to the 650, taking the total additional officer numbers to 725 by March 2025.

## 2. Executive Summary

2.1. The proposed budget has been developed to support the priorities of the Police and Crime Commissioner's Police and Crime Plan (PCP) – 'More Police, Safer Streets', and to meet the PCC's vision which is:

**'for Hampshire and the Isle of Wight to be two of the safest places to live, work and visit in the country'**

2.2. The PCC's Police and Crime Plan can be accessed using the link:

[www.morepolicesaferstreets.com](http://www.morepolicesaferstreets.com)

2.3. The plan sets out nine key priorities:

- i) 600 more police officers by 2023
- ii) improve police visibility
- iii) tackle anti-social behaviour
- iv) making it easier to support crime through 101
- v) prevent young people from committing crime
- vi) zero tolerance approach to knife crime
- vii) crack down on unauthorised encampments
- viii) improved outcome for victims
- ix) targeting rural crime

2.4. The budget and proposed precept increase set out in this report will help to ensure that the PCC can deliver on her priorities, in total investing **£12.4m** to fund new initiatives which includes:

- i) More police officers and operational capability including the provision of 30 additional local policing sergeants
- ii) Additional public access and police visibility through the opening of new front counters, the local bobby scheme and improvements to the 101 non-emergency service
- iii) Investment in estate that will provide accommodation for the increasing number of officers in locations that align with the new area operating model
- iv) Investment in technology systems and vehicles that are essential to maximise productivity

### **The Revenue Budget & Precept Proposal – Summary**

2.5. The funding settlement from Government shows that grant will increase from £255.4m to £274.0m, which is an increase of £18.6m or 7%. However, this includes an additional £6.8m pension grant to cover the additional employers' pension contributions required as a result of the pension valuation effective from April 2024. It also includes an extra £4.8m for the full year effect of the pay award grant issued in September 2023 (£13.4m in 24/25 versus £8.6m in 23/24). Furthermore, there is a grant of £3.1m for over-achieving the uplift target based on over-achieving the target by 65 officers at £48k per officer (£45k per officer in

23/24). In 23/24, this grant was paid as a specific additional grant rather than in the general grant but the same conditions will remain in that the PCC will not receive the grant if the officer headcount target is not achieved. Within that £3.1m, there is an increase of £3k pa per officer for inflation which represents £0.2m pa, which is an inflationary increase. After adjusting for those items by removing £6.8m for pensions, £4.8m for pay award and £2.9m for uplift funding, the underlying increase in grant is £4.1m which is an increase of 1.6%, which is well below the rate of inflation. The grant increases are welcome to cover additional pressures such as the additional pension employers' costs but, in isolation, the underlying increase in grant is somewhat short of matching the inflation pressure.

	23/24 £m	24/25 £m	Increase £m	Increase %
<b>Total grant</b>	<b>255.4</b>	<b>274.0</b>	<b>18.6</b>	<b>7.3%</b>
Adjust for:				
- Pension grant		-6.8		
- Pay award full year		-4.8		
- Uplift categorisation		-2.9		
<b>Underlying increase</b>	<b>255.4</b>	<b>259.5</b>	<b>4.1</b>	<b>1.6%</b>

- 2.6. The Government has allowed PCCs to raise additional funding through a £13 Band D referendum limit in the council tax precept. Whilst potentially a welcome flexibility, increasing the amount raised through precept does further shift the balance of funding, with an increased reliance on the local tax payer to fund policing and the statutory functions of the PCC.
- 2.7. Taking account of the police grant and the available precept flexibility, the PCC is **proposing a budget in the net sum of £462.4m**.
- 2.8. To deliver a balanced budget in the sum of £462.4m, the PCC is:
- i) proposing a **precept increase of £10** (3.98%) that is in line with inflation and balances the views of the Chief Constable and public consultation;
  - ii) delivering **new investment** in the sum of **£12.4m**, which includes **an additional 75 police officers** from 2023/24
  - iii) funding **inflationary pressures of £14.9m**
- 2.9. The budget and precept increase proposed will enable the PCC to deliver on her key priorities of increasing police officer numbers and increasing police visibility, In addition to covering inflationary pressures, the budget will provide new investment in frontline policing and the supporting functions to continue to make HIOW safer.

## **Capital Programme**

- 2.10. This report includes an update to the Capital Programme, which will see **proposed investment across the estate of 73.2m** over the next 3 years.
- 2.11. All new expenditure in the capital programme is fully funded, with no requirement to borrow. The investment in estate is required to accommodate the additional officers and to place operating teams in the best position to deliver for their communities. The investment also opens new front counters in 10 locations around Hampshire and the Isle of Wight to improve accessibility and enhance the visible presence of the police, especially where new premises are acquired in high profile locations.
- 2.12. The annual contribution to reserves for capital expenditure on vehicle replacement is increased from £3.0m pa to £4.0m pa to reflect the increase in vehicle prices and the number of vehicles now in use with increased officer numbers.

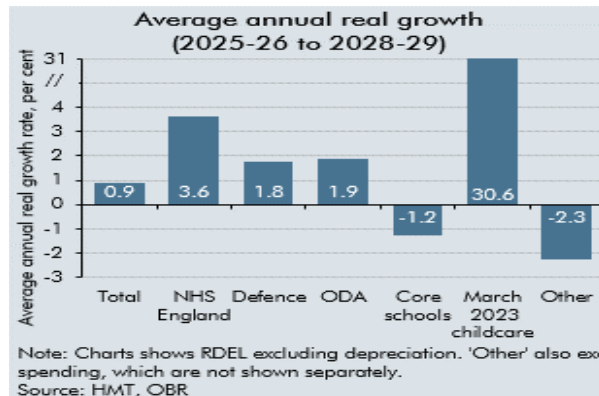
## **Chief Constable Operational Recommendation**

- 2.13. The Chief Constable has set out in Appendix A his assessment of the operational case for an increase in the precept.
- 2.14. The operational case sets out why additional investment is required locally in Hampshire and the Isle of Wight through the proposed precept increase, and broadly covers three key reasons:
- to increase the number of police officers and staff providing a visible presence, preventing crime and investigating incidents when they occur
  - to ensure effective routes for the public to be able to contact policing in both emergency and non-emergency situations, and for policing to be able to ensure that contact from the public is directed to the most effective service or partner to support their enquiry
  - to enable the Constabulary to invest in the technology, estate, equipment and wellbeing initiatives that make those officers and staff ever more effective and present on the frontline protecting our communities

## **Economic Context**

- 2.15. In his Autumn Statement, the Chancellor set out that the UK's economic and fiscal outlook. The Office for Budget Responsibility (OBR) states that CPI inflation is now expected to fall to 4.8% in the final quarter of 2023, from a peak of 10.7% in the last quarter of last year. Nevertheless, inflation and supply chain issues remain a key factor and risk when setting the budget.
- 2.16. The OBR forecasts that unemployment will rise from 3.7% to a peak of 4.4% in 2024. Although that is a rise in unemployment, it is still a relatively low rate that will continue to create competition for labour.

- 2.17. The PCC has historical borrowing at fixed interest rates but is not expecting to enter into any new borrowing. Investment income has been boosted in recent years by an increase in interest rates. That income stream cannot be relied upon indefinitely as balances available for investment will reduce and interest rates can change. Although interest rates are forecast to reduce in 2024, there is no expectation that the base rate will return to 1% or less in the medium term.
- 2.18. The current Spending Review period ends in 2024/25 and, with a general election expected in 2024, there is little information available regarding Government grant for policing beyond 2024/25. The OBR forecasts a funding reduction of 2.3% in real terms in the medium term for unprotected Government Departments such as the Home Office.



### Medium Term Position

- 2.19. On the assumption of a £10 precept increase (Band D) for 2024/25, followed by precept increases of 1.99% in each of the following 3 years (2025/26 to 2027/28), it is likely that savings will be required to balance the budget:

	Forecast Budget Deficit £m
2025/26	11
2026/27	20
2027/28	28

- 2.20. The Spending Review has provided greater insight into the levels of Government grant support and council tax precept referendum limits for 2023/24 and 2024/25 which has been very helpful from a financial planning perspective. There is no such information available for 2025/26 onwards as a new Spending Review is awaited.

### Public Consultation

- 2.21. In considering whether or not to use her flexibility to increase the precept, the PCC has given due consideration to balancing the views of the public and also to the consequences of setting a precept lower than £13 Band D.

- 2.22. The PCC has undertaken consultation online and in libraries. During the six week consultation period 6,336 responses to the survey were received of which 6,160 respondents answered the question on the precept. In addition, 77 hard copy responses were received via libraries.
- 2.23. The outcome from each individual element of the consultation, and the overall collective outcome shows that there is support for a precept increase from over 60% of respondents to enable HIOWC to take its fight to criminals and reduce crime. However, a notable minority of 31% voted for no increase.

### **Precept Proposal**

- 2.24. The PCC has fully reviewed and scrutinised the detail of the Chief Constable's operational case and request for a precept increase in support of policing and the views from the public consultation.
- 2.25. The precept decision for 2024/25 needs to take into account both the short term and medium term resourcing requirements to ensure that Hampshire and the Isle of Wight is safer now and in the future.
- 2.26. Taking account of the above, the PCC's proposal is therefore for a £10 increase in her council tax precept for 2024/25 for a Band D property. This enables further investment in policing as supported by the Chief Constable and the majority of public respondents but keeps the increase in line with inflation to recognise the cost of living pressures and balance the views of the public consultation.
- 2.27. Increasing the Precept by £10 will raise an additional circa £7m per annum from 2024/25 on a like for like basis to 2023/24 without taking account of any increase in the Council Tax Base from 2023/24.
- 2.28. The total precept raised for 2024/25 is estimated to be £187.6m, a total increase of £8.1m after allowing for an estimated increase in the Council Tax base of 1%.
- 2.29. The balance of funding has changed over the last decade, with council tax accounting for 42% of overall funding in 2023/24 compared to 33% in 2010/11, and government grant accounting for 58% of overall funding compared with 67%.
- 2.30. The PCC's view is that increasing the council tax by £10 pa on Band D properties (3.98%) balances the need to take into account the cost of living pressures whilst still continuing to provide more policing to deliver the Police and Crime Plan and for Hampshire and the Isle of Wight to continue to be two of the safest places to live, work and visit in the country.
- 2.31. The Chief Constable is clear that:
- “There is a very powerful case for the full £13 maximum increase in council tax precept at a time when all communities need effective policing more than ever.”
- “Police officers, staff and those who lead them do an incredibly difficult and important job. They need the right tools and resources to support

victims and tackle those who blight our communities. In the months since I became Chief Constable, we have started to show what is possible with a significant improvement in performance and visibility. This must continue, and I want to deliver that as far and fast as possible.”

- 2.32. In the context of the proposed £10 precept increase, it should be noted that 61% of households across Hampshire and the IOW are in Bands A to C, and so will see an increase of less than £10 per annum

### **3. Police Grant Settlement**

- 3.1. The provisional Police Grant Settlement announced on the 14th December 2023 set out:

- the overall level of Police Grant for HIOW for 2024/25
- that PCC's would be permitted to increase the police precept by an additional £13 in 2024/25

- 3.2. In terms of the HIOW grant settlement, this is as set out below:

- i) There will be a below inflation increase in HIOW Police Core Grant of £4.8m (2.1%).
- ii) The Pension Grant increases from £3.0m in 2023/24 to £9.8m in 2024/25. The increase is provided to offset the increase in employers' contribution rate for police officer pensions from 31.0% to 35.3% which is effective from April 2024. There is no increase for inflation.
- iii) Hampshire has been allocated £11.0m (£7.13m in 2023/24) of specific ring-fenced Uplift grant to ensure that the government funded Police Officer Uplift number of 498 for HIOW is maintained. The Uplift Grant will be subject to clawback in those PCC areas where police officer uplift targets are not met. There is no increase for inflation.
- iv) In addition there is a further grant of £3.1m for Additional Recruitment Top-Up. This is grant receivable for over-achieving the Uplift target. In 23/24 HIOW agreed a 'Batch 1' additional target of 65 officers. The new grant is set at £48k per officer multiplied by the batch 1 target. In 2024/25 this funding is now issued as grant at the beginning of the financial year that will be clawed back if the target is not met, whereas in 2023/24 the grant was paid as a specific grant when targets were achieved.
- v) Legacy council tax grant remains at £12.94m. No increase for inflation.

3.3. In summary the announced grant settlement position is as set out below:

	<b>2023/24</b>	<b>2024/25</b>	<b>Increase</b>	<b>Increase</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Core Police Grant*	232.4	237.2	4.8	2.1
Police Uplift Grant	7.1	11.0	3.9	54.9
Additional Recruitment	0	3.1	3.1	N/A
Pension Grant	3	9.8	6.8	226.7
Legacy Council Tax Grant	12.9	12.9	0	0
<b>Total Government Grant</b>	<b>255.4</b>	<b>274.0</b>	<b>18.6</b>	<b>7.3</b>

\*Core Grant for 23/24 includes the pay award grant of £8.6m announced part way through 23/24

3.4. The Police Grant Settlement report set out that HIOW received an overall headline increase in grant of 7.3%, but it is noted that:

- i) the pension grant increase of £6.8m is required to offset the increase in pension employers' contribution rate effective from April 2024, so does not reflect any net increase in funding,
- ii) the element of the grant for the September 2023 pay award in 2024/25 is £4.8m more than in 2023/24 but that reflects the fact that the grant needs to cover the whole financial year in 2024/25 whereas the grant covered 7 months in 2023/24.
- iii) the inclusion of the additional recruitment grant of £3.1m within the grant funding total is a change in categorisation from 2023/24 from a specific grant. However, there is an increase for inflation of £0.2m within that total.

	<b>23/24</b>	<b>24/25</b>	<b>Increase</b>	<b>Increase</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Total grant</b>	<b>255.4</b>	<b>274.0</b>	<b>18.6</b>	<b>7.3%</b>
Adjust for:				
- Pension grant		-6.8		
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<b>Underlying increase</b>	<b>255.4</b>	<b>259.5</b>	<b>4.1</b>	<b>1.6%</b>



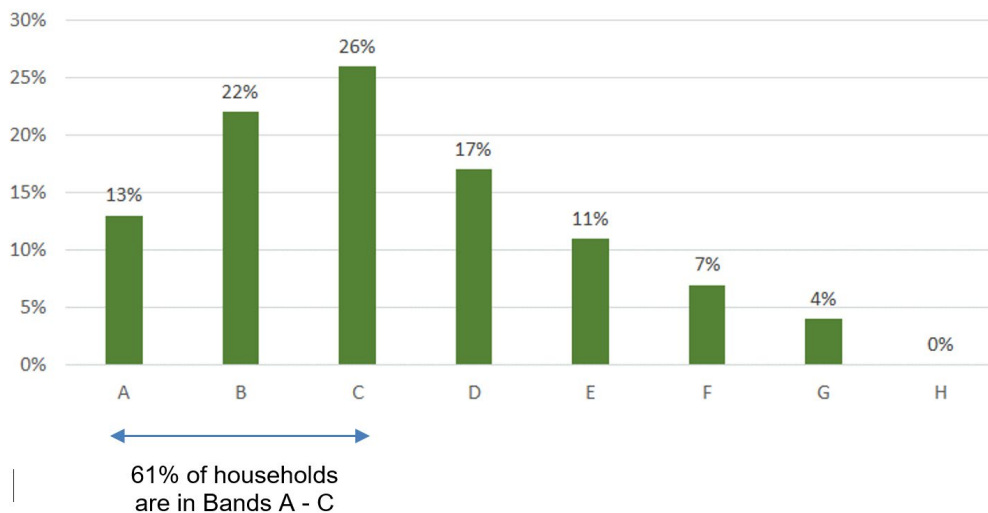
#### **4. PRECEPT PROPOSAL**

- 4.1. Local funding through Council Tax remains an important source of funding, particularly given that the increase in Government grant to HIOW is less than inflation due to the presumption that PCCs can balance their budgets through the utilisation of their precept flexibility.
- 4.2. The PCC must ensure sufficient resources are available to deliver her Plan and her statutory responsibilities.
- 4.3. The provisional police settlement announced on the 14<sup>th</sup> December confirmed the referendum limit as £13 which for HIOW equates to a 5.17% increase to the Band D precept). The headline funding increase figures for HIOW as set out by the Minister presume that the precept income is based on a £13 increase.
- 4.4. Any precept increase above the referendum limit of £13 would be deemed by the Government to be excessive and therefore require a public referendum vote, within the area covered by the proposed increase, to take place to gain approval for an increase in excess of this amount.
- 4.5. The precept decision for 2024/25 needs to take into account both the immediate and medium term resourcing requirements that enable the PCC to deliver her Plan both now and over the course of the MTFS.
- 4.6. Over 60% of the public that responded to the survey supported a Band D increase, but a notable minority of 31% supported no increase.
- 4.7. Within her Police and Crime Plan, the PCC's key priorities include:
  - 'Increasing the number of police officers on our streets is my top priority'
  - 'I commit to increase police visibility to make residents and local communities feel safer'
- 4.8. Reflecting on the feedback from residents, her manifesto commitments and her key priorities above as set out in her Plan, and the Chief Constables operational requirements, the PCC is proposing a precept increase of £10 for a Band D property utilised to support a further increase in additional police officers, enhanced policing support and better access for the public in 2024/25 onwards.
- 4.9. A precept increase of £10 is in line with inflation at 3.98%.
- 4.10. Increasing the precept by £10 will raise an additional circa £7m per annum from 2024/25.
- 4.11. The total precept raised for 2024/25 is estimated to be £187.6m, a total increase of £8.1m compared to 2023/24 allowing for an estimated increase in the council taxbase of 1%.
- 2.34. The PCC's view is that increasing the council tax by £10 pa on Band D properties (3.98%) balances the need to take into account the cost of living pressures whilst still continuing to provide more policing to deliver the Police and Crime Plan and for Hampshire and the Isle of Wight to

continue to be two of the safest places to live, work and visit in the country.

- 4.12. As set out in Appendix A, the Chief Constable has set out the operational requirements, and made a clear recommendation to the PCC that she increases the precept by the maximum amount allowable.
- 4.13. The Chief Constable is therefore supportive of the need for an increase the precept and welcomes the PCCs commitment that additional funding raised through the precept will support policing delivery, including the recruitment of an additional police officers.
- 4.14. The current Band D Council Tax Precept for HIOW in 2023/34 is £251.46, which is the 12th lowest of the 37 English forces (see Appendix C). The average Band D police precept in England in 2023/24 is £261.27.
- 4.15. The proposed precept increase would make the Band D Council Tax precept £261.46 in 2024/25. The Government's expectation is that PCCs across England will increase their Band D precept by £13, so it is likely that the HIOW precept will remain below the national average.
- 4.16. It is also important to note that a significant number (61%) of households across Hampshire and the IOW are in properties in Bands A – C, and so the increase for those households will be less than £10 per annum, as shown below:

#### Percentage of Households by Council Tax Band



### Impact of a £10 Council Tax Increase by Council Tax Band 2024/25

Band	Monthly Increase £	Annual increase £
A	0.56	6.67
B	0.65	7.78
C	0.74	8.89
<b>D</b>	<b>0.83</b>	<b>10.00</b>
E	1.02	12.22
F	1.20	14.44
G	1.39	16.67
H	1.67	20.00

- 4.17. The breakdown of the Hampshire precept by council tax band is shown in Appendix C, including how the precept in the current year compares with those of other PCC areas.
- 4.18. Whilst the government expectation is that PCCs will take up the opportunity to raise the council tax precept by £13, the PCC still has the option to not raise the precept at all, or to raise the precept by any amount up to £13.
- 4.19. The table below shows for a range of precept increases (up to the maximum of £13) the level of precept income which can be raised:

#### Comparison of Band D precept increase options

Precept increase	24/25 Band D precept (£)	Additional precept income (£m)
Band D zero%	251.46	0
Band D £5 (1.99%)	256.46	3.6
Band D £10 (3.98%)	261.46	7.2
Band D £13 (5.17%)	264.46	9.3

- 4.20. In considering the available precept options, the PCC has given consideration to the extent to which the final proposed precept increase enables the delivery of her stated vision and the priorities in her Plan, and has taken account of the precept consultation feedback.
- 4.21. The PCC has concluded, following consultation with the Chief Constable, and having due regard to her Plan, and the Chief Constable's operational case for a £10 precept increase, that increasing the Band D precept by £10 per annum provides the best opportunity to ensure that her vision 'for Hampshire and the Isle of Wight to be two of the safest places to live, work and visit' is enabled.

### **Council Tax base**

- 4.22. The total precept income for 2024/25 of £187.6m (£179.5m in 2023/24) is based on a council tax base of 721,144 (713,986.06 in 2023/24) Band D equivalents. Appendix C sets out more details on the council tax.

### **Council Tax Collection Fund Account**

- 4.23. The declared surplus on the collection fund for 2024/25 is £0.750m (£0.520m in 2023/24). This is a one-off sum that cannot be used to fund ongoing budget pressures, but can be helpfully utilised to fund one-off costs.

### **Council Tax Precept increase beyond 2024/25**

- 4.24. For 2025/26 to 2027/28, the MTF5 assumes that the precept increase will be 1.99%; clearly this leaves flexibility for the PCC to consider the level of precept rises in these later years.

### **Change in the Balance of Funding Between Grant and Council Tax**

- 4.25. A £10 precept increase will continue the change in balance of funding which has occurred since austerity. The Council Tax precept will now account for 41% of overall funding in 2024/25 compared to 33% in 2010/11, with Government grant accounting for 59% of overall funding compared with 66% in 2010/11.

## **5. Inflation and Pay Assumptions**

- 5.1. The budget includes provision for inflation of £14.9m.
- 5.2. The Office for Budget Responsibility (OBR) states that CPI inflation is now expected to fall to 4.8% in the final quarter of 2023, from a peak of 10.7% in the last quarter of last year
- 5.3. The inflation assumptions applied are shown in Appendix B. In some areas, such as cleaning, inflation factors will be known as they are included within multi-year contracts.
- 5.4. Key inflation assumptions are:
- a pay award of 2.5% for both police officers and police staff. It is assumed that any increase above that level will be funded by additional Government grant as in 2023/24.
  - provision for contractual inflation
  - provision for specific non pay inflation where prevailing rate is known
  - utilities inflation, whilst significant, is hopefully a transitory pressure which will reduce in later years. For this reason the full impact of utilities inflation has not been included in the revenue budget, with the risk to be managed via an inflation reserve
- 5.5. The most significant inflation cost is the pay award. A 2.5% pay award is assumed with effect from 1 September 2024. The Home Secretary decides on the actual pay award following consideration of the

recommendations from the Police Pay Review Body with effect from September each year, so the actual pay award will not be known until nearer September 2024.

- 5.6. If there is any variation to the pay award assumption then, for example, an extra 1% would equate to an extra £2m of cost in 2024/25 as there is only a part-year effect given that the pay award takes effect from September each year. The sensitivity analysis shows that a 1% variation in non-pay inflation equates to £0.7m.
- 5.7. As inflation and pay awards are included as best estimates, they are of course a risk within the MTFS as the actual position could differ from the assumptions made.
- 5.8. An inflation risk reserve of £3m will be available as at 1<sup>st</sup> April 2024 to manage the inflation risks.

**2024/25 Budget and Forecast MTFS Assumptions**

- 5.9. The key funding assumptions which have been used to underpin the MTFS are as follows:
  - a precept increase of £10 in 2024/25
  - precept increases of 1.99% in the following years 2025/26 – 2027/28; clearly this leaves flexibility for the PCC to consider the actual level of precept rise in 2025/26, and potentially in later years depending on the referendum limits announced
  - An annual increase in police grant from 2025/26 of 1% per annum, but no increase or reduction in other grants received in line with previous practice.

**Forecast MTFS Position**

- 5.10. For later years the MTFS currently shows a shortfall/budget in excess of forecast income as shown in appendix D and the table below:

	<b>Forecast Budget Deficit</b>
	<b>£m</b>
2025/26	11
2026/27	20
2027/28	28

**Future Pressures**

- 5.11. The police officer pay scales have significant increment increases, in particular, pay point 6 and 7. Officers recruited during the uplift programme will create a pressure on pay increases in the medium term when large numbers of officers reach pay points 6 and 7.

**Table: Police Office Increments**

POLICE OFFICERS			Total Employers' NI on Basic Pay (average)	Total Employers' Pension (avg 29.33%)	Gross Salary	% increase of 1 spinal point	% increase from pay point 1
as at 01/09/2023	Pay Point	Basic Pay					
Constable	1	28,551	2,684	8,375	39,611		
as at 01/09/2023	2	29,751	2,850	8,727	41,328	4.3%	4.3%
	3	30,957	3,016	9,081	43,054	4.2%	8.7%
	4	32,163	3,183	9,435	44,781	4.0%	13.1%
	5	34,575	3,516	10,143	48,233	7.7%	21.8%
	6	39,432	4,186	11,567	55,185	14.4%	39.3%
	7	46,044	5,098	13,507	64,649	17.1%	63.2%
Sergeant	2	49,077	5,517	14,397	68,990	6.7%	74.2%
as at 01/09/2023	3	50,079	5,655	14,691	70,425	2.1%	77.8%
	4	51,498	5,851	15,107	72,456	2.9%	82.9%
Inspector	0	58,422	6,806	17,138	82,366	13.7%	107.9%
as at 01/09/2023	1	60,015	7,026	17,605	84,647	2.8%	113.7%
	2	61,602	7,245	18,071	86,918	2.7%	119.4%
	3	63,198	7,466	18,539	89,203	2.6%	125.2%

5.12. The decarbonisation agenda creates some financial and operational risks for policing. There is significant investment required in new infrastructure such as new workshops, power substations and charging points. In addition, the cost of new electric vehicles is currently higher than comparable combustion engine vehicles which could require an increase in the vehicle replacement programme contribution. There may also need to be an increase in the number of operational vehicles if some need to be on charge.

**Future Savings**

5.13. As currently presented, it is likely that efficiencies and/or savings will be necessary in future years to balance the budget but this position will be updated in later iterations of the MTFS as the assumptions which underpin the MTFS become clearer.

5.14. In the event that the MTFS were to remain unbalanced in future years the PCC and Chief Constable would need to review planned expenditure and propose mitigating reductions to balance the budget position.

5.15. There are other options which could also negate or reduce the need for efficiencies or savings, and these include:

- not requiring the full £5m per annum set aside for investment in each year across the MTFS
- greater income generation
- Government grant being higher than forecast
- The option for the PCC to increase the precept above the 1.99% assumption currently included within the MTFS

## 6. PROPOSED BUDGET 2024/25

6.1. The PCC is proposing to set a balanced budget of £462.4m, an increase in the roll forward budget from 2023/24 of £26.2m, as set out below:

### Actual Total Police Grant and Precept 2024/25 included in Budget

	2023/24 £m	2024/25 £m	Increase £m
Total Government Grant	246.9	274.1	27.2
Precept	179.5	187.6	8.1
Council Tax Collection Fund Surplus	0.5	0.7	0.2
<b>Total Available Funding</b>	<b>426.9</b>	<b>462.4</b>	<b>35.5</b>

6.2. On the assumption of a £10 precept increase (Band D), this report sets out that the PCC can:

- i) **Set a balanced budget** for 2024/25 in the sum of £462.4m, as set out below:

	£m	%
Hampshire Constabulary	417.4	90.3%
Police Estate	24.2	5.2%
Contribution to Reserves*	10.4	2.2%
<b>Total directly in support of Policing</b>	<b>452.0</b>	<b>97.8%</b>
Office of the Police & Crime Commissioner	3.0	0.6%
Commissioning, Criminal Justice and Partnerships	4.2	0.9%
Capital Financing (net of Interest earned)	3.2	0.7%
<b>Total Proposed Budget</b>	<b>462.4</b>	<b>100.0%</b>

\* The contribution to reserves in summary includes ICT investment, purchase of vehicles and estates.

- ii) **Deliver the Key Priorities in the Police and Crime Plan** - support the delivery of her vision and enable delivery of the key priorities as set out in her Plan
- iii) **Deliver the Chief Constable Operational Requirements** - takes account of the Chief Constable's operational requirements, and

recommendations for the necessary investment to ensure that the Constabulary remain in the strongest possible position to support the PCC in delivery of her Plan and her vision ‘for Hampshire and the Isle of Wight to be two of the safest places to live, work and visit in the country’

- iv) **Delivers investment of £12.4m**, which includes **investment to fund 75 additional police officers** and enabling infrastructure for HIOW Constabulary, which directly supports the PCC’s number one priority which is to increase police officer numbers, and will also help meet the priority of ‘improving police visibility’
- v) **Cover the costs of Inflation** - provides for the significant inflationary pressures of **£14.9m** impacting both pay and non-pay; in addition specific funding has been set aside in an inflation reserve to cover the risk on pay inflation, and fuel and utilities inflation
- vi) **Maintain Adequate Reserves** - ensures that reserves remain adequate to meet the significant number of known cost pressures and risks which arise over the timeline of the medium-term financial strategy

6.3. The proposed budget and medium term financial position is set out in more detail in Appendix D.

### Investment

6.4. The revenue budget will deliver investment of **£12.4m** in 2024/25 as set out below, and with further detail provided in Appendix E:

	<b>24/25</b> <b>£m</b>	<b>25/26</b> <b>£m</b>	<b>26/27</b> <b>£m</b>	<b>27/28</b> <b>£m</b>
<b>Ongoing budget</b>	7.8	13.8	18.8	23.8
<b>One-off budget</b>	4.5	1.6	1.1	0.1
<b>Total</b>	12.4	15.4	19.9	23.9

6.5. The full details of all investments are set out in Appendix E but some of the highlights are included below.

6.6. **Local Policing** – The combination of the increase in new police officers and the change to the new area based operating model, means that enhanced local supervision and leadership is needed to maximise the opportunities to pursue criminals, deliver exceptional local policing and put victims as part of a further increase in officer numbers. There is provision for **30 additional local policing sergeants and 20 additional constables** in the revenue budget.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	2,892,300	3,677,300	3,677,300	3,677,300



6.7. **Intelligence** – The Constabulary had to make significant cuts in all functions during the years of austerity. The additional investment in additional officers over the uplift period and beyond has been appropriately targeted at increasing the number of visible frontline officers. However, there has been no investment in intelligence capability since austerity. The intelligence function provides briefings and analysis to frontline officers to assist with detecting and preventing crime, as well as providing links across policing functions internally, regionally and nationally to provide officers and staff with the information necessary to pursue criminals and protect the public. The budget provides for an increase of **4 officers** and 24 police staff.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	1,293,000	1,293,000	1,293,000	1,293,000

6.8. **Offender Management** – There is significant pressures on the criminal justice system including the prison service. Offenders that exit the prison system are categorised for management within the community. Some of these offenders will have a criminal record for crimes such as serious violence or sexual offences, which will require ongoing monitoring. The budget allows for an increase of **11 officers** and 3 staff in Offender Management to ensure that there is increased provision to manage those offenders.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	901,100	801,100	801,100	801,100

6.9. **Front Counters** – Ongoing consultation with the public has identified a desire for more visibility of policing in the community. The investment from the PCC and Police Uplift Programme has already funded 650 additional officers since April 2020, with more officers funded in the 24/25 budget but there is also strong public desire to see more police stations with front counter accessibility for the public. The capital programme includes funds to open new police front counters and new police stations. There is a need to provide additional ongoing revenue funding to staff those new front counters.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	406,200	561,600	599,400	599,400

6.10. **South East Allowance** – The budget allows for an increase in the SE Allowance for police officers from £1800pa to £2000pa (pro rata) each. Other forces that fall into the SE allowance already pay the maximum allowance which is £3000pa in most forces (those that border London) and £2000pa for other forces in the South East. The allowance recognises the additional costs for officers of living in the South East. Raising the allowance to the maximum in line with other forces, also

helps to demonstrate that the PCC and public value the commitment of officers in H10W.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	750,000	750,000	750,000	750,000

6.11. **Vehicle replacement** – The vehicle industry has experienced increases in prices for new vehicles linked to supply chains and emissions investment. The Office for National Statistics data shows an increase of 26% in prices since 2015. In addition, the number of vehicles provided has increased due to the number of additional officers. Consequently, the annual contribution for replacing vehicles will be raised from £3m to £4m in 2024/25. There is an existing reserve commitment to allow replacements to be fully funded in the short term but in the medium term analysis indicates that further increases may be required as the cost of replacing the current fleet over an average 5 year period is circa £5m per annum and there will be further pressures in the future as the Constabulary needs to increase the number of electric vehicles. There is no capital grant for PCCs and currently no Government plan for additional funding. The future options and costs for vehicles is emerging picture that the PCC and Constabulary will continue to monitor closely.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	1,000,000	1,000,000	1,000,000	1,000,000

6.12. **Network Modernisation** – The current contract for the shared police ICT network with Thames Valley Police is coming to an end so project resources need to be put in place to select and implement a new contract. There is an opportunity to reduce ongoing network costs through the renewal process. The implementation costs are still subject to further review so the amount below will be set aside in the ICT reserve, as is normally the case for all ICT projects, and subject to a final business case when the project is ready to start.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	1,219,300	97,900	0	0

6.13. **Learning & Development** – The continued investment in new officers and the length of initial training means that trainers will be required on an ongoing basis for future years. The costs of the trainers is therefore built into the budget for a further three years. This cost is effectively covered by the additional funding that is receivable as a result of overachieving the Police Uplift Programme target.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	1,083,300	1,083,300	1,083,300	0

6.14. **Driver Training** – Additional staff in order to accelerate the speed at which new officers can be trained to drive police vehicles at high speed and through red lights for calls for immediate response. Funded by a contribution from reserves.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	500,000	262,700	0	0

6.15. **CM101 extension** – The introduction of the CM101 facility in 2023 has successfully enabled victims of crimes and witnesses to interact directly with the investigating officer through the new CM101 tool, without the need to call 101. This is providing better quality access for victims and witnesses as well as reducing demand on 101 which improves the capacity available for 101 call answering. However, the initial rollout of CM101 only facilitated contact up to the point of charge, until the technology was proven. The proposed budget allows up to £200k to extend the capability of CM101 so that contact can continue to be made through CM101 beyond the point of charge. The cost will reduce if Thames Valley Police also decide to extend and cost share

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	200,000	64,000	64,000	64,000

6.16. The other investments set out in detail in Appendix E cover areas such as:

- i) enhanced capacity for an inspection to improve the quality of policing
- ii) Professional Standards Dept and vetting to enhance the ability to maintain integrity and standards
- iii) Including funding for mental health services support for members of the public from the NHS in the baseline budget
- iv) Including wellbeing funding for trauma support to police personnel in the baseline budget

#### **Police Officer Pension Valuation and McCloud Sargeant Remedy**

6.17. The revaluation of the Police Officer Pension Scheme will impact from the 2024/25 financial year. The employers' contribution rate will increase from 31.0% to 35.3%. The Government has provided £6.8m of additional funding in the Pension Grant which is forecast to cover the increase payable.

6.18. The Home Office has also confirmed that Pension Remedy costs required as a result of the McCloud Sergeant case will be funded from Government.

## **7. SAVINGS AND EFFICIENCIES**

7.1. Total cashable savings delivered over the three year period 2022/23 to 2024/25 are £7.9m. The 2024/25 budget includes savings of £0.1m. An extensive programme of savings was delivered in 2023/24 totalling £6.4m, which are all on course for delivery. The nature of those savings, inflationary pressures and higher service levels have reduced the opportunity for further savings in 2024/25.

### **PCC Treasury Management Investment Income**

7.2. The PCC's strong reserves position means that cash balances will deliver further funding in 2024/25. This cannot be relied upon as a long term funding option as balances will deplete as reserves are spent and interest rates can change.

### **Constabulary Savings**

7.3. The Constabulary undertakes an annual Zero Based Budgeting (ZBB) process whereby the Finance staff review each budget line to assess where efficiencies can be found.

## **8. POLICE OFFICER UPLIFT PROGRAMME**

8.1. The Government announced in July 2019 their intention to invest in policing to provide funding to support the appointment of an additional 20,000 police officers over the three year period 2019/20 to 2022/23.

8.2. Over the three years that provided a total of an extra 498 officers for HIOWC through the Police Uplift Programme; however as set out in the 2022/23 Budget and Precept report, with support from the PCC, HIOWC delivered an increase of 600 officers.

8.3. The PCC utilised the precept flexibility in 2023/24 to recruit a further 50 additional officers, which took the total number of new officers recruited since the start of the uplift programme to 650. The additional 75 officers set out in the 2024/25 budget takes the total net additional officers added since Uplift began to 725 officers.

8.4. There is a thorough recruitment and selection process required for officers including assessments, interviews and vetting before the officer joins. Officers are trained on arrival and would normally be signed off for independent patrol after approximately 40 weeks of training.

8.5. The national Police Education Qualification Framework (PEQF) introduced 2 or 3 year student officer training schemes for new constables. These schemes are delivered in liaison with higher education institutions, funded through the apprenticeship levy. The requirements of these apprenticeships includes 20% protected learning time throughout the student officer phase. That is time for study where the officer would not be deployable or having contact with the public.

Therefore, there can be a lengthy time between when funding is authorised to recruit officers and the point at which the public see the benefits from that decision. The PCC and Chief Constable have led a change to a non-degree route that removes the need for protected learning time and, therefore, increases the amount of time that student officers are available to deliver policing to protect the public.

## 9. CAPITAL PROGRAMME

- 9.1. The capital programme has been updated. Importantly, there are no plans to borrow in order to fund the capital programme despite the fact that there is no capital grant issued to PCCs and there is an extensive capital programme ongoing to ensure continued investment across the police estate to provide additional front counters for the public and accommodation for the additional officers recruited in the locations required to support the new area based operational model.
- 9.2. Over the next 3 year period, total investment of £73.2m is allowed for within the capital programme.
- 9.3. Funding provision of £2m is included within the budget to support future borrowing if required, but in lieu of no current requirement to undertake new borrowing, this sum is being utilised as an annual revenue contribution towards funding the capital programme.
- 9.4. The Capital Programme is as set out below and in Appendix F:

Capital Programme	2024-25	2025-26	2026-27
	£m	£m	£m
<b>Capital Expenditure:</b>			
Estates	19.3	28.7	11.9
Vehicles	5.3	4.0	4.0
<b>Total Expenditure</b>	<b>24.6</b>	<b>32.7</b>	<b>15.9</b>
<b>Funded by:</b>			
Capital receipts	0.0	0.0	0.0
Estates Reserves	(19.3)	(28.7)	(11.9)
Vehicle replacement revenue cont	(4.0)	(4.0)	(4.0)
Vehicle replacement reserve	(1.3)	0.0	0.0
Borrowing	0.0	0.0	0.0
<b>Total funding</b>	<b>(24.6)</b>	<b>(32.7)</b>	<b>(15.9)</b>

- 9.5. The Capital Programme includes proposed investment (indicative values shown) over the period to enable the delivery of a number of key schemes, including the opening of 10 more front counters in response to public demand and new police stations. There is also provision to modernise existing sites that have suffered from a lack of investment capacity.
- 9.6. The Capital Strategy is set out in Appendix G, and provides a 'high-level' overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the services within the

PCC’s remit including policing, and provides an overview of how associated risk is managed and the implications for future financial sustainability.

## 10. RESERVES AND FINANCIAL STABILITY

10.1. Reserves are necessarily and appropriately held as part of good strategic financial management and are a key element in supporting the PCC’s medium-term planning and Medium-Term Financial Strategy.

10.2. The current forecast level of reserves is as set out below, and further detail is set out in the Reserves Strategy at Appendix H:

	Actual as at 31 March 2023	Forecast as at 31 March 2024	Forecast as at 31 March 2028
General Reserve	8.6	6.7	5.0
Earmarked Reserves	124.6	131.5	36.0
<b>Total Reserves available for use by the PCC to support delivery of the Police &amp; Crime Plan and to support the Constabulary</b>	<b>133.2</b>	<b>118.2</b>	<b>41.0</b>

10.3. HIOW make more use of reserves than other PCC’s due to the relatively low levels of overall funding, that requires strong medium term planning to be in place to fund foreseeable budget pressures such as the need to replace buildings, ICT, operational equipment and vehicles. Some PCC’s do not place money in reserves to cover these pressures which could create in-year budget pressures or a need to borrow.

10.4. For example, HIOW set aside £2m in reserves to pay for body armour replacement as a large quantity of body armour was due to reach the 10 year warranty expiry date. Funding for ICT programmes is also contributed to reserves pending a formal business case approval. This is because the cost of ICT solutions and even the solutions available can change before a project is scheduled for delivery.

10.5. There are substantial reserves available (£57m at 31 March 2024) for estate. HIOWC has recently gone live with the new area model for delivering enhanced local policing. That has required officers and staff to be relocated. Some spending on estate has been paused while the review has taken place but plans are now being put in place for a new estate strategy that will upgrade existing buildings and provide new premises based on the operational need.

10.6. The PCC has set aside funds to pay for the local costs relating to the national Emergency Services Mobile Communications Programme that will replace the current Airwave radio system. The amount set aside is set out in the national business case. All PCCs will need to provide for that cost.

- 10.7. HIOW also hosts the national ACPO Criminal Records Office (ACRO) and holds reserves for ACRO on behalf of all other PCCs.
- 10.8. The level of reserves continues to be reviewed by the PCC and the Chief Finance Officer to ensure that suitable reserves are in place to mitigate and manage the risk of the financial challenges faced, and to ensure that reserves are not unnecessarily held to the extent that is detrimental to current service delivery. The level of reserves required and the intended use of those reserves is reviewed on a regular basis.
- 10.9. It is recognised by the Home Office that it is prudent to hold appropriate reserves to both manage risk and to avoid cliff edges caused by fluctuations and changes in funding and unexpected budget shocks, and to also enable the delivery of efficient and effective operational policing.
- 10.10. The PCC continues to use reserves to:
- support the overall budget and medium-term financial strategy
  - deliver the Estates strategy and capital programme
  - fund the necessary ongoing investment in essential equipment upgrades in support of front-line policing (e.g. Taser replacement, body armour replacement)
  - invest in IT (including the national roll out of the Emergency Services Network (ESN))
  - deliver her Plan and to ensure that the Constabulary remains a modern, operationally effective Police Service
  - manage risk (for example Inflation reserve, Council Tax reserve, Insurance reserve)
- 10.11. Reserves are a one-off resource, which unless replenished, can rapidly diminish.
- 10.12. In the medium term there is likely to remain significant financial stress in the system to be managed, including:
- i) managing the overall financial position against a back drop of increasing demand
  - ii) funding the necessary investment to deliver the PCC's ambition in relation to delivery of her Plan and commissioning of services
  - iii) meeting the Chief Constables operational requirements, in support of 'More Police, Safer Streets'
  - iv) the investment required to ensure that the Constabulary remains modern and fit for purpose
  - v) ensuring that the police estate remains operationally effective, is continually improved, and is a modern and safe environment
  - vi) the still to be determined consequences of national programmes (e.g. ESMCP) which require a local funding stream for delivery of its outcomes as well as being subject to growing needs for top sliced contributions to deliver the national infrastructure

- vii) the significant investment required to embrace an ever evolving technology and digital landscape
  - viii) inflationary pressures, including the yet to be agreed pay awards, and the significant pressures on utility costs
  - ix) the level of risk over the medium term
- 10.13. In view of the risks and cost pressures faced by the PCC and the Constabulary, in the medium term there is likely to be a significant call on reserves to fund one off pressures, initiatives and investment.
- 10.14. The two main reserves available to the PCC to fund these cost pressures are the General Reserve and Earmarked Reserves.
- 10.15. **General Reserve** – this is the main reserve held to manage unidentified and unforeseen risk. The PCC CFO is required to set a minimum level for the General Reserve, and this is currently set on a risk basis at £5m. The forecast balance on the General Fund Reserve at the 31st March 2024 is £6.7m.
- 10.16. **Earmarked Reserves** – the PCC holds a number of specific reserves which can be utilised in support of the budget over the timeline of the MTFS.
- 10.17. **The PCC CFO’s assessment is that:**
- i) the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates
  - ii) the level of Earmarked reserves and their purpose are necessary and appropriate
- 10.18. Further detail on reserves is set out in the Reserves Strategy attached as Appendix H.

## 11. RISK

- 11.1. There are a number of risks that could impact upon the financial position in 2023/24 and beyond, for example key risks would be:
- we have no HIOW specific grant funding information beyond 2024/25; our current assumption for future years grant could be too high compared to what we actually receive
  - there is a risk of clawback against the Police Officer Uplift Grant should the Constabulary be unable to meet the Government target
  - the Precept proposed by the PCC could be less than the assumed 1.99% increase included in each year of the MTFS 2025/26 onwards
  - the overall funding and economic position could create more difficulties
  - inflation could be greater than forecast which would create a cost pressure (as an example, each 1% increase in the pay award beyond the current assumption of a 2.5% pay award would lead to an in year cost pressure of £2m)



- utilities inflation may not be transitory and translates to an ongoing cost increase and budget pressure
- the economic environment and the cost of living pressure on households impacts on the overall level of Council Tax collected such that it is lower than anticipated
- the £5m incremental recurrent revenue funding each year within the MTFS is insufficient to cover new recurrent revenue pressures
- decarbonisation presents financial risks in terms of the scale of investment required for new premises for servicing vehicles, new power requirements, charging infrastructure and the cost of new vehicles. Operational risks are created by the types of electric vehicles that are available on the market today. Additional funding and/or advancements in new technologies and vehicles will be needed to reduce the risks created
- the police officer pay scale has some significant increment increases that create a potential financial risk as a large group of new officers progress through the pay scales
- an increase in national top-slices
- a risk that partner agencies could reduce or withdraw their services which puts additional financial pressure on the police service
- some activities and funding could be moved to a regional or national basis that would remove funding from the HIOW policing area. There is a risk that the removal of funding causes a financial difficulty that needs to be managed locally
- insufficient savings are identified or delivered to meet the forecast medium term budget shortfall, necessitating a draw from reserves to balance the budget in any one year
- the earmarked reserves are insufficient to cover the pressures/risks to which they relate

11.2. The overall level of risk has been taken into account in assessing the minimum and overall level of reserves, and as set out in section 10 (paragraph 10.12) and in the Section 25 report in Appendix I, the PCC's CFO is content that the level of General Reserve is reflective of the overall risk environment, and also that the level of Earmarked Reserves are appropriate, which includes a number of specific risk reserves.

11.3. As set out above the level of reserves held is appropriate and takes account of the identified risks.

## **12. PUBLIC ENGAGEMENT AND CONSULTATION**

12.1. The PCC ran an online Precept consultation, which was open for 6 weeks, closing on December 10<sup>th</sup> 2023.

12.2. The consultation timing was to enable the PCC to consider the views of the public of HIOW on the level of precept increase as part of her budget and precept proposal.

12.3. In total, the PCC received 6,336 responses to the online consultation. Not all survey respondents completed the question relating to the precept increase, with a total of 6,160 responses to the precept question. In addition, 77 responses were received through libraries for those with less digital access.

12.4. A key outcome was that overall 64% of respondents who answered the question relating to precept were supportive of a precept increase.

Response to precept question	%
No increase	31%
£5 increase per year	16%
£10 increase per year	21%
£15 increase per year	27%
Other amount - Write In	5%

12.5. Respondents were asked to set out their priority areas for investment, which provided valuable insight for the PCC. The top 3 priority areas were:

- i) 70% saw tackling ASB as a priority
- ii) 48% speeding
- iii) 44% burglary

12.6. Although the consultation did not specifically ask about a £13 precept increase due to this flexibility being announced post consultation close, the PCC has been able to consider the feedback on priority areas for investment as part of her consideration of whether or not to use the precept flexibility afforded by a £13 increase.

12.7. The consultation feedback was supportive of the PCCs key priorities, and the PCC has taken account of the feedback as part of her consideration as to the level of precept increase proposed £10 increase for a Band D property.

### **13. CFO SECTION 25 REPORT**

13.1. The PCC CFO is required under section 25 of the Local Government Act 2003 to report to the PCC when setting her precept on:

- the robustness of the estimates included in the budget, and
- the adequacy of the financial reserves in the budget.

13.2. The CFO's section 25 report, which provides a positive opinion on both of the above, is attached to this report as Appendix I.

## **14. SUMMARY**

- 14.1. The PCC is in increasing the precept by £10 for a Band D property, to deliver her vision and the priorities within her Plan.
- 14.2. The PCC has made a commitment to invest in an additional 75 police officers, and deliver overall new investment of £12.4m.
- 14.3. The Chief Constable has set out the operational case in clear support of a precept increase. See Appendix A.
- 14.4. The public has supported the case for an increase in precept.
- 14.5. 61% of households across Hampshire and the Isle of Wight are in properties in council tax bands A-C, and would therefore see a precept increase of less than £10 per annum.
- 14.6. A Capital Programme is proposed which will deliver £73.2m of investment over the next 3 years.
- 14.7. The CFO's section 25 report, attached to this report as Appendix I, provides a positive opinion on:
  - the robustness of the estimates included in the budget, and
  - the adequacy of the financial reserves in the budget.

**The operational case for an increase in council tax precept**

Chief Constable Scott Chilton

**Operational statement**

Prior to being appointed Chief Constable of Hampshire and Isle of Wight Constabulary, I addressed the Police and Crime Panel and pledged to radically change the force to deliver a far more effective service for the public.

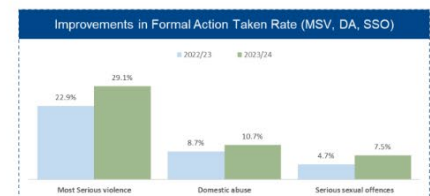
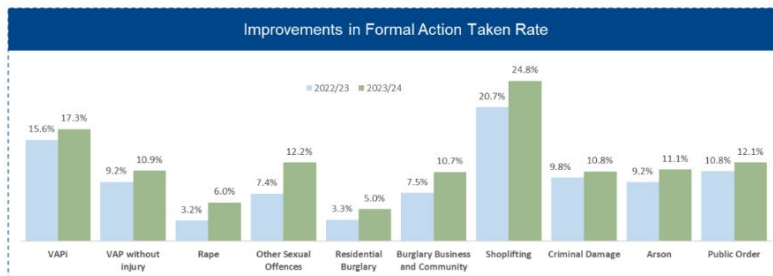
My commitment remains to implement a style of policing that is far more proactive and connected to local communities. To put victims first. To deliver exceptional local policing. And, to relentlessly pursue criminals. I would like to put on the record my thanks to everyone for their support so far.

**What has already been delivered?**

In the seven months since our new policing model went live, my officers and staff have already achieved a lot. This includes:

- 3,288 fewer recorded instances of Anti-Social Behaviour – down 17.9% on the previous year
- 444 fewer Serious Sexual Offences – down 10.8%
- 5063 fewer instances of Violence – down 10%
- 807 fewer burglaries – down 13.8%

And the benefits are not just confined to reducing crime. More victims are getting justice as well. Almost 1,000 more people have been taken into custody for their offences compared with last year. As the charts from November 2023 below show, across the categories of crime the formal action taken rate against offenders is up including Violence Against Person with Injury (VAPI), Burglary, Public Order and Domestic Abuse.



This all shows a more proactive style of policing that has led to a 22% increase overall in Charge Summons of offenders. More burglars, more rapists and sexual offenders, and more violent individuals off our streets and facing justice. I could not be more proud of my officers and staff for achieving this.

Effective policing is about more than high harm offences. Shoplifting figures are of particular note, as there has been prior comment that businesses just don't report it and that this was impacting vital public confidence. An additional 3,000 reports in the year to date is a sign of proactivity and that confidence is growing, not just in reporting, but also that police are doing something about it. In November 2023 alone, there were 361 Charge Summons for shoplifting in our

counties. Achieving this comes as a result of far higher visibility, wider use of Community Behaviour Orders and a focus on drug use and possession by local policing teams in areas such as Winchester where they are working proactively with local businesses.

Another very legitimate line of scrutiny was the force's response to 101 calls. The average time to answer has reduced for six consecutive months and now stands at under four minutes; times not seen since the artificial lows of the COVID period. We now have more call staff than ever in the Constabulary's history, from a position that I inherited of being 80 down on what we should have had. I would like to thank my contact staff and ICT teams for everything they have done to improve things for victims of crime.

All this has been achieved against a backdrop of delivering change on a scale and at a speed not seen for a generation.

### **Greater visibility and Confidence**

With your backing and support, policing is not just getting better results. It is also becoming more visible.

Two weeks ago the Police and Crime Commissioner opened the doors on a new police station in West Cowes on the Isle of Wight that gives our neighbourhood policing teams far more visibility and opportunities to engage with the public. An additional Front Counter will also open in Ryde later in 2024, and on the mainland we will be doing the same. Yet more police station front counters will open to the public, starting with Portsmouth Central and Park Gate, followed by Petersfield, Yateley and Totton. We need a budget that funds the staff and we need to do this without impacting on officer numbers.

Other notable improvements include opening a new Contact Centre in Portsmouth and the first of our new Area Cars are out targeting criminals along with Neighbourhood Enforcement and Priority Crime Teams. Local Bobbies are also now operational on every beat in the two counties; a seismic shift in visibility. The examples are a clear sign that the Police and Crime Commissioner and I are united in our desire to boost Neighbourhood Policing in every sense, at every opportunity.

This is the kind of progress that the public want to see and, as Chief Constable, I know that the expectation will only grow.

The question is - how far and how quickly do we want to go in making Hampshire and the Isle of Wight safe for everyone?

### **Considerable pressures on the force budget**

The force needs a budget that enables it to deliver on public expectation, whilst at the same time coping with budget pressures that are not in our control. We are, like any other business, contending with an increase in the cost of services, bills, rents, fuel, licences and other infrastructure upon which policing

teams rely. Unlike many others, our requirement is 24/7 and all have risen steeply in 2023 and are projected to continue growing.

The force has robust financial planning and has been able to absorb huge costs that have come its way – not least the national decision to give a 7% pay increase to not just our 3,300 police officers, but and extending this to our hard-working police staff as well. It is the least they all deserve for their commitment, with many putting their lives on the line.

Over the last three years, through zero-based budgeting, the force has found efficiencies of £7.9m showing a strong commitment to only asking for what we need.

### **Essentials and pressures for the future**

That need includes a responsibility to prepare for the future. We are already undertaking the work to understand the longer-term financial impact of the welcome surge in officer numbers. An unusually high percentage are currently in training or the early stages of their career (and are therefore on lower pay points), but this picture will change as they gain experience and skills. This will greatly benefit the fight against criminality but we also expect it to create a growing cost pressure as those officers move to higher pay points.

More immediately, the force has now outlined a new operational estate requirement that reflects growing officer numbers and the different needs of a local policing model. This will inform a vital new Estate Strategy which is being developed by the Office of the Police and Crime Commissioner (OPCC). The force also needs to upgrade important CCTV and other security technology in its custody blocks, and manage more than 1,000 operational vehicles. Workshop maintenance and fuelling of these vehicles is already a daily challenge. With the change to electric and other fuels, the challenge for the future will grow and requires imminent investment in the force's infrastructure.

Without sufficient budget, even good planning cannot ensure policing is ready to meet new threats head on. This includes more technologically aware criminals who are targeting vulnerable people in our communities.

### **Officer numbers remain critical**

There is also a reality that in 2010/11 this police force had 3,748 police officers keeping a population of just 1.86 million people safe. I know what that felt like because around that time I was leading the proactive fight against criminals in and around Southampton as Area Crime and Operations Superintendent.

Even with the progress that we have made in recent months, it will take sustained effort, commitment and investment to get that feeling back. This is the challenge that I returned to Hampshire and the Isle of Wight to deliver on, and for which I today need your support.

The complexity of crime has grown. The population has grown. Social deprivation in many areas has grown. But the number of officers has fallen.

Even with the very welcome investment of recent years, our officer numbers are more than 300 short of that prime. In the protracted absence of a fair national funding formula that remains a major concern, but there is a clear opportunity to address at least some of this by maximising the precept in 2024/25.

Again, the question for today is - how far and how fast do we want to go in making Hampshire and the Isle of Wight safe for everyone?

I want to go as far as possible, as fast as possible.

### **Where increasing the precept will lead to improved operational policing**

A good example is the Management of Sexual or Violent Offenders (MOSOVO), where there is an operational need in the year ahead to significantly increase the number of police officers and staff who deal with the highest risk offenders. There has been a 4.5% increase overall in these offenders in Hampshire and the Isle of Wight in the last two years, with the highest rise (7%) being in Category 1 offenders. Within this, the proportion of highest-risk offenders has also grown (by 17%). As caseloads grow, so does the risk and the pressure on our staff whose day job it is to deal with some of the worst in our society. An increase in precept will support them as they keep the public safe.

Another area that requires immediate investment is the force Intelligence function. The force will not be able to fully maximise the benefit more officers brings if they do not have the information and intelligence that enables them to point their efforts in the right direction and get ahead of criminals. A precept increase enables the modern operational requirement of a £1million investment to bring life back to a capability that was starved during austerity and has since not been prioritised enough.

Other important investment for 2023/24 includes ensuring the force is able to continue rooting out officers who have no place in policing by bolstering the Professional Standards Department, and growing Vetting teams to meet national requirements so that the wrong people don't get into policing in the first place.

As the national lead, I have also been clear in my view that all police officers should investigate crime. That is the public expectation, rather than to have cases handed from pillar to post. Achieving this requires sustained investment, just like Driver Training, where we need to upskill officers so they can pursue criminals at speed. We also know that people who are well led perform better. Uplift to date has focused on police constables and detective constables. There is now a clear operational case to increase the number of sergeants by 30. These are the frontline police leaders who not only directly take the fight to criminals on our streets but also play a key role directing and developing other frontline officers, many of whom are now out of training and in the infancy of their careers.

These are some of the most important areas that require investment. During a prioritisation process in the force a considerable number of business cases marked as “Mandatory” or “High Priority” were identified. Months of rigorous scrutiny and challenge has reduced this, with many important business cases necessarily deferred or rejected. Were a maximum precept not to be achieved even more high priority work will be shelved.

Again that question rears its head - how far and how quickly do we want to go in making Hampshire and the Isle of Wight safe for everyone?

### **A maximum rise in precept is required**

My operational view is clear. There is a very powerful case for the full £13 maximum increase in council tax precept at a time when all communities need effective policing more than ever.

Police officers, staff and those who lead them do an incredibly difficult and important job. They need the right tools and resources to support victims and tackle those who blight our communities. In the months since I became Chief Constable, we have started to show what is possible with a significant improvement in performance and visibility. This must continue, and I want to deliver that as far and as fast as possible.

More Officers. Safer Streets. The importance of these is spelled out loud and clear in our Police and Crime Plan. Every opportunity to deliver these two things must be taken. The council tax precept provides just that opportunity. Public opinion recognises this with almost two-thirds of people supporting an increase, and the highest number of that cohort voting for the maximum. Elsewhere in the country the majority of police forces will benefit from a maximum precept increase. In a world where police forces are judged against each other in a very public way that can impact public confidence, this is highly relevant for an already low funded force such as ours.

A failure to secure the funding policing needs today will not just impact policing in the year ahead, it will have a multiplying effect into future years as we delay vital investment.

If I did not make the case for the maximum precept increase, I would not be putting public safety first. I would not be true to the officers and staff who are the beating heart of this Constabulary, and I would not be doing the job that I am so proud to have been appointed to do.

Thank you for taking the time to read this statement.

Chief Constable Scott Chilton



## Inflation and Assumptions

Inflation	2024/25	2025/26	2026/27	2027/28
Pay Inflation (Sept Pay Award)	2.5%	2.0%	2.0%	2.0%
Default prices inflation	2.0%	2.0%	2.0%	2.0%

Exact inflation is used where it is known for certain contracts or where the commodity in question has a specific inflation %

Employer Pension Contributions	2024/25	2025/26	2026/27	2027/28
Officers	35.3%	35.3%	35.3%	35.3%
Staff	16.3%	16.3%	16.3%	16.3%

Funding*	2024/25	2025/26	2026/27	2027/28
Police core grant	2.1%	1.0%	1.0%	1.0%
Council tax benefit & freeze grants	0.0%	0.0%	0.0%	0.0%
Pension grant	226.7%	0.0%	0.0%	0.0%
Uplift grant	54.9%	0.0%	0.0%	0.0%
Additional recruitment	NEW	0.0%	0.0%	0.0%
Precept	3.98%	1.99%	1.99%	1.99%

**Notes:**

**\*After adjusting for the pay award grant included within core grant to make suitable comparisons, the actual underlying increase in core grant is 1.6%.**

**The significant increase in Pension Grant is due to the change in employers' contribution rates effective from April 2024.**

**Further explanation is set out in the Provisional Grant Settlement section of the main report.**

## Appendix C

### Council tax Precept 2024/25

Council tax at each band								
Band	A	B	C	D	E	F	G	H
<b>22/23</b>	167.64	195.58	223.52	251.46	307.34	363.22	419.10	502.92
<b>23/24</b>	174.31	203.36	232.41	261.46	319.56	377.66	435.77	522.92
<b>Increase £pa</b>	6.67	7.78	8.89	10.00	12.22	14.44	16.67	20.00
<b>Increase £p/month</b>	0.56	0.65	0.74	0.83	1.02	1.20	1.39	1.67
<b>Increase £p/week</b>	0.13	0.15	0.17	0.19	0.24	0.28	0.32	0.38
<b>Increase %</b>	3.98%	3.98%	3.98%	3.98%	3.98%	3.98%	3.98%	3.98%

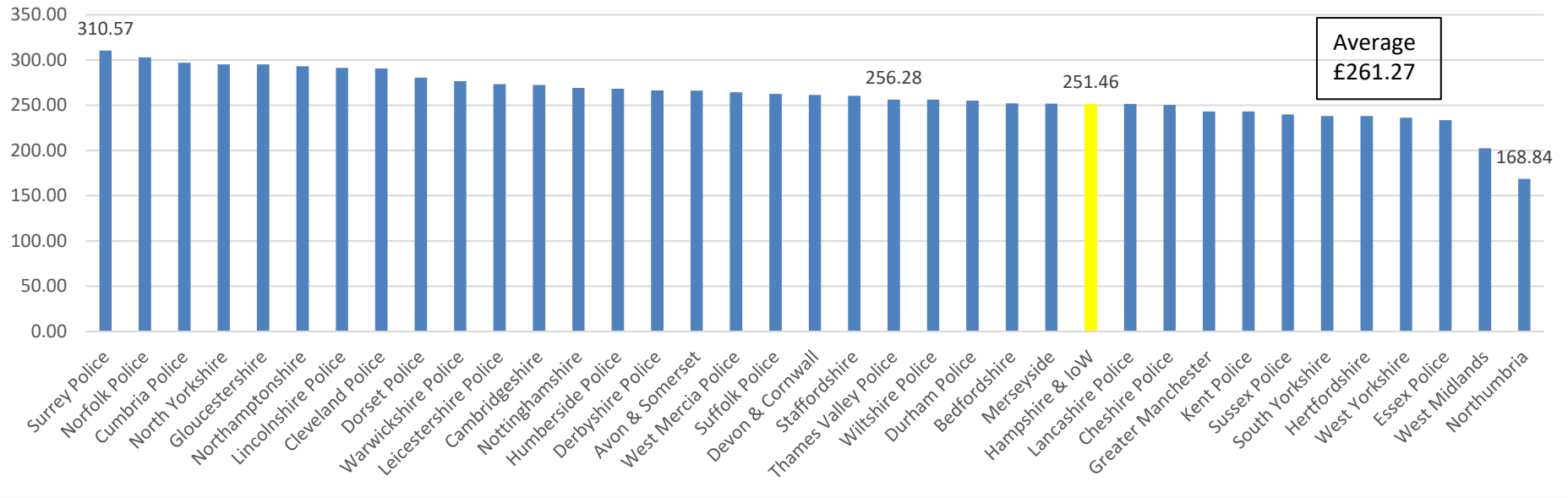
### Collection authority tax bases and share of precept 2024/25

Collection authority	Tax base	Precept
Basingstoke	TBC by 31 Jan	TBC by 31 Jan
East Hampshire	TBC by 31 Jan	TBC by 31 Jan
Eastleigh	49,037.29	12,821,289.84
Fareham	TBC by 31 Jan	TBC by 31 Jan
Gosport	26,980.90	7,054,426.11
Hart	TBC by 31 Jan	TBC by 31 Jan
Havant	TBC by 31 Jan	TBC by 31 Jan
New Forest	TBC by 31 Jan	TBC by 31 Jan
Rushmoor	TBC by 31 Jan	TBC by 31 Jan
Test Valley	52,059.00	13,611,346.14
Winchester	53,691.65	14,038,218.81
Portsmouth	58,299.40	15,242,961.12
Southampton	TBC by 31 Jan	TBC by 31 Jan
Isle of Wight	54,566.20	14,266,878.65
<b>Total</b>		

## Comparison of Council Tax Precept by PCC 2023/24 Financial Year

Authority	Band D £
Surrey Police	310.57
Norfolk Police	302.94
Cumbria Police	297.09
North Yorkshire	295.09
Gloucestershire	295.08
Northamptonshire	293.04
Lincolnshire Police	291.24
Cleveland Police	290.73
Dorset Police	280.58
Warwickshire Police	276.71
Leicestershire Police	273.23
Cambridgeshire	272.52
Nottinghamshire	269.19
Humberside Police	268.19
Derbyshire Police	266.60
Avon & Somerset	266.20
West Mercia Police	264.50
Suffolk Police	262.62
Devon & Cornwall	261.56
Staffordshire	260.57
Thames Valley Police	256.28
Wiltshire Police	256.27
Durham Police	255.24
Bedfordshire	252.09
Merseyside	251.97
<b>Hampshire &amp; IoW</b>	<b>251.46</b>
Lancashire Police	251.45
Cheshire Police	250.44
Greater Manchester	243.30
Kent Police	243.15
Sussex Police	239.91
South Yorkshire	238.04
Hertfordshire	238.00
West Yorkshire	236.28
Essex Police	233.46
West Midlands	202.55
Northumbria	168.84
<b>Average</b>	<b>261.27</b>
Difference to average	- 9.81

### Council Tax Precept 23/24



## Appendix D

### Budget 2024/25 and Medium Term Financial Strategy

Medium Term Financial Strategy	Starting Budget 2024/25	Inflation	Efficiency Savings	Growth & Budget Pressure	Funding Changes	Forward Budget 2024/25	Forecast Budget 2025/26	Forecast Budget 2026/27	Forecast Budget 2027/28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Funding:</b>									
Expected amount from General Grants	(232,384)	0	0	0	(4,816)	(237,200)	(239,572)	(241,968)	(244,387)
Council tax freeze and benefit grant	(12,944)	0	0	0	0	(12,944)	(12,944)	(12,944)	(12,944)
Pension Grant	(2,988)	0	0	0	(6,812)	(9,800)	(9,800)	(9,800)	(9,800)
Uplift Grant	(7,133)	0	0	0	(3,867)	(11,000)	(11,000)	(11,000)	(11,000)
Additional Recruitment Top Up	0	0	0	0	(3,120)	(3,120)	(3,120)	(3,120)	(3,120)
Council tax precept	(179,539)	0	0	0	(8,073)	(187,612)	(192,300)	(197,110)	(202,036)
Council tax collection fund surplus	(520)	0	0	0	(230)	(750)	0	0	0
<b>Total amount funding expected:</b>	<b>(435,508)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(26,918)</b>	<b>(462,426)</b>	<b>(468,736)</b>	<b>(475,942)</b>	<b>(483,288)</b>
<b>Expenditure owned by the PCC:</b>									
Executive	1,306	31	0	0	0	1,337	1,356	1,374	1,392
PCC Business	1,564	102	0	0	0	1,666	1,701	1,735	1,770
Commissioning CJ & Partnerships	4,103	83	0	0	0	4,186	4,203	4,220	4,236
Estates	23,528	692	0	23	0	24,243	24,798	25,389	25,995
Interest on Balances	(2,000)	0	0	0	0	(2,000)	(1,250)	(500)	(500)
Capital Financing	5,158	0	0	0	0	5,158	5,158	5,158	5,158
Reserve Transfers	7,472	0	0	2,940	0	10,412	10,630	10,618	10,618
<b>Net Expenditure owned by Office of the PCC</b>	<b>41,131</b>	<b>908</b>	<b>0</b>	<b>2,963</b>	<b>0</b>	<b>45,002</b>	<b>46,596</b>	<b>47,993</b>	<b>48,669</b>
<b>Police Services</b>									
<b>Expenditure:</b>									
Employees	333,097	10,949	0	8,937	0	352,983	362,771	371,280	379,130
Indirect Employee Costs	6,025	0	0	20	0	6,045	6,109	6,192	6,277
Premises	1,057	29	0	135	0	1,221	1,155	1,084	1,221
Transport	7,374	537	0	0	0	7,911	8,144	8,384	8,632
Supplies and Services	21,575	958	(111)	207	0	22,628	27,918	33,356	39,112
Third Party Payments & Support Service	76,842	1,583	0	100	0	78,525	79,763	81,329	82,876
<b>Total Expenditure on Police Services:</b>	<b>445,969</b>	<b>14,056</b>	<b>(111)</b>	<b>9,399</b>	<b>0</b>	<b>469,313</b>	<b>485,859</b>	<b>501,624</b>	<b>517,248</b>
<b>Income:</b>									
Fees & Charges	(10,955)	(33)	0	0	0	(10,988)	(10,934)	(10,977)	(11,068)
Grants & Contributions	(40,900)	0	(1)	0	0	(40,901)	(41,619)	(42,348)	(43,091)
<b>Total Income on Police Services:</b>	<b>(51,855)</b>	<b>(33)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>(51,889)</b>	<b>(52,554)</b>	<b>(53,325)</b>	<b>(54,159)</b>
<b>Net Expenditure on Police Services:</b>	<b>394,115</b>	<b>14,023</b>	<b>(112)</b>	<b>9,399</b>	<b>0</b>	<b>417,424</b>	<b>433,306</b>	<b>448,299</b>	<b>463,089</b>
<b>Net Expenditure on PCC and Police Services</b>	<b>435,246</b>	<b>14,931</b>	<b>(112)</b>	<b>12,362</b>	<b>0</b>	<b>462,426</b>	<b>479,902</b>	<b>496,292</b>	<b>511,758</b>
<b>Budget (surplus)/ shortfall:</b>	<b>(262)</b>	<b>14,931</b>	<b>(112)</b>	<b>12,362</b>	<b>(26,918)</b>	<b>0</b>	<b>11,165</b>	<b>20,350</b>	<b>28,470</b>

### Detailed explanation of revenue budget investment

- 1.1. As set out in the report, the revenue budget pressures and growth for 2024/25 total £12.4m as shown in the table below. They include the rolling forward of the three-year plans for investment that were set out in the Budget report in the last two years. The table below summarises the budget pressures with further detail provided below for each of those headings.

	24/25 £m	25/26 £m	26/27 £m	27/28 £m
<b>Ongoing budget</b>	7.8	13.8	18.8	23.8
<b>One-off budget</b>	4.5	1.6	1.1	0.1
<b>Total</b>	12.4	15.4	19.9	23.9

#### Ongoing costs

- 1.2. **Local Policing** – The combination of the increase in new police officers and the change to the new area based operating model, means that enhanced local supervision and leadership is needed to maximise the opportunities to pursue criminals, deliver exceptional local policing and put victims as part of a further increase in officer numbers. There is provision for **30 additional local policing sergeants and 20 additional constables** in the revenue budget.

	24/25	25/26	26/27	27/28
Budget (£)	2,752,300	3,537,300	3,537,300	3,537,300

- 1.3. **Intelligence** – The Constabulary had to make significant cuts in all functions during the years of austerity. The additional investment in additional officers over the uplift period and beyond has been appropriately targeted at increasing the number of visible frontline officers. However, there has been no investment in intelligence capability since austerity. The intelligence function provides briefings and analysis to frontline officers to assist with detecting and preventing crime, as well as providing links across policing functions internally, regionally and nationally to provide officers and staff with the information necessary to pursue criminals and protect the public. The budget provides for an increase of **4 officers** and 24 police staff.

	24/25	25/26	26/27	27/28
Budget (£)	1,293,000	1,293,000	1,293,000	1,293,000

- 1.4. **Offender Management (MOSOVO)** – There is significant pressures on the criminal justice system including the prison service. Offenders that exit the prison system are categorised for management within the community. Some of these offenders will have a criminal record for crimes such as serious violence or sexual offences, which will require ongoing monitoring. The budget allows for an increase of **11 officers** and 3 staff in Offender Management to ensure that there is increased provision to manage those offenders.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	901,100	801,100	801,100	801,100

- 1.5. **Front Counters** – Ongoing consultation with the public has identified a desire for more visibility of policing in the community. The investment from the PCC and Police Uplift Programme has already funded 650 additional officers since April 2020, with more officers funded in the 24/25 budget but there is also strong public desire to see more police stations with front counter accessibility for the public. The capital programme includes funds to open new police front counters and new police stations. There is a need to provide additional ongoing revenue funding to staff those new front counters.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	406,200	561,600	599,400	599,400

- 1.6. **South East Allowance** – The budget allows for an increase in the SE Allowance for police officers from £1800pa to £2000pa (pro rata) each. Other forces that fall into the SE allowance already pay the maximum allowance which is £3000pa in most forces (those that border London) and £2000pa for other forces in the South East. The allowance recognises the additional costs for officers of living in the South East. Raising the allowance to the maximum in line with other forces, also helps to demonstrate that the PCC and public value the commitment of officers in HIOW.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	750,000	750,000	750,000	750,000

- 1.7. **Operational Inspection Team** – In order to identify and share good practice to drive improvements in performance across all commands,

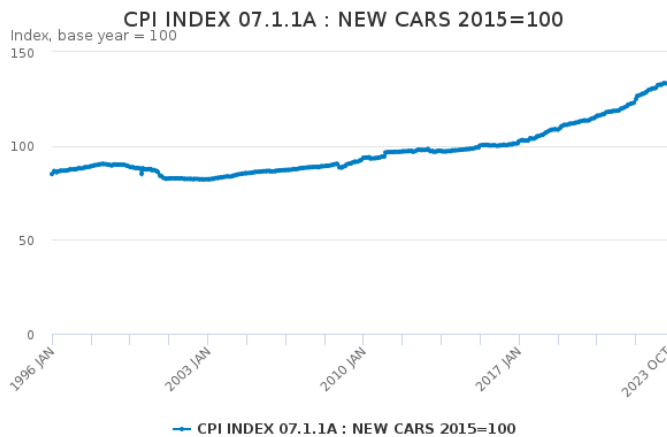
the Deputy Chief Constable will create an Operational Inspection Team of **4 officers**.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	330,300	330,300	330,300	330,300

- 1.8. **Professional Standards Dept** – The increase in officer numbers and additional checking requirements that are now expected of officers necessitates an increase in PSD by a total of **4 officers** and 1.3 full time equivalent staff.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	312,500	312,500	312,500	312,500

- 1.9. **Vehicle replacement** – The vehicle industry has experienced increases in prices for new vehicles linked to supply chains and emissions investment. The Office for National Statistics data shows an increase of 26% in prices since 2015. In addition, the number of vehicles provided has increased due to the number of additional officers. Consequently, the annual contribution for replacing vehicles will be raised from £3m to £4m in 2024/25. There is an existing reserve commitment to allow replacements to be fully funded in the short term but in the medium term analysis indicates that further increases may be required as the cost of replacing the current fleet over an average 5 year period is circa £5m per annum and there will be further pressures in the future as the Constabulary needs to increase the number of electric vehicles. There is no capital grant for PCCs and currently no Government plan for additional funding. The future options and costs for vehicles is emerging picture that the PCC and Constabulary will continue to monitor closely.



	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	1,000,000	1,000,000	1,000,000	1,000,000



- 1.10. **Detective Chief Superintendent** – The Constabulary currently has one DCS to manage Crime and Intelligence. To optimise the investment in intelligence capability and improve investigative standards the Constabulary requires a second DCS.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	140,000	140,000	140,000	140,000

- 1.11. **Vetting** – As a result of high profile events in the Metropolitan Police and the Baroness Casey Review there are new national standards for vetting and re-vetting officers and staff as well as a requirement for a historical datawash to reduce risks to the public and reputational damage for confidence in policing. The vetting unit requires 4 additional staff to meet the increase in demand.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	183,800	183,800	183,800	183,800

- 1.12. **Redaction tool** – Purchase of a new redaction tool to save officer time when producing case files for the CPS, in line with the recommendations in the Police Productivity Review.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	100,000	100,000	100,000	100,000

- 1.13. **Deputy Operations Manager (Contact Management)** – The performance of contact management, and in particular the 101 service answering time, has been a key area of focus in 2023/24. One of the initiatives put in place to attract and retain Contact Management staff is to open a new base in the Eastern Police Investigation Centre in Portsmouth. The centre became operational in November 2023. The initiative is proving successful so far with strong application numbers for call handlers, but there is a need to add a new managerial position to provide greater management presence at the new site in addition to the current locations.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	58,800	58,800	58,800	58,800

- 1.14. **Specialist search** – An increase in funding for **1 officer** is required to provide capability for searching as a result of incidents or searching of sites for prior to events for prevention purposes.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	58,000	58,000	58,000	58,000

- 1.15. **Mental Health Triage Service** – There are frequent calls to police for attendance at incidents as a result of a member of the public experiencing a mental health episode. The Police Productivity Review highlights the importance of right person, right care. HIOW have been at the forefront and have worked with local partners to put in place a triage service to assist in directing the right care. The arrangement is now being built into the baseline budget.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	50,000	50,000	50,000	50,000

- 1.16. **Mental Health & Trauma Response Co-ordinator** – Officers and staff can be subject to trauma on a regular basis as part of their normal working lives. The PCC and Constabulary want to ensure that wellbeing is in place to help those affected and to allow them to continue to be productive. The Co-ordinator role is being built into the base budget after a pilot phase to ensure that support is readily available.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	39,600	39,600	39,600	39,600

- 1.17. **Health & Safety Compliance** – In order to comply with H&S statutory requirements a further staff post is required to evidence compliance.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	48,000	48,000	48,000	48,000

- 1.18. **Custody Security Refresh** – Ongoing funding is being provided in the budget for essential refreshes to the custody security based on known requirements for keeping custody open and working safely.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	15,000	95,000	0	110,000

- 1.19. **Marine Unit berthing** – The purchase of new larger fit for purpose vessels requires a small increase to berthing fees.

	24/25	25/26	26/27	27/28
Budget (£)	23,000	23,000	23,000	23,000

**One-off investment costs**

- 1.20. **Learning & Development** – The continued investment in new officers and the length of initial training means that trainers will be required on an ongoing basis for future years. The costs of the trainers is therefore built into the budget for a further three years. This cost is effectively covered by the additional funding that is receivable as a result of overachieving the Police Uplift Programme target

	24/25	25/26	26/27	27/28
Budget (£)	1,083,300	1,083,300	1,083,300	0

- 1.21. **Driver Training** – Additional staff in order to accelerate the speed at which new officers can be trained to drive police vehicles at high speed and through red lights for calls for immediate response. Funded by a contribution from reserves.

	24/25	25/26	26/27	27/28
Budget (£)	500,000	262,700	0	0

- 1.22. **Network Modernisation** – The current contract for the shared police ICT network with Thames Valley Police is coming to an end so project resources need to be put in place to select and implement a new contract. There is an opportunity to reduce ongoing network costs through the renewal process. The implementation costs are still subject to further review so the amount below will be set aside in the ICT reserve, as is normally the case for all ICT projects, and subject to a final business case when the project is ready to start.

	24/25	25/26	26/27	27/28
Budget (£)	1,219,300	97,900	0	0

- 1.23. **PSTN and ISDN switch-off** – There is a national BT decision to turn off the existing communications networks that will mean that all organisations will have to switch away from PSTN and ISDN networks. The one-off costs are for the project team to manage the change. As

before, the budget will be put to the ICT reserve and released when the formal project business case is approved.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	523,800	0	0	0

- 1.24. **RMS upgrade for Digital Case File** – The Crown Prosecution Service (CPS) is moving to a position where all case files will need to be shared through the Digital Case File platform. HIOW and Thames Valley Police will need to upgrade the existing version of the crime management system (RMS) to be able to transfer files digitally. The budget will be put to the ICT reserve and released when the formal project business case is approved.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	460,300	23,100	0	0

- 1.25. **CM101 extension** – The introduction of the CM101 facility enables victims of crimes and witnesses to interact directly with the investigating officer through the new CM101 tool, without the need to call 101. This is providing better quality access for victims and witnesses as well as reducing demand on 101 which improves the capacity available for 101 call answering. The budget allows up to £200k to extend the capability of CM101 so that contact can be beyond the point of charge. The cost will reduce if Thames Valley Police also decide to extend and cost share.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	200,000	64,000	64,000	64,000

- 1.26. **Support system changes** – One off funding has been set aside to pay for the cost of replacing support systems. As it is ICT project, these amounts will be subject to a final business case for approval of release from the ICT reserve.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	367,000	50,000	0	0

- 1.27. **Custody CCTV** – Replacement of CCTV at one of the custody centres to improve coverage and image quality.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	120,000	0	0	0

- 1.28. **Exams support** – A one-off sum to provide officers with additional support for Sgt and Inspector exams.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	20,000	0	0	0

- 1.29. **Unallocated growth** – As in previous years, an unallocated sum of an additional £5m pa is included in the medium term projections to reflect the fact that increases are required each year.

	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
Budget (£)	0	5,000,000	10,000,000	15,000,000

## Capital Programme

Capital Programme	2024-25	2025-26	2026-27
	£m	£m	£m
<b>Capital Expenditure:</b>			
Estates	19.3	28.7	11.9
Vehicles	5.3	4.0	4.0
<b>Total Expenditure</b>	<b>24.6</b>	<b>32.7</b>	<b>15.9</b>
<b>Funded by:</b>			
Capital receipts	0.0	0.0	0.0
Estates Reserves	(19.3)	(28.7)	(11.9)
Vehicle replacement revenue cont	(4.0)	(4.0)	(4.0)
Vehicle replacement reserve	(1.3)	0.0	0.0
Borrowing	0.0	0.0	0.0
<b>Total funding</b>	<b>(24.6)</b>	<b>(32.7)</b>	<b>(15.9)</b>

## Capital and Investment Strategy 2024/25 to 2026/27

### 1 Introduction

- 1.1 The Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the services within the PCC's remit, including policing, and provides an overview of how associated risk is managed and the implications for future financial sustainability.

### 2 Governance

- 2.1 The PCC's medium term financial strategy ensures that we continue to invest wisely in our existing assets and deliver a programme of new assets in line with overall priorities set out in the Police and Crime Plan.
- 2.2 The major area of PCC capital expenditure is the estate which is monitored and reviewed by the Estates Board. Other areas of the capital programme are kept under review by the Chief Finance Officer.
- 2.3 In accordance with the medium-term financial strategy, proposed programmes are scrutinised on a case-by-case basis to assess affordability. The final capital programme is then presented to the PCC in February each year for approval as part of the budget and overall MTFS.

### 3 Capital expenditure and financing

- 3.1 Capital expenditure is what the PCC spends on assets, such as land, property and vehicles, which will be used for more than one year.
- 3.2 There is no capital grant awarded to PCC's but capital expenditure may be funded from capital receipts and directly from revenue. The pressures on the PCC's revenue budget limits the extent to which this may be exercised as a source of capital funding.
- 3.3 Prudential borrowing does provide an option for funding additional capital expenditure but results in borrowing costs that have to be funded each year from within the revenue budget or from generating additional ongoing income streams.
- 3.4 Given the pressure on the PCC's revenue budget in future years, there are currently no plans to incur any new borrowing to progress schemes in cases where there was a clear service or financial benefit.

- 3.5 The following table shows forecast capital expenditure and the resources available to fund this expenditure.

**Table – Forecast capital expenditure**

Capital Programme	2024-25	2025-26	2026-27
	£m	£m	£m
<b>Capital Expenditure:</b>			
Estates	19.3	28.7	11.9
Vehicles	5.3	4.0	4.0
<b>Total Expenditure</b>	<b>24.6</b>	<b>32.7</b>	<b>15.9</b>
<b>Funded by:</b>			
Capital receipts	0.0	0.0	0.0
Estates Reserves	(19.3)	(28.7)	(11.9)
Vehicle replacement contribution	(4.0)	(4.0)	(4.0)
Vehicle replacement reserve	(1.3)	0.0	0.0
Borrowing	0.0	0.0	0.0
<b>Total funding</b>	<b>(24.6)</b>	<b>(32.7)</b>	<b>(15.9)</b>

- 3.6 The most significant element of the PCC's capital programme is related to improving the Estate in support of operational policing. There is also a £4m annual vehicle replacement programme, funded by a contribution from the revenue budget.

#### **Capital financing**

- 3.7 All capital expenditure must be financed, either from external sources (e.g. capital grant), the PCC's own resources (e.g. revenue contributions), or debt. Debt is only a temporary source of funding and is replaced over time by other financing, usually from revenue through annual Minimum Revenue Provision (MRP) charges. External debt will also incur interest costs. The PCC's borrowing strategy forms part of the Treasury Management Strategy.

- 3.8 The capital programme is fully funded by capital receipts and revenue contributions over the next 3 years. There is no requirement to borrow at this stage, although the revenue budget has made provision for future borrowing should this be required.

#### **Asset management and disposal**

- 3.9 Asset management for the PCC's estate is conducted by the Estates team. Vehicles are managed by the Constabulary's Transport Department.
- 3.10 Capital receipts are generated when a capital asset is sold. The proceeds are used to fund new capital assets or to repay debt. The PCC has relatively limited opportunities to generate capital receipts. The PCC's financial regulations set out that the PCC is required to approve the sale and purchase of all land and buildings.



## **4. Prudence and affordability**

- 4.1 The PCC is required to ensure that capital expenditure, investment and borrowing decisions are prudent, sustainable and affordable. There are a number of prudential indicators that must be set and monitored to help with this requirement, which are set out in the Prudential Code. The prudential indicators cover:
- Capital expenditure
  - External debt
  - Affordability
- 4.2 The Prudential Code sets out that certain acts and practices are not prudent activity for a PCC and incur risk to the affordability of local authority investment. The PCC will not therefore:
- Borrow to invest primarily for financial return
  - Make investment or spending decisions that increase the Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the PCC. Any financial returns should either be related to the financial viability of the project or incidental to the primary purpose.

### **Prudential borrowing**

- 4.3 It is important that the use of prudential borrowing is closely controlled and monitored. The PCC will only use prudential borrowing where there is a clear financial case to support doing so, but will not borrow to invest primarily for financial return to retain full access to funding via the Public Works Loan Board (PWLB).

### **Ensuring borrowing is only for capital purposes**

- 4.4 The CFR is the cumulative outstanding amount of debt finance. The CFR increases with new debt-funded capital expenditure and reduces through annual Minimum Revenue Provision (MRP) charges to the revenue budget and any capital receipts or other contributions used to replace debt.
- 4.5 The CFR will increase in 2024/25 due to the requirement to implement IFRS16 accounting standards from 1 April 2024. This places an asset value onto the balance sheet for qualifying items that are leased, for example accommodation. There is no additional budget required because the existing lease payments are already budgeted for on a revenue basis.
- 4.6 The Prudential Code states that a PCC must ensure that gross debt is only for capital purposes over the medium term, which means that gross external debt must not exceed the total of the CFR from the preceding year plus the estimates of any additional CFR for the current and next two financial years, except in the short term. This is a key indicator of prudence and is shown in the table below.

**Table – Ensuring Borrowing is Only for Capital Purposes (Prudential Indicator)**

	31/03/2023 Actual £m	31/03/2024 Estimate £m	31/03/2025 Forecast £m	31/03/2026 Forecast £m	31/03/2027 Forecast £m
<b>Capital Financing Requirement</b>	<b>53.7</b>	<b>51.1</b>	<b>85.2</b>	<b>82.1</b>	<b>79.2</b>
Other debt liabilities:					
- Leases	-2.0	-1.1	-36.8	-35.4	-34.1
External borrowing:					
- Public Works Loans Board	-29.7	-19.4	-19.0	-19.0	-19.0
<b>Total Debt</b>	<b>-31.7</b>	<b>-20.5</b>	<b>-55.8</b>	<b>-54.4</b>	<b>-53.1</b>

4.7 Total debt is expected to remain below the CFR during the forecast period. The estimates for CFR and debt reflect the introduction of IFRS 16 (the new accounting standard for leases) from April 2024 but the introduction of IFRS16 does not have a cash impact.

4.8 External debt is expected to remain below the CFR because of the PCC's borrowing strategy, whereby internal funding has been used to fund capital expenditure in place of borrowing money from external sources on the advice of the treasury management advisors, Arlingclose.

4.9 The PCC is not expecting to undertake new external borrowing to support the capital programme plans over the next 3 years. Should this position change, then the timing and source of borrowing will be determined in line with the Treasury Management Strategy and upon taking advice from Arlingclose.

#### **Liability benchmark**

4.10 The Liability benchmark compares planned/actual borrowing with an alternative strategy where cash and investment balances are kept to a minimum to reduce borrowing. More detail is provided in the Treasury Management Strategy.

4.11 It is an important tool to help establish whether the PCC is likely to be a long-term borrower or long-term investor in the future, and so shape the strategic planning and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the PCC must hold to fund current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

4.12 The liability benchmark is the lowest level of debt the PCC could hold if all balances, reserves and cash flow surpluses were used to fund the CFR. The PCC expects a negative liability benchmark across the first four years of the forecast period, which means that currently there is not a requirement to borrow during this period.

**Table 4 - Liability benchmark**

	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Forecast £m	31/03/26 Forecast £m	31/03/27 Forecast £m
Loans CFR	51.7	50.0	48.4	46.7	45.1
Less: Balance sheet resources	(131.2)	(114.5)	(88.0)	(57.7)	(50.1)
<b>Net loans requirement</b>	<b>(79.5)</b>	<b>(64.5)</b>	<b>(39.6)</b>	<b>(11.0)</b>	<b>(5.0)</b>
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>(69.5)</b>	<b>(54.5)</b>	<b>(29.6)</b>	<b>(1.0)</b>	<b>5.0</b>

### Affordable borrowing limit

- 4.13 The PCC is legally obliged to set an Authorised Limit for the maximum affordable amount of external debt. In line with statutory guidance, a lower 'Operational Boundary' is also set as a warning level should debt approach the limit. The Operational Boundary is based on the PCC's estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the PCC's estimates of capital expenditure, the CFR and cash flow requirements, and is a key management tool for in-year monitoring.

**Table: Affordable borrowing limits (Prudential Indicator)**

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
<b>Authorised Limit:</b>				
Borrowing	87.5	85.3	83.6	82.0
Leases	0.0	36.8	35.4	34.1
<b>Authorised Limit</b>	<b>87.5</b>	<b>122.1</b>	<b>119.0</b>	<b>116.1</b>
<b>Operational Boundary:</b>				
Borrowing	70.5	67.9	66.2	64.6
Leases	0.0	36.8	35.4	34.1
<b>Operational Boundary:</b>	<b>70.5</b>	<b>104.7</b>	<b>101.6</b>	<b>98.7</b>

### Affordability of financing costs

- 4.14 Capital expenditure is not charged directly to the revenue budget, however, the interest payable on loans and the annual MRP are charged to revenue, as are other financing costs such as interest payable under finance leases and amounts relating to the early settlement of borrowing. In aggregate these costs are known as financing costs. The impact of these costs needs to be well understood prior to making capital investment decisions and then closely monitored.
- 4.15 The table below shows the proportion of the PCC's net revenue stream (Council Tax and government grants through the Police Grant settlement)

required to meet financing costs. This is an indicator of the affordability of the PCC's capital programme.

**Table: Ratio of Financing Costs to Net Revenue Stream (Prudential Indicator)**

	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio	0.83%	1.29%	0.93%	0.86%

- 4.16 A low proportion is forecast, demonstrating that the cost of financing is minimised and the proportion of the revenue budget available for delivering services is maximised.

**Reliance on income from commercial and service investments**

- 4.17 The update to the Prudential Code in 2021 introduced a new prudential indicator intended to show how reliant a local authority is on income from commercial and service investments, and therefore how exposed the authority is to the loss of this income. The PCC does not have any investments classified as commercial or service investments.

**Table: Net Income from Commercial and Service Investments to Net Revenue Stream (Prudential Indicator)**

	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratio	0.0%	0.0%	0.0%	0.0%

**5. Minimum Revenue Provision (MRP) Statement**

- 5.1 Where the PCC finances capital expenditure by debt, statutory guidance requires an amount to put aside from revenue resources to repay that debt in later years, known as MRP. The Local Government Act 2003 requires the PCC to have regard to proper practice as issued by Government. The Department for Levelling Up, Housing and Communities has been consulting on proposed changes to the relevant regulations to ensure that all authorities make adequate revenue provision. Until that is concluded, the relevant guidance is that issued by the (former) Ministry of Housing, Communities and Local Government (MHCLG) in 2018.
- 5.2 The broad aim of the MHCLG guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with the time that the capital expenditure provides benefits or, in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant.
- 5.3 The guidance requires the PCC to approve an Annual MRP Statement each year, and whilst it provides a range of options for the calculation of MRP, the guidance also notes that other options are permissible provided that they are fully consistent with the statutory duty to make prudent revenue provision.

- 5.4 The four MRP options provided are:
- Option 1: Regulatory Method
  - Option 2: CFR Method (4% of the CFR)
  - Option 3: Asset Life Method
  - Option 4: Depreciation Method
- 5.5 Options 1 and 2 may be used only for supported capital expenditure funded from borrowing (i.e. financing costs deemed to be supported through the RSG from central government). Methods of making prudent provision for unsupported capital expenditure are restricted to Options 3 and 4 (which may also be used for supported capital expenditure if the PCC chooses).
- 5.6 The PCC will continue to apply Option 2 in respect of supported capital expenditure funded from borrowing with an MRP charge equal to 4% of the CFR balance in respect of that expenditure.
- 5.7 The PCC will continue to apply Option 3 in respect of unsupported capital expenditure funded by borrowing by charging MRP over the expected useful life of the relevant assets in equal instalments.
- 5.8 For assets acquired by leases, MRP will be determined to be equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 5.9 The adoption of the new accounting standard for leases (IFRS 16) means that former operating leases will be brought onto the balance sheet from 1 April 2024. Where this is the case, the annual MRP charge will be set so that the total charge to the revenue budget remains unaffected by the new accounting standard.
- 5.10 Capital expenditure will not be subject to MRP charges until the year after the expenditure takes place.
- 5.11 Based on the PCC's latest estimate of CFR on 31 March 2024, the budget for MRP has been set as follows:

**Table: MRP Budget**

	<b>2024/25 Estimated MRP £M</b>
Supported Capital Expenditure	0.3
Unsupported Capital Expenditure After 31/03/2008	1.4
BT Lease	0.9
IFRS 16 lease charges	2.2
<b>Total General Fund</b>	<b>4.8</b>

## **6. Treasury Management**

- 6.1. The Treasury Management Strategy (TMS) supports the Capital and Investment Strategy in setting out the arrangements for the management of the PCC's cash flows, borrowing and investments, and the associated risks.

- 6.2. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the PCC's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.
- 6.3. The PCC has potentially large exposures to financial risks through its investment and borrowing activity, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the PCC's Treasury Management Strategy (TMS).
- 6.4. The PCC's TMS, is approved by the PCC each year. Actual performance is reviewed by the PCC at mid-year and the end of each financial year. Reports are submitted to the Joint Audit Committee so that they can also provide views and comment to the PCC.
- 6.5. Treasury Management prudential indicators are included within the Treasury Management Strategy.

#### **Treasury management borrowing strategy**

- 6.6. The PCC's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans, should the PCC's long-term plans change, is a secondary objective.

#### **Treasury management investment strategy**

- 6.7. The CIPFA Code requires the PCC to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The PCC's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.8. The contribution that these investments make to the objectives of the PCC is to support effective treasury management activities.
- 6.9. The PCC's actual and forecast treasury management investment balances are shown in the table below with further detail in the TMS.

**Table: Existing Investment & Debt Portfolio Position at 31 December 2023**

**Treasury investment position**

<b>Investments</b>	<b>30/09/23 Balance</b>	<b>Net move</b>	<b>31/12/23 Balance</b>	<b>31/12/23 Income return</b>	<b>31/12/23 Weighted average maturity years</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
<b>Short term investments</b>					
Banks and building societies:					
- Unsecured	5.3	(4.1)	1.2	4.42	0.01
- Secured	3.6	-	3.6	5.44	0.01
- High quality	5.0	(5.0)	-	-	-
Money Market Funds	36.5	(5.0)	31.5	5.31	0.01
Government:					
- Local authorities	25.5	5.0	30.5	5.49	0.42
- Treasury bills	18.5	1.5	20.0	5.50	0.17
<b>TOTAL</b>	<b>94.4</b>	<b>(7.6)</b>	<b>86.8</b>	<b>5.41</b>	<b>0.19</b>
<b>Long term investments</b>					
Banks and building societies:					
- Secured	5.0	-	5.0	4.31	1.18
- Supranational	9.0	-	9.0	4.81	3.33
- High quality	10.0	-	10.0	5.91	1.92
Registered provider*	0.0	-	0.0	N/A	N/A
Pooled funds:					
- Pooled property**	4.0	-	4.0	*	N/A
- Pooled equity**	1.0	-	1.0	*	N/A
<b>TOTAL</b>	<b>29.0</b>	<b>-</b>	<b>29.0</b>	<b>*</b>	<b>2.30</b>
<b>TOTAL INVESTMENTS</b>	<b>123.4</b>	<b>(7.6)</b>	<b>115.8</b>	<b>*</b>	<b>0.72</b>

\* A revolving credit facility of £5m is in place with a registered provider, currently not drawn. This agreement provides the PCC with a non-utilisation fee of 0.30% per annum by reference to the undrawn amounts of the Facility.

\*\* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 31 December 2023 based on the market value of investments 12 months earlier.

**Pooled fund investments**

6.10. The PCC holds reserves for a number of purposes, which are explained in more detail in the Reserves Strategy (Appendix H). Where the PCC holds surplus cash, it is invested until it is required, in accordance with the PCC's TMS. This includes allocating a proportion to investments in pooled funds where these offer the best option. The PCC has made investments totalling £5m into pooled property, equity and multi-asset funds.

- 6.11. These investments help the PCC to mitigate interest rate and inflation risks as part of its TMS. They also present a number of risks which must be carefully managed, including the risk of loss of capital, illiquidity, entry and exit fees, and volatility of returns.
- 6.12. The principal mitigation for risk is ensuring that investments in non-cash assets are held as long-term investments. This will enable the initial costs of any investment and any periods of falling capital values to be overcome. In order to be managed as long-term investments, the amounts invested need to be taken from the PCC's most stable cash balances. The allocation of £10m has been based on a prudent assessment of the PCC's investment balances and liquidity requirements,
- 6.13. The selection of investments to target higher yields is carefully managed with the assistance of Arlingclose, the PCC's treasury management advisor. Arlingclose recommends that the PCC diversifies its investments in pooled funds between asset classes. This is to mitigate the loss of capital value, so that there is no over exposure to an event that impacts the value of investments in a particular asset class, such as a fall in property prices.
- 6.14. The PCC utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. Pooled funds are managed by external specialist investment managers who are best placed to select investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building.

#### **Other Information on the security of investments**

- 6.15. The PCC understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the PCC's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 6.16. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the PCC will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the PCC's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office, or invested in government treasury bills for example, or with other local authorities. This will likely lead to investment returns falling but will protect the principal sum invested.



## Reputational aspects

- 6.17. The PCC is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

## Liquidity management

- 6.18. The PCC has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historical cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the PCC's medium term financial position (summarised in Table 1) and forecast short-term balances. The Chief Finance Officer will continue to review cashflows and overall reserves and balances throughout the financial year.
- 6.19. The PCC will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider, except in cases of extreme market stress whereby the PCC will be able to invest all of its liquid cash in one provider only, being the Debt Management Office.

## 7. Service and commercial investments

- 7.1. The Ministry of Housing, Communities and Local Government (MHCLG) issued statutory guidance on local government investments in 2018. The PCC is required to have regard to this guidance, which complements both the Prudential Code and Treasury Management Code. The update to the guidance in 2018 reflected changes in patterns of local authority behaviour that were considered to be exposing local authorities to too much financial risk, with insufficient transparency and the potential for insufficient expertise in understanding complex transactions being entered into.
- 7.2. The term 'investments' within the Prudential Code covers all financial investments of the authority as well as other assets held primarily for financial return, such as commercial property. The MHCLG definition goes slightly further in including all non-financial assets that the organisation holds primarily or partially to generate a profit. The MHCLG guidance states that assets that generate revenue income solely through fees and charges for discretionary services levied under Section 93 of the Local Government Act 2003 should not be classified as non-financial investments for this purpose.
- 7.3. Investments are categorised in accordance with the primary purpose of the investment. All of the PCC's investments are defined as **treasury management investments** and therefore covered by Section 6 of this document and the Treasury Management Strategy.
- 7.4. The PCC primarily uses its property estate for the delivery of frontline services, with asset management conducted by the Estates team. Where practical and without having an operational impact, the PCC will look to use property assets to reduce the annual revenue cost of the estate and to

maximise the potential for income generation, for example through the use of vacant space.

- 7.5. The PCC is also pursuing a number of opportunities either through its land holdings or through the relationship it has with partners or contractors to look at new and innovative ways of generating a financial return. To date, the PCC has formed partnerships with other emergency services by sharing buildings.
- 7.6. **Investments for commercial purposes** are defined in the Prudential Code as being undertaken primarily for financial return but without being linked to treasury management activity or being part of service delivery. They are therefore additional investments taken voluntarily with the primary objective of generating a net financial return or profit. They will usually constitute capital expenditure. The income generated helps to deliver service objectives.
- 7.7. **Investments for service purposes** are those undertaken primarily and directly for the delivery of public services or in support of joint working with others to deliver such services. They will normally constitute capital expenditure and it may be appropriate to borrow to finance these investments. They may or may not deliver financial returns, but this will not be the primary purpose of the investment.
- 7.8. The PCC does not consider the use of its estate to constitute **commercial or service investments**. It has no assets classified on its balance sheet as investment properties and the income generated from allowing partners to use space within the PCC's buildings provides a contribution to offset costs being incurred by the PCC rather than to generate a profit.

#### **Investment indicators**

- 7.9. In addition to setting Prudential Indicators required by the Prudential Code, the PCC has also set the following quantitative investment indicators in accordance with the requirements of the MHCLG investment guidance.
- 7.10. The PCC expects all of investments to continue to be for treasury management purposes. If the PCC does plan to undertake any investments that would constitute commercial or service investments in future, the Capital and Investment Strategy will be updated and appropriate investment indicators introduced.

#### **Treasury Management Prudential Indicators**

- 7.11. The PCC measures and manages its exposures to treasury management risks using the following indicators.

#### **Interest rate exposures**

- 7.12. The following indicator shows the sensitivity of the PCC's current investments and borrowing to a change in interest rates. Fixed rate investments maturing during the year are assumed to be variable for the remainder of the year.

**Table: Interest rate risk indicator**

	<b>31 December 2023 £m</b>	<b>Impact of +/-1% interest rate change £m</b>
Sums subject to variable interest rates		
Investment	91.8	+/-0.9
Borrowing	0.0	+/-0.0

### **Maturity structure of borrowing**

7.13. This indicator is set to control the PCC's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

**Table: Maturity Structure of Borrowing**

	<b>Upper</b>	<b>Lower</b>
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

7.14. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### **Principal sums invested for periods longer than a year**

7.15. The purpose of this indicator is to control the PCC's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

**Table: Price risk indicator**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>No fixed date</b>
Limit on principal invested beyond a year	£45m	£45m	£45m	£5m

## **8. Knowledge and skills**

8.1. Through the Hampshire Shared Services Partnership, the PCC is advised by professionally qualified and experienced staff in senior positions

supporting capital expenditure, borrowing and investment decisions in accordance with approved strategies.

- 8.2. The Chief Financial Officer (S151 officer) and Deputy Chief Financial Officer (Deputy S151 officer) for the PCC are experienced members of the Chartered Institute of Public Finance and Accountancy (CIPFA), as is the Head of Investments and Borrowing, who oversees daily treasury management activity.
- 8.3. Performance against targets and learning and development needs are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- 8.4. Staff attend training courses, seminars and conferences provided by CIPFA, Arlingclose and other providers. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.
- 8.5. CIPFA's Code of Practice requires that the PCC ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Members of the Joint Audit Committee (JAC) were invited to a workshop presented by Arlingclose in November 2023, which gave an update of treasury matters. A further Arlingclose workshop is planned for 2024.

#### **Investment Advisers**

- 8.6. Through the Hampshire Shared Services Partnership, the PCC has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with the Chief Financial Officer for the PCC, their staff, and Arlingclose.

### **9 Chief Financial Officer's Conclusion on the Affordability and Risk Associated with the Capital and Investment Strategy**

- 9.1. This Capital and Investment Strategy has been developed alongside the Treasury Management Strategy and the Reserves Strategy. Together, they form an integrated approach adopted by the PCC to balance the need for capital investment to support service priorities with consideration of affordability and the consequent impact on the revenue budget, whilst recognising and managing risk to an acceptable level.
- 9.2. The forward planning of capital investment and its funding, including being in a position to maximise the use of external grants, contributions and capital receipts, together with the process of regular monitoring of actual income, expenditure, and project progress, provides assurance to the Chief Financial Officer that the proposed Capital Programme is prudent, affordable and sustainable.

### **10 Links to Statutory Guidance and Other Information**

- 10.1. The Local Government Act 2003, Section 15(1) and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] require Local Authorities to have regard to the following guidance:

- Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Local Government Investments\* [MHCLG Investment](#).
- Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Minimum Revenue Provision (MRP)
- CIPFA’s Prudential Code
- CIPFA’s Treasury Management Code

(\*Where a PCC prepares a Capital Strategy in line with the requirements of the Prudential Code, and a TMS in line with the requirements of the Treasury Management Code, the Investment Strategy can be published in those documents instead of as a separate document).

- 10.2. The PCC includes the non-treasury management Investment Strategy within this Capital Strategy. The TMS is a separate document reported to JAC and the PCC.
- 10.3. The proposed Capital Programme is included at Appendix F within this report.

# **RESERVES STRATEGY 2024/25**

# HAMPSHIRE & ISLE OF WIGHT POLICE AND CRIME COMMISSIONER

## 1. Background

- 1.1. The PCC first published a Reserves Strategy as part of the 2018/19 budget report. On the 31 January 2018, new reserves guidance was issued to all PCCs (see the link below).

<https://www.gov.uk/government/publications/police-finance-reserves-guidance>

- 1.2. The Reserves Profile shows that existing planned commitments will result in a forecast reduction of total reserves by March 2028 to £54m (down from £146m at the end of March 2023), of which the General Reserve would be £5m, which is just over 1% of the forecast 2024/25 revenue budget. This assumes that there are no adverse issues that impact on the General Reserve.
- 1.3. The Chief Finance Officer has a responsibility to ensure that the level of reserves maintained is sufficient. The Police Reform and Social Responsibility Act 2011 states that only the PCC, and not the Chief Constable, is permitted to hold reserves.
- 1.4. The Chartered Institute of Public Finance and Accountancy (CIPFA) produces guidance on reserves, but the exact level of reserves to be held is left as a local decision due to the need to reflect individual circumstances. Whilst there are no firm requirements on the amount, it is clear that reserves must be held to ensure that the organisation is able to meet any unexpected liabilities. CIPFA warned that the use of reserves to deal with shortfalls in day-to-day spending would be a “recipe for significant financial problems”.
- 1.5. The current financial climate remains challenging, and there are a number of financial pressures and risks which need to be managed over the medium term, for which reserves are in place to mitigate. Reserves will also be required to support the significant investment required to deliver the Police and Crime Plan.
- 1.6. Reserves required for accounting purposes only are not covered by this strategy as they are not optional and follow proper accounting practices.

## 2. Financial Stability

- 2.1. The level of reserves continues to be reviewed by the PCC, Chief Finance Officers and auditors to ensure that suitable reserves are in place to mitigate and manage the risk of the financial challenges faced, and to ensure that reserves are not unnecessarily held to the extent that is detrimental to current service delivery.
- 2.2. Reserves are necessarily and appropriately held as part of good strategic financial management and are a key element in supporting the PCC’s medium-term planning and Medium Term Financial Strategy. Reserves are also a one-off resource, which unless replenished, can rapidly diminish.
- 2.3. In the medium term there is significant financial stress in the system to be managed, including:

- i) funding the necessary investment to deliver a new PCC's ambition in relation to delivery of their Police and Crime Plan and commissioning of services
  - ii) significant investment in the estate to open new front counters and provide suitable accommodation for the increasing numbers of officers and staff, in the locations that the Chief Constable requested to deliver operational priorities
  - iii) the still to be determined consequences of national programmes (e.g. ESMCP) which require a local funding stream for delivery of its outcomes as well as being subject to growing needs for top sliced contributions to deliver the national infrastructure
  - iv) the requirement to continue to fund ongoing costs of police operations
  - v) sinking funds to replace equipment such as body armour, marine unit and body worn video
  - vi) the significant investment required to embrace an ever evolving technology and digital landscape including providing funding for re-provision of technology such as phones and laptops
- 2.4. In the medium term, without any capital grant, there will be a call on reserves to fund one off pressures, initiatives and investment.
- 2.5. The PCC has been able to fund the current priority growth/pressure items from within the revenue budget.
- 2.6. The PCC CFO's assessment is that:
- i) the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates
  - ii) the level of earmarked reserves and their purpose are necessary and appropriate
  - iii) reserves are prudent and necessary to meet the ongoing requirement for one off expenditure to meet the transformation required to ensure that in the years ahead the Constabulary remains a modern operationally effective police force.
  - iv) the overall level of reserves is appropriate given the known financial pressures and risks faced by the PCC.

### **3. Reserves**

- 3.1. The forecast Reserves position is set out in full in Appendix 1, with a snapshot of the position below which shows the position as at 31 March 2023, the forecast position as at 31 March 2024 and the forecast position through to the end of the medium term financial strategy as at 31 March 2028:



	Actual as at 31 March 2023	Forecast as at 31 March 2024	Forecast as at 31 March 2028
General Reserve	8.6	6.7	5.0
Earmarked Reserves	124.6	111.6	36.0
<b>Total Reserves available for use by the PCC to support Policing and 'Beyond Policing' to deliver the Police and Crime Plan</b>	<b>133.2</b>	<b>118.3</b>	<b>41.0</b>
Ring fenced Reserves held on behalf of others not available to spend by the PCC	13.1	13.1	13.1
<b>Total Reserves</b>	<b>146.3</b>	<b>131.4</b>	<b>54.1</b>

3.2. The table above shows that the reserves available to be used directly by the PCC to deliver the Police and Crime Plan will reduce considerably as the estate strategy delivered, technology enhancements are delivered.

#### **Categorisation of Reserves**

- 3.3. The Reserves Guidance issued on the 31st January 2018 requests that reserves are split across the following headings:
- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan
  - Funding for specific projects and programmes beyond the current planning period will currently be the balances remaining as at March 2028.
  - The general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management

The above split of reserves is shown in Appendix 1.

#### **4. General Reserve (Forecast 31 March 2024 is £6.7m)**

- 4.1. The General Reserve is the main reserve held to manage unidentified and unforeseen risk. The PCC CFO is required to set a minimum level for the General Reserve.
- 4.2. General reserves are by nature 'not specific' (they are not earmarked), and are held to cover unforeseen risk and cost pressure, for example:
- cost of national programmes overrun;
  - uneven cash flows and managing the timing of savings;
  - unforeseen emergencies requiring significant one off spend e.g. a significant incident; or
  - demand pressures.

4.3. The General Reserve balance is forecast to be £6.7m at the end of March 2024. This equates to 1.4% of the 2024/25 net budget which is within the 5% maximum set by the Minister of State for Crime and Policing.

## 5. Earmarked Reserves

In addition to the General Reserve, the PCC also holds a number of earmarked reserves, as set out below (the table shows the March 2023 balance, the forecast March 2024 balance and the forecast March 2028 balance, with more detail shown in Appendix 1):

	Actual as at 31 March 2023	Forecast as at 31 March 2024	Forecast as at 31 March 2028
Carry Forward Reserve	2.5	2.5	0.0
Commissioner's Reserve	2.0	1.9	1.7
Council Tax Reserve	2.1	2.1	2.1
Estate Reserves	54.5	56.9	14.9
Grant Equalisation Reserve	6.0	3.0	3.0
Inflation Reserve	3.0	3.0	3.0
Insurance Reserve	1.5	1.5	1.5
Investment Risk Reserve	0.0	0.3	0.3
IT Services Reserve	27.2	22.9	2.8
Special Grant Reserve	9.1	7.8	0.3
Pension Remedy Reserve	3.0	1.4	0.0
Replacement Reserves	8.9	5.7	4.7
Revenue Grants Unapplied	0.4	0.0	0.0
Trading Reserves	2.9	1.9	1.7
Transformation Reserve	0.6	0.2	0.0
Uplift Reserve	0.9	0.5	0.0
<b>Total Earmarked Reserves</b>	<b>124.6</b>	<b>111.6</b>	<b>36.0</b>

### Earmarked Reserves

- 5.1. The PCC holds earmarked reserves for specific purposes. These are the:
- i) **Carry Forward Reserve** holds funds approved for carry forward by the PCC as part of the annual outturn report.

- ii) **Commissioner's Reserve** holds amounts that are used specifically to support the Commissioner's priorities. This is intended to support programmes that support the delivery of the Police and Crime Plan.
- iii) **Council Tax Reserve** was created to hold the one-off Local Council Tax Support grant of £2.1m. This reserve will be utilised to manage any ongoing impact from Council Tax deficit arising from any ongoing impact on council tax collection.
- iv) **Estates Reserve** holds funds for the estates strategy including new front counters, new police stations, large repairs and maintenance projects, future potential dilapidations costs. Funding on estate was held back pending the New Area Model review for operational policing which changed the bases for policing functions to better align operational policing with local districts. That model has now been implemented and the Chief Constable is setting out the operational requirement for accommodation and facilities. The PCC will update the estate strategy and capital programme to facilitate the delivery of an estate to support the new operating model.
- v) **Grant Equalisation Reserve** will be used to offset and manage future uncertainty in the level of Police grant.
- vi) **Inflation Reserve** held to cover additional pressures from higher than expected inflation costs, particularly utilities.
- vii) **Insurance Reserve** holds funds available to pay for items that are not covered by the insurance contract. Analysis shows that it is more cost effective to hold a reserve for low risk and low probability events rather than pay an insurance premium to cover them.
- viii) **Investment Risk Reserve** holds funds received from interest receipts that may be required to offset capital debts when disinvestment takes place from investments.
- ix) **IT Services Reserve** holds funds set aside for IT refresh programmes (laptops/phones/BWV and servers) and the delivery of ESMCP. This ensures that there is always funding available to finance known cyclical replacement programmes.
- x) **Special Grant Reserve** for covering the costs of ongoing major policing operations.
- xi) **Pension Remedy Reserve** sets aside specific funding in recognition of the one-off costs which will arise from implementation of the McCloud/Sargeant pension remedy judgment impacting Police Pensions. It has been funded via a transfer from the General Fund reserve.
- xii) **Replacement Programme Reserve** holds funds available to offset the impact of large-scale equipment replacement such as the need to replace body armour when the warranty for body armour expires.

- xiii) **Trading Reserves** holds funds for specific areas of the Constabulary such as Netley Business Plan and Safer Roads. These areas generate income which is ring-fenced for specific usage.
- xiv) **Transformation Reserve** has been utilised to pay for the cost of changes required during the austerity era. This reserve will close at the end of 23/24 when the last expenditure is paid.
- xv) **Uplift Reserve** holds funds to meet the infrastructure and non-pay costs associated with the estimated increase in police officer numbers.

## 6. Ring-fenced Reserves held by but not available to use by the PCC

- 6.1. In addition to the reserves set out above, the accounts include earmarked reserves that are ring fenced for specific purposes and are not available for use by the PCC as they are held on behalf of national policing. These are:

	Actual as at 31 March 2023	Forecast as at 31 March 2024	Forecast as at 31 March 2028
ACRO Surety	3.0	3.0	3.0
AVCIS Surety	0.3	0.3	0.3
ACRO General Reserve	9.8	9.8	9.8
<b>Total</b>	<b>13.1</b>	<b>13.1</b>	<b>13.1</b>

- 6.2. The purpose of these reserves is as follows:

- i) **ACRO** is the national ACPO Criminal Records Office which is hosted in HLOW but co-funded by all PCCs and Chief Constables in the UK. The funds are not available to the PCC for use in the HLOW policing area. **ACRO Surety** and **AVCIS Surety** are held to cover any potential costs to the Chief Constable or PCC should ACRO cease to trade on its current basis.
- ii) **ACRO General Reserve** - other net surplus balances held on behalf of ACRO. The governance board for ACRO determines the use of these reserves. The annual budget and use of reserves is presented to the National Police Chief's Council each year. The ACRO budget is formulated as a result of decisions made at National Police Chief Constable's Council on the amount of contribution that forces will pay ACRO each year, so the actual reserve profile will be updated as these figures become known and the ACRO budget is agreed.

## 7. Overall CFO Assessment of reserves

- 7.1. The PCC CFO's assessment is that:

- i) the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates
- ii) the level of earmarked reserves and their purpose are necessary and appropriate

- iii) the reserves are prudent and necessary to meet the ongoing requirement for one off expenditure
- iv) the overall level of reserves is appropriate given the known financial pressures and risks faced by the PCC.

## Appendix 1 – Analysis of Useable Reserves

	Analysis of how the forecast 31 <sup>st</sup> March 2024 Reserves will be utilised			
	Forecast Balance 31.3.24	Planned Expenditure on projects and programmes over the medium term to 2027/28	Funding for Specific projects and programmes beyond 2027/28	As a general contingency to meet other expenditure needs
	£m	£m	£m	£m
General Reserve	6.7	1.7	0.0	5.0
Carry Forward	2.5	2.5	0.0	0.0
Commissioner's Reserve	1.9	0.2	1.7	0.0
Council Tax	2.1	0.0	0.0	2.1
Estates Reserves	56.9	42.0	14.9	0.0
Grant Equalisation	3.0	0.0	0.0	3.0
Inflation	3.0	0.0	0.0	3.0
Insurance Reserve	1.5	0.0	1.5	0.0
Investment Risk	0.2	0.0	0.0	0.2
IT Services Reserve	22.9	20.1	2.8	0.0
Special Grant	7.8	7.5	0.3	0.0
Pension Remedy	1.4	1.4	0.0	0.0
Replacement Reserves	5.7	1.0	4.7	0.0
Trading Reserves	2.0	0.3	1.7	0.0
Transformation Reserve	0.2	0.2	0.0	0.0
Uplift Reserve	0.5	0.5	0.0	0.0
<b>Total Useable Reserves</b>	<b>118.3</b>	<b>77.4</b>	<b>27.6</b>	<b>13.3</b>

## Appendix 2 – Analysis of profile

Reserve	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28
	£m	£m	£m	£m	£m	£m
<b>General Fund Balance</b>	<b>8.555</b>	<b>6.669</b>	<b>5.403</b>	<b>4.981</b>	<b>4.981</b>	<b>4.981</b>
<b>Fully committed to Existing Spend Programmes</b>						
Carry Forward Reserve	2.525	2.524	.000	.000	.000	.000
Estate Reserve	54.481	56.948	42.398	18.073	10.531	14.906
IT Services Reserve	27.191	22.862	21.016	16.400	16.400	2.791
Replacement Reserves	8.878	5.657	4.407	3.657	3.657	4.657
Revenue Grants Unapplied Reserve	.432	.000	.000	.000	.000	.000
Transformation	.569	.176	.000	.000	.000	.000
Uplift Reserve	.888	.480	.000	.000	.000	.000
Special Grant Reserve	9.057	7.836	3.306	.306	.306	.306
Pension Remedy Reserve	3.000	1.371	.000	.000	.000	.000
<b>Trading Reserves</b>						
HC Trading Reserves	2.883	1.990	1.699	1.699	1.699	1.699
<b>Risk Reserves</b>						
Council Tax Reserve	2.139	2.139	2.139	2.139	2.139	2.139
Grant Equalisation Reserve	6.000	3.000	3.000	3.000	3.000	3.000
Insurance Reserve	1.477	1.477	1.477	1.477	1.477	1.477
Inflation Reserve	3.064	3.064	3.064	3.064	3.064	3.064
Investment Risk	.000	.240	.240	.240	.240	.240
<b>Corporate Reserves</b>						
Commissioner's Reserve	2.035	1.853	1.809	1.739	1.739	1.739
<b>Total Earmarked</b>	<b>124.617</b>	<b>111.616</b>	<b>84.553</b>	<b>51.791</b>	<b>44.249</b>	<b>36.015</b>
<b>Other Reserves</b>						
AVCIS Surety	.326	.326	.326	.326	.326	.326
ACRO General Reserve	9.794	9.798	9.798	9.798	9.798	9.798
ACRO Surety	3.000	3.000	3.000	3.000	3.000	3.000
<b>Total Revenue Reserves</b>	<b>146.292</b>	<b>131.409</b>	<b>103.079</b>	<b>69.896</b>	<b>62.354</b>	<b>54.120</b>

## **Section 25 Report from the PCC Chief Finance Officer**

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (CFO) to report to the PCC when setting council tax on:

- the robustness of the estimates included in the budget, and
- the adequacy of the financial reserves in the budget.

The PCC is required to have regard to this report in approving the budget and council tax. Section 25 concentrates primarily on the risk, uncertainty and robustness of the budget for the next financial year rather than the greater uncertainties in future years. This report does however consider not only the short-term position but also the position beyond 2024/25 in the context of the PCC's Medium Term Financial Strategy (MTFS) presented in the main report.

### **Robustness of Estimates in the Budget**

The budget setting process within the Constabulary has been operating effectively for many years and is based on increasing the budgets each year allowing for pay and price inflation and other marginal base changes in the cost or levels of service.

Each year a zero based budgeting exercise is also carried out to review whether or not there are elements of the budget that do not reflect the current activity or need

Appropriate provisions for pay and price inflation are included within each successive MTFS and these are then refined by the Chief Financial Officer in rolling forward the detailed budget for the next financial year.

In general terms, the forecasting for the MTFS is undertaken on a very prudent basis, particularly in respect of allowances for pay and price inflation and increases in government grant, precept increase and council tax base. For the current MTFS, the PCC has only received confirmation of funding for the 2024/25 financial year, with no information on police grant, uplift grant, council tax precept for 2025/26 onwards; this has meant that a very prudent set of assumptions have been included within the MTFS to mitigate for this.

There is a very robust process in place to assess budget pressures, with submissions categorised as:

- one-off or ongoing costs
- either Mandatory/Unavoidable or Critical and;
- joint costs to be shared with Thames Valley Police (TVP) or costs that will be funded by HLOW entirely

The submissions are returned to Finance by 31 August. A challenge and prioritisation session is held by the CFO in September with each chief officer to review the robustness and accuracy of each submission. Chief officers then prioritise the submissions from their command. The Chief Officer Group met in



October to review all the submissions to create a forcewide prioritised list and agree the categorisation of each of the submissions e.g. whether they are accepted as a mandatory/unavoidable cost that must be included within the budget.

A series of six meetings takes place between October and January between the PCC and CC to scrutinise the submissions further and understand the benefits, risks and costs associated with each submission. Chief Officers attend specific meetings when further exploration needs to take place on an individual submission. During the same period, meetings take place with TVP to jointly prioritise and agree any submissions that would be joint funded by both PCCs. For example, both forces share an ICT Department to align systems and save cost. Submissions for new ICT costs are often shared costs such as the need to replace the ICT network due to the existing contract nearing its end date.

Overall affordability is considered throughout the process.

An allowance for future pressures is made in the MTFS incrementally of per annum of £5m.

Budget management within the PCC and Constabulary remains strong as demonstrated by the outturn position each year.

As Chief Financial Officer for the PCC I have a close involvement with the budget setting process and I am content that the estimates are robust based on the knowledge we have available to us at this time.

### **Risks in the Budget 2024/25 and the MTFS**

- a) **Government Funding** - The one year Police Spending Settlement announced in December 2023 only provided Police Grant, Uplift Grant, Pension Grant, Legacy Grant and the Referendum level for precept for 2024/25. This is a key risk as the funding position beyond 2024/25 is not known, requiring a significant amount of estimation to be made as to the future funding position over the course of the MTFS period.

The risk mitigation has been to include very prudent estimates within the MTFS for future funding, as follows:

- Council Tax increases limited to 1.99% for the future duration of the MTFS
- Assumed 1% increase for Police Grant for future years in the MTFS

In addition, a Grant Equalisation reserve has been set up which can be utilised to offset and manage any fluctuations in Police grant over the medium term.

- b) **Council Tax** – The Government have only announced the precept referendum level for 2024/25, with no indication of future allowable precept increases.

Increases in council tax forms a key part of supporting the budget. In the absence of any guidance from government, the assumed precept increase has been capped within the MTFS at 1.99% for the duration of the MTFS. This is felt to be a prudent approach.

- c) **Council Tax Collection** – the cost of living pressures could impact the collection of Council Tax, and at the time of writing this report the final estimates have not yet been confirmed by the billing authorities.

- d) **Pay and Price Risk** – The MTFS contains provision for increases in Police Officer and Police staff pay, reflecting the current economic environment.

The impact of price inflation has been considered in setting the budget and the assessment is that it would take a major departure from the assumptions to create a financial problem that could not be dealt with in year from reserves.

- e) **Treasury Risk** – The Authority has limited exposure to interest rate risk as most long-term borrowing is undertaken on a fixed rate. There is no expectation of entering into new borrowing in the next 3 years. On the investments side, the Authority has a very prudent approach to forecasting its investment returns and they also represent a very small part of the overall funding for the budget. The investment strategy protects capital ahead of yield and most of the medium term investments are in products that should return a stable income yield each year.
- f) **Decarbonisation** – The decarbonisation agenda could create significant cost pressures for vehicles and buildings. There is no new Government funding being made available to the PCC for investment in new infrastructure e.g. for substations and chargers for electric vehicles or the additional cost of electric vehicles. The annual revenue contribution for vehicle purchases has been increased from £3m to £4m to better provide for current costs, but further investment may need to be made in the medium term.
- g) **Police officer pay increments** – Increments for police officer pay are in addition to inflation pay awards.

In addition to the above, the budget report sets out a range of other key risks in the report as follows:

- a lower government grant than forecast which would represent a reduction in funding compared with the 1% grant assumption over the duration of the MTFS period
- the allowable maximum precept increase is less than the assumed 1.99% increase included in each year of the MTFS 2022/23 onwards
- inflation is greater than forecast which would create a cost pressure (as an example, each 1% increase in the pay award beyond the current assumption of a 1% pay award would lead to a cost pressure of £2m)
- the impact on both the council tax collected and the council tax deficit of cost of living pressures could negatively impacts future year budgets
- grant funding for the pay costs and infrastructure costs of the Officer Uplift programme could become insufficient to cover costs
- funding set aside for the estates and infrastructure costs of the Officer Uplift programme being insufficient to cover costs
- the £5m incremental recurrent revenue funding each year within the MTFS is insufficient to cover new recurrent revenue pressures
- an increase in national top-slices

- a risk that partner agencies could reduce or withdraw their services which puts additional financial pressure on the police service
- some activities and funding could be moved to a regional or national basis that would remove funding from the HIOW Policing Area. There is a risk that the removal of funding causes a financial difficulty that needs to be managed locally
- insufficient savings are identified or delivered to meet the forecast medium term budget shortfall, necessitating a draw from reserves to balance the budget in any one year
- National Police Air Support cost sharing arrangements are under review which could result in an increase in charges.
- the earmarked reserves are insufficient to cover the pressures/risks to which they relate

These risks have been taken into account in assessing the minimum and overall level of reserves. My assessment is that it would be unlikely that all risks would arise in any one year, and that individually the risks can be managed. It would take a significant number of these risks to arise at the same time to be unmanageable through the available reserves in the short to medium term.

These identified risks are mitigated, to a certain extent, because the PCC:

- maintains an appropriate level of reserves and balances;
- has made prudent assumptions as to the level of future grant income, Uplift funding and precept increases which should limit the actual impact
- will proactively manage and monitor all aspects of budget performance during the year

### **Adequacy of Reserves**

The PCC Chief Finance Officer has a responsibility to ensure that the level of reserves maintained is sufficient. The Police Reform and Social Responsibility Act 2011 states that only the PCC, and not the Chief Constable, is permitted to hold reserves.

The Chartered Institute of Public Finance and Accountancy (CIPFA) produces guidance on reserves, but the exact level of reserves to be held is left as a local decision due to the need to reflect individual circumstances. Whilst there are no firm requirements on the amount, it is clear that reserves must be held to ensure that the organisation is able to meet any unexpected liabilities. CIPFA warned that the use of reserves to deal with shortfalls in day-to-day spending would be a “recipe for significant financial problems.

The PCC continues to use reserves to pay for the cost of change that is required to meet both the financial challenge and the necessary investment to ensure that the Constabulary remains a modern, operationally effective Police Service.

Reserves are necessarily and appropriately held as part of good strategic financial management and are a key element in supporting the PCC’s medium-term planning and Medium Term Financial Strategy. Reserves held by the PCC are forecast to reduce in the medium term.

Earmarked Reserves have been created to recognise specific risk issues to be funded over the medium term:

- i) **Grant Equalisation Reserve** - this reserve will be used to offset and manage future uncertainty in the level of Police grant
- ii) **Council Tax reserve** – this reserve will be utilised to manage any ongoing impact from Council Tax deficit
- iii) **Special Grant Reserve** – to cover the costs of long term police operations.
- iv) **Pension Remedy Reserve** – this reserve sets aside specific funding in recognition of the one off costs which will arise from implementation of the McCloud/Sargeant pension remedy judgment impacting Police Pensions
- v) **Inflation Reserve** – to assist with any costs relating to higher than expected inflation, especially utilities

Further information on reserves is provided in the budget report, with significant detail set out in the Reserves Strategy which is Appendix H to the budget report.

Based on current planning assumptions, and taking into account the risks set out in the budget report, the minimum general fund balance has been set at £5m. The actual balance of the reserve is forecast to be £6.7m at the end of March 2024, and then remaining at £5m for the period through until March 2028.

For the medium-term the general fund balance is therefore anticipated to be maintained at a level in excess of the minimum required.

The Earmarked Reserves are deemed to be appropriate, and their purpose has been set out in the Reserves Strategy. Earmarked reserves are forecast to reduce significantly by 31<sup>st</sup> March 2028 mostly due to expenditure on the Estate Strategy.

As set out in the Reserves Strategy, my view on the adequacy of Reserves is as follows:

- i) the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates
- ii) the level of Earmarked reserves and their purpose are necessary and appropriate
- iii) the overall level of reserves is appropriate given the known financial pressures and risks faced by the PCC.

### **Reliability / accuracy of budget estimates**

The estimates have been reviewed by qualified and experienced staff in the Finance team.

There are a significant number of risks around the estimation of future costs and income contained within the budget and MTFs proposals and these are clearly set out within this appendix and within the body of the budget report, together with comments on risk mitigation.

By themselves none of these risks are so significant that they could not be managed in isolation. However, collectively they represent potential risks which if

they came to fruition individually or as multiple risks would impact the MTFS position, and if not managed could cause a gradual and escalating build-up of financial pressure on the PCC and Constabulary's financial position that would need to be managed in year as necessary and where appropriate over the course of the MTFS timeline.

The risks will be closely monitored during the year and the next iteration of the MTFS will be updated accordingly.

### **Budget 2024/25 – Conclusion**

Given the details outlined above in the proposed budget and MTFS, including the level of earmarked reserves and balances, a positive opinion can be given under Section 25 on the robustness of the estimates and level of reserves for 2024/25.

### **Cash Flow**

As part of setting the budget, I have reviewed the cash flow forecast for the period through until end of March 2025. The cash flow position remains very positive, and I have no concerns as to the cash position.

In practice, through effective treasury management throughout the year, surplus cash will be invested until required, ensuring that the OPCC keeps sufficient but not excessive cash available to meet the OPCC's day to day spending needs, while managing the risks involved (in line with the CIPFA code and the treasury management strategy). On that basis actual short term cash balances may be less than forecast as surplus cash will be invested in periods longer than 1 day duration.

### **The Position Beyond 2024/25**

The future position is less clear due to the end of the current published Spending Review and the expectation of a general election in 2024. The major parties have not set out manifestos yet but currently the major parties speak of supporting policing.

The strong financial planning and reserves position for HIOW gives me confidence that HIOQ is relatively well prepared to meet the future challenges as they arise. The MTFS has been based on prudent funding assumptions, which should mean the PCC is well placed to respond to and manage changes.

Whilst there are risks within the MTFS these have been mitigated as far as possible and it would take a significant change in the funding regime to create a scenario which the PCC and Chief Constable could not manage over the course of the MTFS through either planned budget reduction and/or draws from reserves.

**Richard Croucher, PCC Chief Financial Officer**

Public Consultation Report

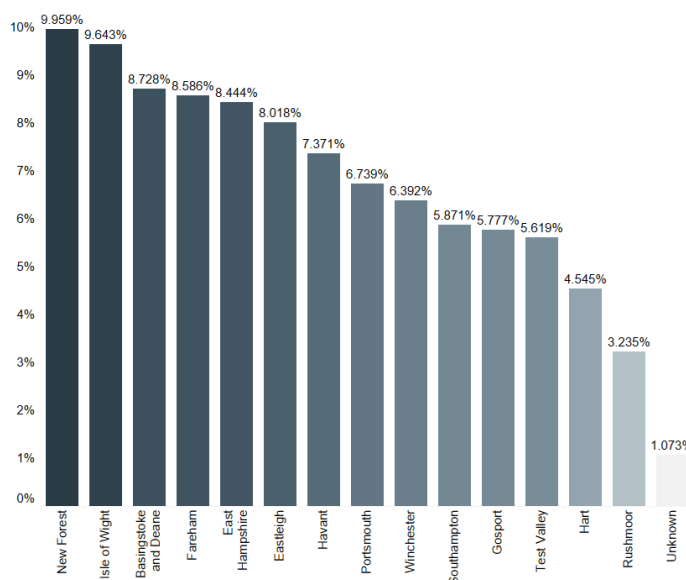


**Precept public consultation: 2024/25**

As we move into 2024, our communities, our counties and the nation face continued financial pressures. The rising cost of living for everyday amenities such as food and fuel are adding even more pressure on those who feel it the most. Here at the Office of the Police and Crime Commissioner we do not take this cost of living crisis lightly, and unfortunately policing is not exempt from these financial pressures. This is why it is more important than ever to gather the views of Hampshire and Isle of Wight residents on the precept (the policing part of the local council tax bill), and how much residents are willing/or not, to increase the policing precept to continue to funding local policing.

**The budget survey 2024/25**

This year our online budget consultation took place via an online survey, this was open for 5 weeks, closing on December 10<sup>th</sup> 2023. During this time we heard from 6,336 residents from across our 14 districts. We reached 67,388 residents via our online survey, at a cost of £453 for Facebook advertising. In addition, we also utilised local libraries to enable those who may be digitally excluded from taking part in the online survey, to complete a paper survey. The cost of printing and postage totalled £380 (awaiting responses to be returned to be added into the final response rate).



Responses from across our 14 districts

When looking at the demographics of those who took part, we can see that 60% of responses were from males and 84% of participants were White British. We had more responses from those aged 55 and over, and a good spread of responses from across our 14 districts.



## Paper responses

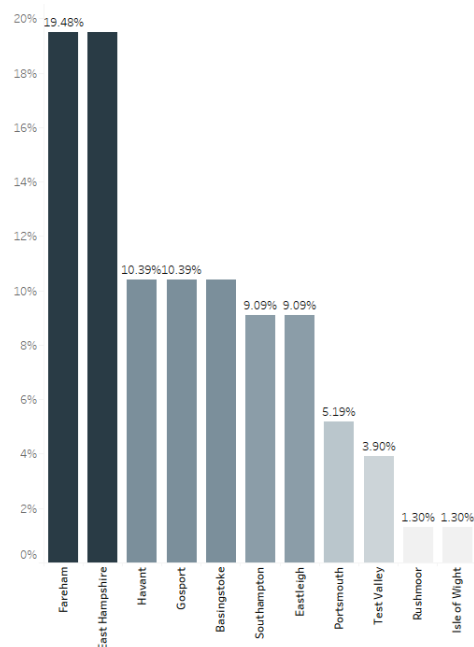
In addition to our online survey, we also utilised local libraries to enable those who may be digitally excluded from taking part in the online survey, to complete a paper survey. The cost of printing and postage totalled £380, with 100 copies and a return envelope being distributed across 17 libraries across Hampshire and the Isle of Wight.

We had a total of 77 paper responses returned to the OPCC, from 11 libraries.

We can see from the responses that:

- 14.29% (14) would pay a £5 increase per year (42p per month)
- 22.08% (17) would pay a £10 increase per year (83p per month)
- 18.18% (11) would pay a £15 increase per year (£1.25 per month)
- 35.06% (27) would not want to pay an increase

We see the responses from 11 of the 17 libraries who took part in supporting paper copies of the precept being completed for those digitally excluded. We can see Fareham and East Hants total 40% (30) of all the paper responses, compared to the IOW and Rushmoor who totalled 2.6% (2).



*Responses from across our*