



## APPENDIX I

### Proposed Council Tax and Revenue & Capital Budgets 2024/25

1. Summary of Proposed Council Tax and Revenue & Capital Budgets 2024/25:
  - A proposed revenue budget of £379.464m for policing and crime reduction that includes:
    - Maintaining the Northumbria police officer Uplift.
    - Capital investment in buildings, vehicles, and new technology of £29.940m.
    - Proposed increase of £13.00 per year on the Council Tax Precept for a Band D property in 2024/25 to raise an additional £5.384m income, which will:
      - Allow Northumbria Police to introduce a force-wide Motorbike ASB Unit.
      - Allow the force to safeguard and hire 30 new investigators, including digital forensic specialists.
      - Potentially reopen new stations or introduce new public contact points following a review into increased openings.
      - Avoid the need for further cuts to the frontline police budget.

### Considerations

2. In preparing the Revenue and Capital Budgets for 2024/25 the following have been considered:
  - The key principles underlying the Medium Term Financial Strategy (MTFS).
  - The Police Grant settlement for 2024/25 which has provided detail on Home Office core grant funding for both revenue and capital, legacy Council Tax grants, Special Pension Grant, National police officer Uplift and the referendum limits for increases to the Council Tax Precept.
  - The overall financial position of the force including: The likely revenue and capital outturn for 2023/24; budget pressures and savings identified for 2024/25; and the level of reserves available to the PCC.
  - Delivery of the Police and Crime Plan.
  - Risk assessments.
  - The Prudential Code for Capital Finance in Local Authorities.

### Financial Strategy

3. The 2024/25 budget is part of the four-year Medium Term Financial Strategy (MTFS).
4. The overall financial strategy seeks to deliver the Commissioner's Police and Crime Plan, support the Police 2025 Strategy, the mission, vision and values of Northumbria Police and meet the requirements of the National Strategic Policing Requirement.



## National Police Finance Settlement

5. The provisional police grant settlement was published on 14 December 2023. The Final Grant Report is expected by the end of January 2024 and no changes are anticipated.
6. The key headlines from the settlement are:
  - A £624.000m increase in government grant income to PCCs which includes:
    - The additional £150.000m announced at Spending Review 2021 to ensure the maintenance of officers for the Police Uplift Programme.
    - £515.000m of funding to support forces with part of the cost of the police officer pay award, of which £185.000m is additional to the funding provided in-year during 2023/24.
    - £259.000m to cover the increased cost of police officer pension contributions.
    - A one-off top-up funding amount of £26.800m to be provided in recognition of the software development and administrator costs associated with the delays to the implementation of the McCloud pension remedy.
  - The Governments key priorities are outlined in the [Written Ministerial Statement](#) (WMS) on the Provisional Police Grant Report 2024/25, with the expectation that these are a focus for policing in 2024/25:
    - Maintaining 20,000 additional officers (148,433 officers in total nationally) through to March 2025.
    - Continuing to deliver on the opportunities presented by new technology and innovation to deliver improvements in productivity and drive forward efficiencies, therefore maximizing officer time and service to the public.
    - Improving the visibility of police officers and focusing on providing a targeted approach to tackling crime and antisocial behaviour to make neighbourhoods safer, which should be a priority for all forces.
  - The ring-fenced grant income allocated to PCCs in 2023/24 of £275.000m is therefore increased (by the £150.000m) to £425.000m.
  - £67.200m of this ring-fenced grant will be paid to the forces who volunteered to recruit above their Uplift target as an 'additional recruitment top-up grant'. This will be allocated based on the 1,400 additional officers agreed with forces on 31 March 2023.
  - Force shares of the remaining £357.800m ring-fenced grant will be paid to PCCs if they have maintained their overall officer maintenance headcount, inclusive of their portion of 1,400 additional recruitment agreed on 31 March 2023.
  - Specific grant funding allocated to forces to manage part of the increased cost of employer pension contributions in 2019/20 has been increased by the £259.000m to £402.000m. This is to cover the cost of a further increase to the police officer pension contribution rate from 1 April 2024.
  - Legacy grants relating to Council Tax and freeze grants for 2011/12 and 2014/15 remain payable.
  - Council Tax Referendum Limits – In the Autumn Budget and Spending Review 2021 referendum limits were set for the 3-year spending review period 2022/23 to 2024/25. PCCs were told they could approve an increase of up to £10.00 for a Band D property in each year. The referendum limit for 2023/24 was subsequently increased to £15.00, and for 2024/25 the limit has been increased to £13.00 for a Band D property.

- Police Capital Funding – For the third year running there is no capital grant funding allocated to police forces in the settlement.

### Northumbria Settlement

7. The total grant increase for Northumbria is £21.781m.

Northumbria Settlement	£m
<b>Core Grant</b> – formula funding share (3.08%) of £185.000m to cover part of the 7% pay award (Sept '23).	5.672
<b>Uplift Grant</b> - Increase in ring-fenced grant, formula funding share (3.08%) of £150.000m.	4.621
<b>Uplift Grant</b> – additional recruitment top-up grant, to cover costs of 78fte officers.	3.744
<b>Special Pension Grant</b> – covers additional cost of police officer pension contributions.	7.044
<b>Special Pension Grant</b> - One-off top-up funding, Systems/Administration (McCloud Pension Remedy).	0.700
<b>Total Increase in Funding</b>	<b>21,781</b>

8. Whilst the increase in government grant funding appears significant, it remains targeted to pay for maintenance of the national police officer Uplift and to offset specific additional costs of pay inflation and pension contributions.
9. Capital grant funding allocated by the Government for Northumbria is nil, as for 2023/24. The lack of Government support for the vital capital investment needed by policing remains a significant challenge for Northumbria and indeed all forces. Investment in sustainable technologies, vehicles, and estates as well as the digital transformation required to ensure the force remains fit for the future, comes at a considerable cost. Capital investment required over the medium term is estimated at more than £102.000m for Northumbria. Without the necessary financial support from Government the essential cost of that investment will need to be met by efficiencies, budget reductions and places further pressure on the vital funding provided by local residents.
10. The original Uplift target set for Northumbria of 615 officers is expected to be maintained. In addition, the force has been allocated a further 78 officers from within the 1,400 'additional recruitment' nationally. The total Uplift allocation for Northumbria in 2024/25 is therefore 693 officers.
11. Northumbria will continue to receive legacy grants totaling £8.168m, relating to Council Tax and freeze grants for 2011/12 and 2014/15.
12. **Council Tax Precept** – The Government has proposed a precept referendum limit for 2024/25 that enables PCCs to raise additional funding for local priorities through an increase of up to £13.00 per year for a Band D property. However, it is for locally accountable PCCs to take decisions on local precept and explain to their electorate how the additional funding will be invested in police services.

### Capital Programme

13. The Commissioner has a capital budget for 2023/24 of £26.446m. The Quarter 3 capital monitoring report outlined a revised capital estimate of £20.047m as at 31 December 2023, a reduction of £6.399m.

14. The reduction is attributed to changes in phasing of the planned programme of major refurbishments to the force estate; re-phasing of IT and Digital Transformation schemes; and the body armour refresh programme. This investment has been largely re-phased into the 2024/25 financial year within the revised MTFs Capital Programme.

15. The following table sets out the forecast outturn position for 2023/24 and a summary of the proposed capital programme for 2024/25:

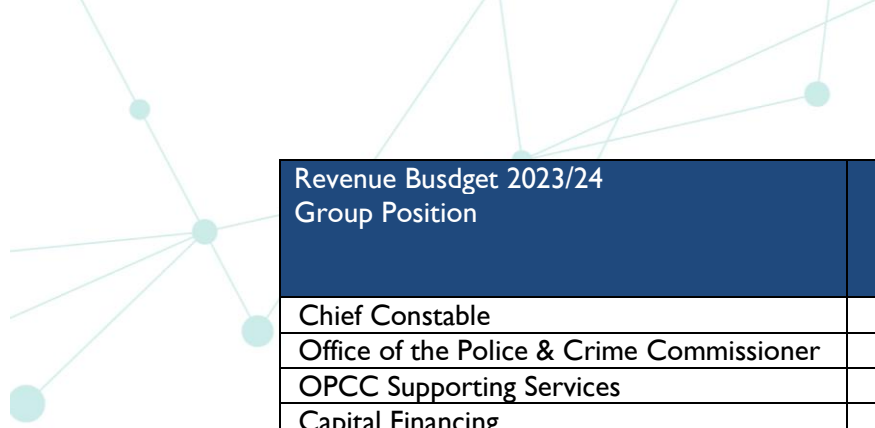
Capital Programme	Revised Budget 2023/24 £000	Forecast Outturn 2023/24 £000	Forecast Variance 2023/24 £000	Budget Estimate 2024/25 £000
Building Works	6,921	5,060	(1,861)	7,821
Information Technology and Digital Transformation	11,710	8,597	(3,113)	13,352
Vehicles and Equipment	7,815	6,390	(1,425)	8,767
<b>Total</b>	<b>26,446</b>	<b>20,047</b>	<b>(6,399)</b>	<b>29,940</b>

16. Key areas to note in the proposed capital programme are:

- **Major and Minor Building Schemes** – The force has a programme of refurbishment and adaptation aimed at improving the condition of the estate with a focus on staff wellbeing as well as being able to fully accommodate the Uplift in officer numbers. A significant work programme over the medium term will focus on the delivery of energy investment schemes, fleet decarbonisation and infrastructure to support charging for electric vehicles.
- **Information Technology** – The force has a number of significant improvement schemes to deliver change and efficiency through transformation which includes considerable investment in IT and digital infrastructure. We have commenced the process of replacing key IT infrastructure which will include the replacement of all core operating systems; investment in data and analytics; and investment required in preparation for implementation of the National Emergency Services Network (ESN) within Northumbria.
- **Vehicles and Equipment** – Continued planned investment in the replacement of force vehicles, in accordance with delivery of the rolling programme of fleet investment with a focus on fleet decarbonisation, electric vehicles and sustainable technologies. The provision and upgrading of personal issue equipment including Taser capability, £1.724m for body-worn video and £0.726m for body worn armour replacement. Ensuring those who protect us are kept safe, and those who threaten our safety face well-equipped officers.

#### Revenue Budget Position 2023/24

17. The Commissioner's Group revenue budget for 2023/24 is £348.830m. The Quarter 3 revenue monitoring report shows a projected underspend of £1.293m as at 31 December 2023.



Revenue Budget 2023/24 Group Position	Approved Budget 2023/24 £000	Forecast Outturn 2023/24 £000	Forecast Variance 2023/24 £000
Chief Constable	333,645	332,907	(738)
Office of the Police & Crime Commissioner	1,823	1,823	-
OPCC Supporting Services	1,231	1,231	-
Capital Financing	12,131	11,576	(555)
<b>Group Position Total</b>	<b>348,830</b>	<b>347,537</b>	<b>(1,293)</b>

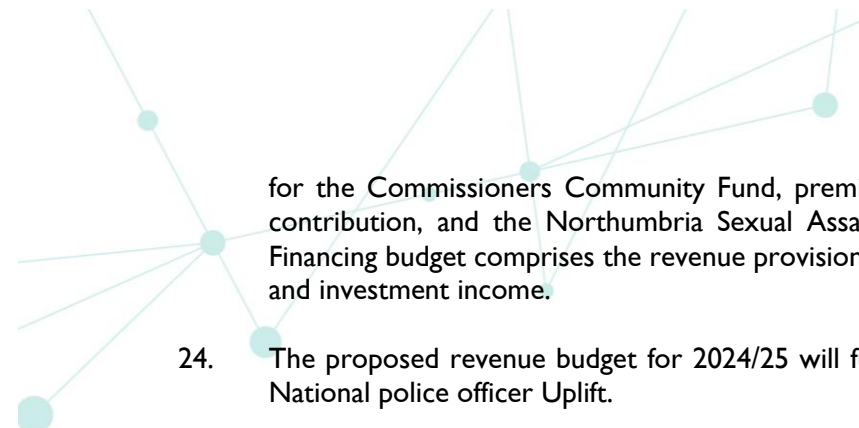
18. The Chief Constable's revenue budget for 2023/24 is £333.645m. The forecast outturn is within the budget allocated by the Commissioner with ill health pension contributions, external training, operational equipment, digital policing budgets, and vehicle recovery income contributing to the underspend position.
19. For Capital Financing the underspend relates to:
- The succession of Bank Rate increases during the year and higher reserve balances have led to additional investment income of £0.355m.
  - There is a forecast reduction in interest payments against budget of £0.200m due to a lowered requirement for short-term loans to cover cashflow requirements in the second half of the financial year. This is a result of higher cash and reserve balances and the rephasing of capital programme spend to 2024/25.
20. The overall Group forecast represents an underspend of £1.293m, a variance of less than 0.4% of budget.
21. The forecast closing position on the general reserve for 2023/24 is £10.804m which is above the minimum set out in the Commissioners reserves strategy.

### Revenue Budget 2024/25

22. For the financial year 2024/25, the proposed Group revenue budget is £379.464m as set out in the following table:

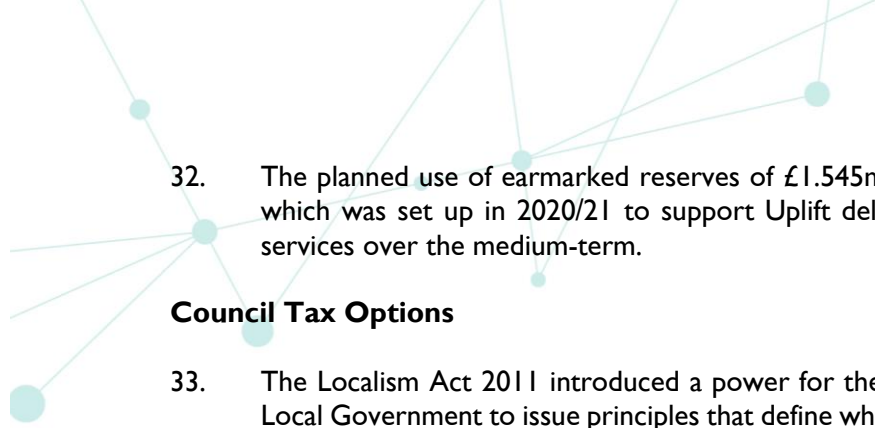
Group Revenue Budget 2024/25	Proposed Budget 2024/25 £000
Chief Constable	362,922
Office of the Police & Crime Commissioner (OPCC)	1,847
OPCC Supporting Services	1,442
Capital Financing	13,253
<b>Net Expenditure</b>	<b>379,464</b>
Central Government Grants	301,319
Council Tax Precept	76,600
<b>Central Grant and Precept Total</b>	<b>377,919</b>
<b>Transfer (to)/from reserves</b>	<b>1,545</b>

23. The Group budget is held by the Police and Crime Commissioner who provides financial resources to the Chief Constable to deliver operational policing. The budget delegated to the Chief Constable for 2024/25 is £362.922m. The OPCC budget of £1.847m covers the running costs of the Commissioner and her office, covering all administration and governance arrangements. The OPCC Supporting Services budget of £1.442m includes the specific budget



for the Commissioners Community Fund, premises expenditure, the Police Digital Service contribution, and the Northumbria Sexual Assault Referral Centre (SARC). The Capital Financing budget comprises the revenue provision for repayment of borrowing, interest costs and investment income.

24. The proposed revenue budget for 2024/25 will fully maintain the Northumbria share of the National police officer Uplift.
25. As the total cost of policing continues to rise, consideration has been given to all known budget pressures to make sure that the budget meets the challenge of providing Northumbria with the right resources to keep people safe. This includes the replacement of around 220 officer retirements and other leavers in order to maintain the Northumbria police officer Uplift target. Pay progression is included for existing officers and staff along with provision for the 2024 pay award (estimated at 2.5%), inflationary increases on injury pensions, rents, and utilities, known contract increases and other non-pay inflation.
26. The significant levels of inflation experienced in the economy over the past two years are expected to continue to impact on force budgets over the medium-term. There has been no additional financial support from government to recognise the unprecedented scale of inflation that forces are having to deal with. Utilities, fuel, insurances, pay awards, building maintenance, digital policing and all major contracts have been significantly impacted through recent challenges to the economy, inflation, energy shortages and the cost-of-living crisis.
27. The force began work early in 2023/24 to establish and monitor the scale of the impact of continued inflation and economic pressure on force budgets, both for the current year and looking ahead over the next medium term financial planning period through to 2027/28.
28. A significant programme of work commenced in the spring to introduce a Priority Based Budgeting approach to business planning in Northumbria, creating efficiency savings to best invest for the future. PBB is about thinking innovatively and differently so that we deliver the best possible services to the public in the most cost-effective way.
29. Heads of Departments and Area Commanders were required to identify both cashable and non-cashable efficiencies which can be delivered whilst maintaining performance and identifying opportunities to improve policing services. Approved efficiencies and budget reductions being delivered in 2023/24 are just over £8.400m with further savings planned across the medium-term.
30. The increase in the Council Tax Precept for 2024/25 will deliver essential funding to:
  - Allow Northumbria Police to introduce a force-wide Motorbike ASB Unit.
  - Allow the force to safeguard and hire 30 new investigators, including digital forensic specialists.
  - Potentially reopen new stations or introduce new public contact points following a review into increased openings.
  - Avoid the need for further cuts to the frontline police budget.
31. Increased capital financing costs are included for 2024/25 reflecting the additional revenue cost of supporting 2023/24 capital investment through prudential borrowing. This includes the planned profile of interest costs, investment income and the principal repayment of borrowing.

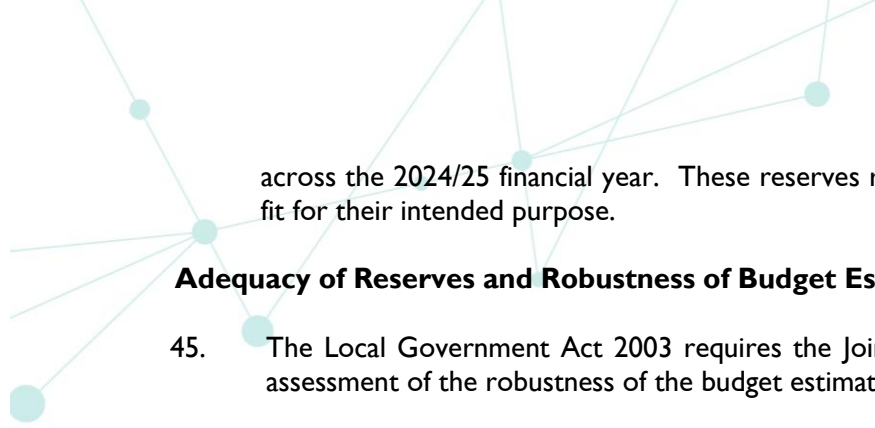
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32. The planned use of earmarked reserves of £1.545m will come from the Investment Reserve which was set up in 2020/21 to support Uplift delivery and maintain investment in policing services over the medium-term.

### **Council Tax Options**

33. The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any PCC that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum.
34. The excessiveness limit for 2024/25 is £13.00 per year for a Band D property.
35. During 2023/24 the Council Tax base in the Northumbria force area increased by an average 1.51% to 414,154 (Band D equivalent properties). The increase in the Council Tax base for 2024/25 represents an increase of £1.041m in precept income when compared with 2023/24 which is slightly higher than the expected increase of 1.40% within last year's MTFS forecast.
36. In addition, the net position estimated on the Commissioners share of Collection Fund balances at 31 March 2024, across the six local billing authorities, is a surplus of £1.290m. (Surplus £0.905m as at 31 March 2023)
37. The surplus of £1.290m will be received by the Commissioner in 2024/25.
38. In calculating the overall settlement for policing in 2024/25 the Government has proposed enabling each PCC to raise further funding for local priorities through an increase of up to £13.00 per year for a Band D property. Consideration of the Council Tax Precept has to be taken alongside both the overall funding made available to the force and the impact on households of any increase.
39. The proposal is to increase the Council Tax precept by £13.00 per year for a Band D property which equates to an increase of 7.70%. The Commissioner has stated that she 'firmly believes Government should step-up and fully fund our police force. The Home Office has repeatedly turned down these requests and wants the cost of policing passed to local residents.'
40. The proposed increase is supported by the results of a public consultation during January 2024 and will provide additional income to continue to support local policing services in the face of a challenging financial situation.
41. The anticipated receipts of £75.310m from the Council Tax precept are fully reflected within the proposed budget for 2024/25 as set out earlier in the report.

### **Reserves**

42. The Commissioner's reserves policy is set out in the MTFS and the Annual Reserves Strategy Statement and is subject to regular review.
43. The MTFS sets out the Commissioner's reserves strategy which is to maintain the general reserve at a minimum of 2% of the net revenue budget for the year. As at 31 March 2024 the balance is estimated to be £10.804m which equates to 2.8% of the 2024/25 revenue budget.
44. Earmarked reserves are held by the Commissioner to address specific risks identified for Northumbria, with £1.545m of the Investment Reserve allocated to support the revenue budget in 2024/25. The remainder of earmarked reserves will remain broadly unchanged



across the 2024/25 financial year. These reserves remain appropriate, of sufficient value and fit for their intended purpose.

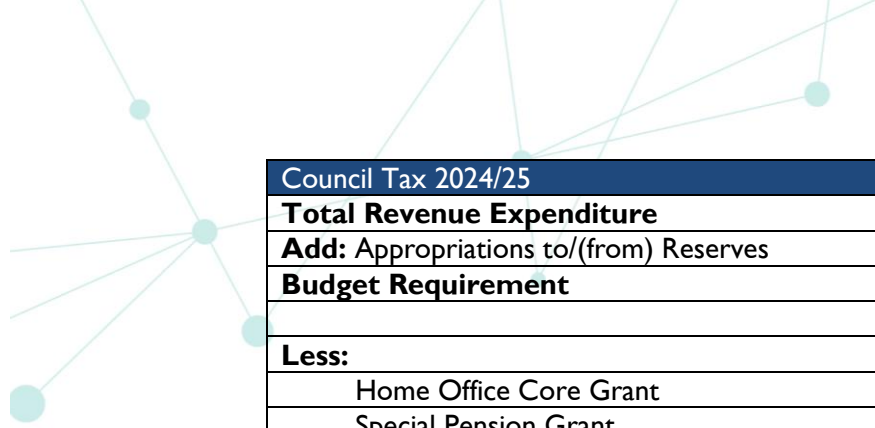
### **Adequacy of Reserves and Robustness of Budget Estimates**

45. The Local Government Act 2003 requires the Joint Chief Finance Officer to undertake an assessment of the robustness of the budget estimates and the adequacy of reserves.
46. The budget and MTFS allows the Commissioner to consider the prudent use of reserves in the context of the future spending pressures and risks arising from potential changes to the funding formula without having a detrimental effect on policing.
47. In assessing the robustness of the budget, the Joint Chief Finance Officer has considered the following issues:
  - The general financial standing of the group made up of the OPCC and Northumbria Police.
  - The underlying budget assumptions, including an assessment of the estimates for pay and price increases and known budget pressures.
  - A risk assessment of expenditure and income estimates.
  - The future budget pressures identified in the MTFS.
  - The adequacy of the budget monitoring and financial reporting arrangements.
  - The adequacy of the Commissioner's governance arrangements and internal control system.
  - The adequacy of general reserves to cover any potential financial risks faced by the Commissioner.
  - The impact of funding cuts and the uncertainty around future budget pressures, Autumn Statement 2023 and the OBR Forecasts, and the levels of grant support anticipated beyond 2024/25.
48. At 31 March 2024, the Commissioner's General Reserve is estimated at £10.804m (2.8% of revenue expenditure) in addition to other reserves which are earmarked for specific purposes. In estimating the level of reserves the Joint Chief Finance Officer has taken account of known commitments and the financial risks faced by the Commissioner which could impact on the level of reserves over the MTFS period.
49. The Joint Chief Finance Officer confirms that, after taking account of these issues, the revenue and capital estimates contained in this report are considered robust and that the level of reserves is considered adequate to cover the financial risks faced by the Commissioner in 2024/25.

### **Council Tax Requirement**

50. The notified Council Tax Base figure across the six billing authorities is a total of 414,154 for 2024/25 which is an increase of 6,166 against the previous year (1.51%).
51. The Localism Act requires the Commissioner to set a Council Tax Requirement. The calculation of the Council Tax Requirement, based on the proposed revenue budget and contribution from reserves is set out in the following table:





Council Tax 2024/25	£m	£m
<b>Total Revenue Expenditure</b>		<b>379.464</b>
<b>Add:</b> Appropriations to/(from) Reserves		(1.545)
<b>Budget Requirement</b>		<b>377.919</b>
<b>Less:</b>		
Home Office Core Grant	281.983	
Special Pension Grant	11.168	
Localised Council Tax Support Grant	6.867	
Council Tax Freeze Grant 2011/12	0.912	
Council Tax Freeze Grant 2014/15	0.389	<b>(301.319)</b>
<b>Balance to be Raised Locally</b>		<b>76.600</b>
<b>Add:</b> Estimated Net Surplus on Collection Funds		(1.290)
<b>Council Tax Requirement</b>		<b>75.310</b>

52. The proportion of collection funds' net surplus receivable by Northumbria Police from its constituent billing authorities is £1.290m for 2024/25.

### Minimum Revenue Provision (MRP)

53. Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets and provide funds for the principal repayment of borrowing. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2024/25 is attached at Annex A.

### Financial Considerations

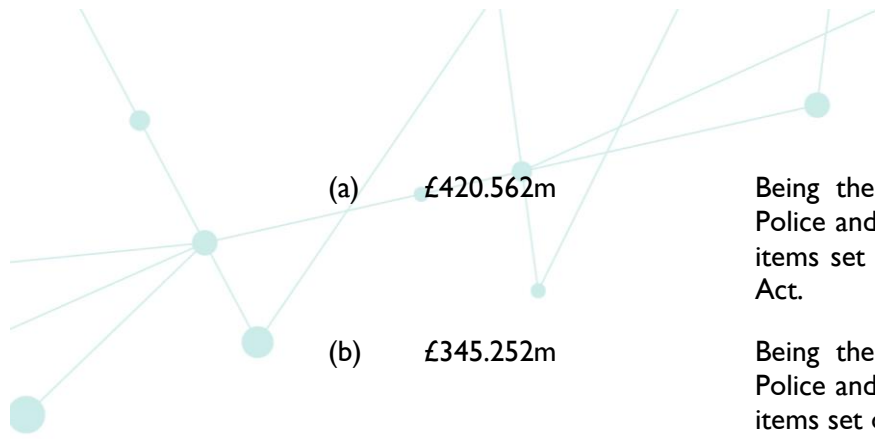
54. Financial implications are considered throughout the report.

### Risk Management

55. Associated risks have been considered and recorded as appropriate, set out in Annex B

### Recommendations (Proposed)

56. The Commissioner is requested to:
- I. Approve the revenue budget.
  - II. Agree the review of the reserves policy.
  - III. Note the recommendations of the Joint Chief Finance Officer (Treasurer) in respect of the robustness of the budget and the adequacy of reserves.
57. Note the Council Tax Base of 414,154 for the year 2024/25 as notified by the billing authorities within Tyne and Wear and Northumberland (item T in the formula in Section 42B of the Local Government Finance Act 1992, as amended).
58. Approve the following amounts for the year 2024/25 in accordance with Sections 42A, 42B and 45 to 47 of the Local Government Finance Act 1992, as amended:



(a) £420.562m  
Being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (2) (a) to (d) of the Act.

(b) £345.252m  
Being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (3) (a) to (b) adjusted for the item set out in S42A (10) of the Act.

(c) £75.310m  
Being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Police and Crime Commissioner in accordance with Section 42A (4) of the Act, as it's Council Tax Requirement for the year (item R in the formula is Section 42B of the Act).

(d) £181.84  
Being the amount at (c) above (item R) divided by the amount noted in Recommendation 2 above (item T), calculated by the Police and Crime Commissioner in accordance with Section 42B (1) of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation bands

A	£121.23	Being the amounts given by multiplying the amount of (d) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Police and Crime Commissioner in accordance with Section 47 (1) of the Act, as the amounts to be taken into account for the year in respect of the categories of dwelling listed in different valuation bands.
B	£141.43	
C	£161.64	
D	£181.84	
E	£222.25	
F	£262.66	
G	£303.07	
H	£363.68	

59. Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2024/25 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Act for 2024/25.

60. Resolve that in accordance with Section 40 of the Local Government Finance Act 1992, as amended, the billing authorities within the area of this authority be issued with precepts in the amount of £75,309,847 for the financial year beginning 1 April 2024, the amount of the retrospective precepts to be issued to each billing authority's area in accordance with the Sections 42A, 42B and 45 to 48 of the 1992 Act, as amended.

61. Accept the recommendation of the Joint Chief Finance Officer (Treasurer) for the method of calculating MRP for 2024/25 as set out in the Annual MRP statement at Annex A to this report.

**Police and Crime Commissioner for Northumbria Minimum Revenue Provision (MRP) Statement 2024/25**

The MRP charge for 2024/25 for capital expenditure incurred before 01 April 2008 (prior to the new regulations) or which has subsequently been financed by supported borrowing will be based on the previous regulatory method of Capital Financing Requirement at a minimum of 4% of the opening balance less prescribed adjustments.

For all unsupported borrowing, exercised under the Prudential Code, the MRP Policy is based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge will not be made until the year after the asset becomes operational.

## **NORTHUMBRIA POLICE AND CRIME COMMISSIONER FINANCIAL RISK ANALYSIS TO THE 2024/25 BUDGET**

### **General Balances**

The Commissioner's strategy for General Reserves is that these will be maintained at a minimum of 2% of the net revenue budget, to cover any major unforeseen expenditure or loss of funding. The financial risk is that the minimum level is threatened by the need to use reserves. For budgetary purposes the Commissioners MTFs plans aim to maintain a prudent General Reserve level set approximately 2.8% of net revenue budget.

The proposed budget as presented for 2024/25, and subject to robust and effective budgetary controls, does not create a risk to the General Reserve. The Commissioner is proposing a balanced budget with the forecast General Reserve remaining unchanged across the year at £10.804m representing around 2.8% of net revenue budget, which is well above the minimum in the strategy.

### **Pay Increases**

The revenue budget for 2024/25 includes financial forecasts based on a pay award of 2.5% from 1 September 2024. The risk is that actual pay increases for 2024/25 exceed the level provided for within the budget.

The Commissioner has established a Pay Inflation Reserve of £2.053m which will provide support for higher pay awards if required.

In addition it is noted that in a meeting with PCCs and CCs nationally on 14 December 2023 to discuss the provisional police settlement for 2024/25, Policing Minister Chris Philp MP gave assurance that should the police officer pay award be higher than 2.5% 'my intention would be that I and the Home Office find a way of giving the extra money that is required to fund any pay settlement in excess of 2.5%'.

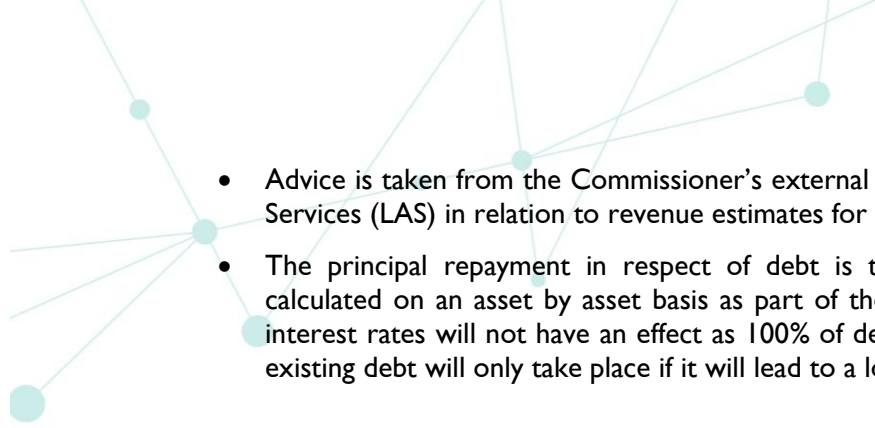
### **Price Increases and Inflation**

The risk is that price increases may exceed the levels provided for within the budget. This is mitigated by applying inflation on an individual basis to provide for contractual commitments and forecast inflationary pressures across utilities, fuel, insurances, pay awards, building maintenance, digital policing, and all major contracts. The risk that prices may rise is mitigated by budget monitoring arrangements and the Force's current approach to efficiency in challenging and managing spend pressures. The force established an Inflationary Risks Reserve at the end of the 2021/22 financial year to manage the impact of extraordinary levels of inflation which were emerging in the economy for energy, fuel and prices. This reserve will be utilised over the medium-term to provide much needed support, whilst longer term sustainable solutions are delivered through efficiencies.

### **Capital Financing**

The risk is that Capital Financing Charges will be greater than budgeted. This is mitigated by:

- Revenue implications are considered as part of the capital planning process, reviewed, and revised each year as part of the budget and MTFs process. Monthly budget monitoring ensures that potential variances are identified at the earliest opportunity in order to consider remedial action.

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- Advice is taken from the Commissioner's external treasury management advisers Link Asset Services (LAS) in relation to revenue estimates for borrowing and investment interest.
  - The principal repayment in respect of debt is the Minimum Revenue Provision (MRP), calculated on an asset by asset basis as part of the capital planning process. Any change in interest rates will not have an effect as 100% of debt is at fixed rates and any refinancing of existing debt will only take place if it will lead to a long term saving in interest charges.

## **Financial Planning**

Whilst every effort is taken to ensure that through all the detailed financial planning and comprehensive budget setting processes in place, there remains a risk that a major liability or commitment arises which was not foreseen at the time the budget was approved. This is mitigated by:

- The MTFS forecasts and planning processes include robust assessments of potential medium term spending pressures, to be assessed for inclusion in the Commissioner's budget, identified by the Chief Constable by reference amongst other sources to the Local Policing Plan.
- In addition, regular liaison by senior officers of the Force and the Commissioner's Office help to strengthen and coordinate the financial planning of the Commissioner.

## **Loss of Deposit**

The risk is that funds deposited by the Commissioner are lost due to the collapse of the financial institution with whom the deposit is placed. The risk is limited by the controls in the Treasury Management Strategy which focus on control and safety of deposits rather than maximising investment returns. The potential impact is limited by the strategy of a diverse portfolio with strict creditworthiness criteria and regular advice on the placement of new investments provided by the Commissioner's external treasury management advisers Link Group.

## **Interest Rates on Deposits**

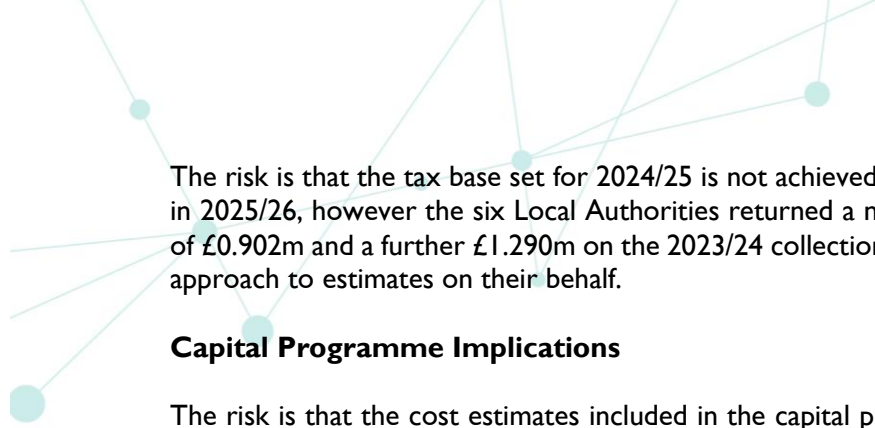
The risk is that interest rates will be lower than expected. Advice is taken from the Commissioners external treasury management advisers Link Group, on forecast rates of return for investments.

## **Council Tax**

There is a degree of uncertainty on all matters relating to Council Tax income. As a result of the Covid-19 pandemic and the ongoing impact on both the economy and employment, for 2021/22 Local Authorities reported a fall in collection rates, slowing of the growth provided by the house building sector and greater demand placed on Local Council Tax Support Schemes. This impacted heavily on tax base estimates for 2021/22 resulting in a net reduction of 0.74% for that year. The impact on precept income for Northumbria was largely managed for 2021/22 with losses resulting from the net reduction in Tax Base across the six local authorities and the net deficit on the 2020/21 collection funds, being offset by additional grant funding for Local Council Tax Support (Covid). This was a one-year grant only, and it is difficult to determine the extent to which the net tax base in the force region has recovered from that year.

There remains an ongoing risk for future years which requires prudent estimates to be applied to MTFS forecasts for Council Tax.

The net increase in tax base of 1.51% across the six Local Authorities for 2024/25 is slightly higher than the previous MTFS estimate for that year (1.40%).



The risk is that the tax base set for 2024/25 is not achieved and the resulting deficit becomes payable in 2025/26, however the six Local Authorities returned a net surplus on the 2022/23 collection fund of £0.902m and a further £1.290m on the 2023/24 collection fund, which shows evidence of a prudent approach to estimates on their behalf.

### **Capital Programme Implications**

The risk is that the cost estimates included in the capital programme are understated, funding is not available as planned or that overspending may occur. This is mitigated by:

- Capital financing and affordability is considered in detail alongside the budget setting process. Capital expenditure in 2024/25 will be financed through a mix of capital receipts and prudential borrowing. Internal borrowing will be maximised in-year through the use of reserve balances in order to minimise borrowing costs, and short-term borrowing applied as and when required to manage cashflow.
- Quarterly capital monitoring reports to the Commissioner provide assurance in the accuracy of forecasts.
- Monthly capital monitoring reports to the Force Executive Board provide oversight of the forecast position for capital schemes and an opportunity to take remedial action where required.

### **Risk Management**

The risk is that all risks have not been identified when the budget has been set and that major financial consequences may result. This is mitigated by:

- Risk management arrangements.
- Comprehensive self and external insurance arrangements in place.
- Adequacy of the insurance reserve.
- Adequacy of the general balances and the overall reserves policy.