



Report of the Chief Finance Officer of the PCC to the Police and Crime Commissioner for North Yorkshire

28th February 2018

Status: For Decision

Medium Term Financial Plan (MTFP) 2018/19 to 2021/22 and Capital Plans 2018/19 to 2021/22 Update

1. Executive Summary

1.1 Purpose of the Report

This report asks the PCC to agree the Budget proposals for 2018/19 and the Medium Term Financial Plan (MTFP) for 2018/19 – 2021/22 in line with the legal requirement to set a budget prior to the 1st March each year for the following financial year. It also asks the PCC to agree the funding for the Capital Programme for 2018/19 and the indicative allocations for the period 2019/20 to 2021/22

2. Recommendations

2.1 The PCC is requested to approve the allocation of the £156,923k of revenue funding, that is forecast to be received by the PCC in 2018/19, in the following areas:

- £1,011k to run the Office of the PCC
- £3,979k for Commissioned Services and Community Safety Initiatives
- £1,963k for Policing Priorities
- £22,018k for Corporate Services
- £127,764k to the Police Force
- £1,492k to the Capital and Revenue Development Programme
- £1,724k from Earmarked Reserves to support Projects of £2,219k
- This will be supported by £1,800k from General Reserves

2.1 The PCC is asked to note that the 2018/19 budget is based on the approved £11.50 increase in the level of Band D precept for 2018/19.

- 2.2 The PCC is asked to take cognisance of the Robustness of Estimates and Adequacy of Financial Reserves Report of the PCCs CFO that was provided to the PCC along with this report.
- 2.3 The PCC is asked to approve that the Capital and Revenue Development Programme is initially set at £10,347k, as set out at Appendix B, for 2018/19 and within that programme approve that:
- The small items fund for 2018/19, to be managed as set out in the Financial Regulations by the Chief Constables Chief Finance Officer.
 - Indicative approval of the 2019/20 Rolling Programme budgets as set out in Appendix B, and delegation of approval of any requests to pre-order against the 2019/20 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2019/20 Rolling Programmes will be submitted for formal approval at this time next year.
 - Delegation to the Commissioners Chief Finance Officer to approve, where needed and appropriate, for the carry forward of any slippage from the approved 2017/18 CRDP into 2018/19.

3. Planning and Funding Assumptions

3.1 National Budget

On 22 November the Chancellor of the Exchequer, Philip Hammond, made his Autumn Budget 2017 announcement in the House of Commons. This was the Chancellor's first Autumn Budget. A briefing was provided to the Executive Board in November.

3.2 In relation to Policing and Crime there was no specific reference to these areas, from a Budgeting/Finance perspective, that related to England.

3.3 The Budget contained the same Departmental Expenditure Limits for the Home Office for the next 2 years for both Revenue and Capital and therefore there is no overall additional funding for Policing.

3.4 Provision Police Funding Settlement 2018/19

The Provisional 2018-19 Police Finance Settlement was announced in an oral statement by the Minister for Policing and the Fire Service Nick Hurd MP on Tuesday 19 December. This was followed by a written ministerial statement shortly after. Full details of the settlement can be found on the Home Office pages of the gov.uk website. This Provisional settle was confirmed as Final on the 31st January with no changes made to the provisional settlement details.

3.5 Headlines

The main points within the provisional settlement are as follows:

- Precept flexibility to increase the level of Band D precept by up to £12 for all PCCs (or equivalents) in 2018-19
- Flat cash grant funding (i.e. the same allocations as in 2017-18 for Home Office Core Police Settlement)
- Updated assumptions around tax base growth – now using OBR figures of 1.34% in England and 0.8% in Wales
- Including these assumptions on council tax and based on the 1.5% GDP deflator, the resulting settlement, including council tax, represents a “real terms” increase for all between 2017-18 and 2018-19
- £450m additional funding for the service – includes £130m additional reallocation and approximately £147m as a result of additional council tax flexibilities.
- £50m additional counter Terrorism funding and the remaining £123m can be considered as “new money”.
- The minister’s letter to PCCs refers to this additional funding in addition to identified efficiency savings of up to £100m (procurement) to enable “appropriate provision for likely cost increases next year”.

3.6 Government Funding for 2018/19 and beyond

Nick Hurd’s letter and statement both state the Home Office’s intention to offer greater certainty on plans for 2019-20. Their intention is to maintain a broadly flat Government Grant settlement with the same precept flexibility but this is dependent on progress against a number of efficiency milestones to be agreed in the New Year.

3.7 The Police Formula review is unlikely to be revisited until the next spending review and therefore any reductions that had been factored into the plans, from reductions from a review of the Funding Formula, have been removed from these forecasts. This is an area that will need to be kept under review however and is included within the risk section of the report.

3.8 This new information has been factored into the revised Government Grant assumptions as per the following table:

Assumed Government Grant Reductions			
	Feb 2017 MTFP	July 2017 MTFP	January 2018 MTFP
	%	%	%
2018/19	-1.4%	-0.9%	0.0%
2019/20	-1.4%	-0.9%	0.0%
2020/21	1.0%	2.0%	2.0%
2021/22	N/A	2.0%	2.0%

3.9 It is important to recognise that these are assumptions and as such could easily change. It is also important to recognise that the forecast for 2019/20 and the precept flexibility proposed for 2019/20 have certain conditions attached as set out in the correspondence from Nick Hurd:

3.10 The increase in 2018/19 funding to PCCs must be matched by a serious commitment from PCCs and chief constables to reform by improving productivity and efficiency to deliver a better, more transparent service to the public. Following my discussions with forces and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), I have three clear priorities:

- Seek and deliver further cost efficiencies. I welcome the progress forces have made against the £350m procurement savings target set at Spending Review 2015. However, there is a lot more to do. We have helped to identify £100m of potential savings in areas such as fleet, professional services and construction. Forces will need to make greater use of national procurement through lead forces to make these savings. We are providing support through the Police Transformation Fund and we will also help establish a force-led National Centre of Excellence to drive down back-office costs, and make best use of estates.
- A modern digitally enabled workforce that allows frontline officers to spend less time dealing with bureaucracy and more time preventing and fighting crime and protecting the public. If all forces could deliver the same one hour per officer per day of productivity benefits from mobile working as the best in a recent sample with eight forces, this has the potential to free up the equivalent of 11,000 extra officers nationally to provide the proactive policing that committed police officers want to deliver. We will work with policing to set up a specialist team to make sure all police forces have access to, and make use of, the best mobile working apps to enable forces to free up extra hours to spend at the frontline.
- Greater transparency in how public money is used locally. It is necessary for police to hold financial reserves, including primarily for contingencies, emergencies and major change costs. As at March 2017 police forces held usable resource reserves of over £1.6bn. This compares to £1.4bn in 2011. Current reserves held represent 15% of annual police funding to PCCs.

There are wide variations between forces with Gwent for example holding 42% and Northumbria holding 6%. This is public money and the public are entitled to more information around police plans for reserves and how those plans will support more effective policing. So we will be improving transparency around reserves in the new year through enhanced guidance and through national publication of comparable reserves data. HMICFRS are also consulting on plans for Force Management Statements, which could make more information on police forces available to the public.

- 3.11 Discussions will be held with police leadership to agree milestones against these priorities that need to be achieved over 2018.
- 3.12 "I have listened to the views of PCCs and Chief Constables, who have requested greater certainty about future funding to help more efficient financial planning. If the police deliver clear and substantial progress against the agreed milestones on productivity and efficiency in 2018, then the Government intends to maintain the protection of a broadly flat police grant in 2019/20 and repeat the same flexibility of the precept, i.e. allowing PCCs to increase their Band D precept by a further up to £12 in 2019/20."
- 3.13 The above correspondence has since been followed up with further details, from Nick Hurd, which is set out below:
- 3.14 "We will seek to maintain the protection of a broadly flat police grant in 2019-20 – alongside a repeat of the same flexibility of the precept (allowing PCCs to increase their Band D precept by up to a further £12 in 2019-20) - if the police deliver clear and substantial progress on productivity and efficiency.
- 3.15 There are 3 areas we suggest form the core of a plan:
- Procurement and shared services;
 - Mobile working and digital;
 - Transparency about the effective use of reserves.
- 3.16 On procurement and shared services, I would like to see a delivery plan with clear milestones between now and September 2018 for achieving the National Commercial Board's ambition of reducing procurement and shared service costs by £120m and £20m respectively. It is important that this plan (and delivery against it) demonstrates how progress will be tracked at force level as well as nationally.
- 3.17 This National Plan will need to be submitted 9 March 2018.

3.18 Precept

Nearly 48% of the Net Budget Requirement within North Yorkshire is now funded by the local precept and therefore this provides more financial resilience than in most Police Force areas as decisions around the Government Grant have less of an impact than in those areas that are funded by 75-80% from Government Grants, which have either been frozen or reducing over the last 7 years. The precept is projected to increase to nearly 50% of the Net Budget Requirement by the end of the planning period covered by this MTFP.

- 3.19 The Department for Communities and Local Government has published the final council tax referendum principles for 2018/19 which gave all PCCs the ability to increase band D bills by as much as £12 without triggering a referendum. This would represent increases of between 5.34% (Surrey) and 12.2% (Northumbria).
- 3.20 Consultation was undertaken within North Yorkshire and the results published as part the supporting information for the PCC's decision to propose an £11.50 increase in the Band D precept for 2018/19. This proposal was supported by the Police and Crime Panel and therefore this budget incorporates a Band D 'Policing' precept for 2018/19 for North Yorkshire of £232.82
- 3.21 For the purposes of planning, the balanced plan that is set out within this paper assumes the following:
- 2019/20 – Precept Increase of £12 on a Band D property (5.15%)
 - 2020/21 – Precept Increase of 1.99%
 - 2021/22 – Precept Increase of 1.99%
- 3.22 Over the last 4 years there have been significant increases in both the number of calculated Band D properties within North Yorkshire and also significant Collection Surplus' to which the PCC has benefited from. This has continued, but to a lesser extent, in 2018/19.
- 3.23 The number of Band D properties within North Yorkshire has increased by 3,231.46 (or 1.1%) to 297,089.53. This is the lowest increase in the last 5 years. This plan assumes that the Tax Base increases by 1% per annum going forward, which is lower than the increases that the OBR is forecasting for England as a whole at 1.34%, but in line with forecasts from the Local Councils.
- 3.24 In addition to this the Collection Surplus for 2018/19 is £492,349, which is the lowest it has been in the last 4 years. This is factored into this MTFP update along with an estimated Collection Surplus of £400k per annum going forward.
- 3.25 These assumptions will be kept under review as details for future years become available and projections amended accordingly.
- 3.26 The flexibility to increase the Precept by more than previously forecast has had a significant impact on the projected funding that could be available to the PCC should these increases become a reality.

3.27 Specific Grants, Other Income and Partnership Fees and Charges

These sources of income and funding are forecast to provide between £10.8m and £11.6m across the life of the plan. This has reduced from £13m, which was the starting budget for this area in 2017/18, and reflects the experiences of 2017/18 in terms of lower than expected income from the National Driver Offender Re-Training scheme, which is offered to motorists, under certain circumstances, when they have made certain road traffic violations.

3.28 The entire funding therefore expected to be available to the PCC for the next 4 years, in comparison to 2017/18, is as follows:

	Actual	Forecasts			
	2017/18	2018/19	2019/20	2020/21	2021/22
Funding	£000s	£000s	£000s	£000s	£000s
Government Grant	(67,762)	(67,762)	(67,762)	(69,117)	(70,499)
Council Tax Precept	(66,029)	(69,661)	(73,861)	(76,077)	(78,353)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(5,746)	(5,746)	(5,746)	(5,746)
Funding for Net Budget Requirement (NBR)	(141,689)	(145,320)	(149,520)	(153,092)	(156,750)
%age change in Net Budget Requirement	1.1%	2.6%	2.9%	2.4%	2.4%
Specific Grants	(3,021)	(2,900)	(2,375)	(2,375)	(2,375)
Partnership Income/Fees and Charges	(9,970)	(8,702)	(8,500)	(8,544)	(8,605)
Total Funding	(154,680)	(156,923)	(160,395)	(164,011)	(167,730)
%age change in Total Funding	3.1%	1.4%	2.2%	2.3%	2.3%
Total Funding Assumption at February 2017	(154,680)	(153,313)	(153,523)	(156,039)	
Changes to Total Funding Forecasts since Feb 2017	0	(3,610)	(6,872)	(7,972)	

3.29 As a result of the Government Grant settlements being better than expected, the flexibility to increase precept by more than previously forecast and the Funding Formula review not going ahead in the short term, then the overall funding available to the PCC, even after taking into account the lower than previously budgeted income from Driver Re-training courses, is significantly higher than projected in February 2017.

3.30 In 2018/19 the PCC is expected to have £3.6m more income than was forecast in February 2017, £6.9m more in 2019/20 and £8m more than forecast in 2020/21.

3.31 In addition to having more money than forecast in February 2017, the PCC is also expected to see year on year increases in the total funding available that should be at least in line with inflation.

3.32 The increases in funding for Net Budget Requirement are forecast to grow at a faster rate than both pay and general inflation and therefore the PCC should have a funding base from which to deliver sustainable services if these forecasts become reality.

4. Expenditure Plans

4.1 When setting the budget for 2018-19 the PCC will need to make decisions on how the overall funding discussed in Section 3 is allocated. The PCC will need to provide funding/budgets to the areas discussed in the following sections:

4.2 Office of the PCC

The PCC set a budget of £911k for 2017-18, the impact of both pay inflation and general inflation makes it more difficult each year to maintain the budget at this level.

4.3 In addition to the pressure around inflation there are also the upcoming changes in relation to complaints that will impact on the resourcing requirements of the OPCC. With this in mind £150k additional budget has been added to the overall Office budget, with £100k of this available in 2018/19, and then the full £150k available each year thereafter.

4.4 The detailed budget is set out at Appendix A.

4.5 Community Safety and Victims and Witnesses Commissioning

The role and responsibilities of the PCC is wider than Policing and this has been acknowledged with the addition of responsibilities around Community Safety and Victims and Witnesses services.

4.6 The Ministry of Justice have confirmed the level of the Victims and Witnesses Grant for 2018/19, and while the overall amount allocated to PCC's has remained static at £63,150k, the grant is allocated based on population.

4.7 As the population of North Yorkshire is not growing as quickly as others areas of the country the amount that will be received by the PCC in 2018/19 will be £3,289 (or 0.35%) lower than the amount received in 2017/18, with the total grant being £945k.

4.8 Work continues to develop in this area with funding being confirmed for, or set aside for, the following:

- The provision of Improved Experiences for Victims and Survivors of Rape, Sexual Assault and Abuse - £150k over 3 years
- Domestic Abuse – A Whole system approach - £1.1m awarded over 2 years – with £629k available in 2018/19.
- York Pathways - £160k to be invested in those with complex needs creating most demand on NYP in York
- Missing from Home - £50k - 1 year pilot service to support those posing most demand on NYP re. missing episodes

4.9 In addition to these new areas of work the current plans expect that around £3.6m per annum is provided to continue to deliver those services already in place in 2017/18.

4.10 The indicative budget for these areas are set out in the table below:

	Actual	Forecasts			
	2017/18	2018/19	2019/20	2020/21	2020/22
Commissioning and Partnerships	£000s	£000s	£000s	£000s	£000s
Community Safety	382	382	382	382	382
Substance Misuse	236	236	236	236	236
Youth Justice	375	375	375	375	375
Alcohol Abstinence Pilot	92	95	0	0	0
Victims Services	1,072	1,072	1,072	1,072	1,072
Community Fund	250	250	250	250	250
SARC Services	293	293	293	293	293
Street Triage and Mental Health Services	466	466	466	466	466
Stop Hate	15	15	15	15	15
Alcohol Abstention Orders		273			
Violence Against Women and Girls		50			
Staff Pay	438	441	447	455	463
Non-Pay	33	33	33	33	33
Total Costs	3,651	3,979	3,568	3,576	3,584

4.11 Further to the above, indications have been received identifying investment in 2 additional areas, totalling £283k:

- Victims Services request for growth Counselling, Victim CMS, Child Sexual Exploitation, Target Hardening and Victim Support Training; and
- Missing from Home additional Services.

4.12 Neither of these have been included with the Budget that would be delegated to this area at this stage, however there is the opportunity for a bid/proposal to be drawn together and if successful the PCC could then allocate additional funds to support the bid.

4.13 Corporate Services

The total Corporate Services but is broadly unchanged in financial terms between 2017/18 and 2018/19 at just over £22m, as shown in the table below:

	Actual	Forecasts			
	2017/18	2018/19	2019/20	2020/21	2021/22
Corporate Services	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	7,242	7,183	7,654	7,807	7,963
Other Non Salary	271	79	76	78	79
Premises	4,590	4,387	4,286	4,372	4,459
Supplies and Services	8,793	8,843	9,000	9,050	9,231
Transport	635	620	629	639	649
Asset Management	495	906	1,080	1,080	1,169
Efficiency and Savings Target - 2018/19			(500)	(500)	(500)
Total Corporate Services	22,027	22,018	22,225	22,526	23,051
PCC Corporate Staff (FTEs)	201	198	208	208	208

4.14 The staff pay budget in this area is set on the basis of 221 FTE posts, however with an allowance for 23 FTE vacancies. This is a vacancy rate of just over 10%, which would appear very high and will need to be managed closely throughout the year, however the funding within the budget for 198 FTEs is higher than have been in post throughout 2017/18 and as at December 2017.

4.15 The proposed budget of £22,018k is £776k (or 3.4%) lower than the projected budget for this area, as at February 2017, despite higher levels of pay inflation. While not all of the specific savings originally factored into this area of the budget have been delivered, they have been superseded and exceeded by other identified savings.

4.16 The budget going forward assumes that the savings from holding vacancies within this area are delivered on a permanent basis going forward – this is represented by the £500k efficiency and savings target that is shown in future years.

4.17 The main areas of savings factored into this area are:

- DISG savings of £660k including Unified Communications
- Estates savings of £500k relating to the move to Alverton and the NYFRS Transport Hub
- Increased staffing vacancies - £345k

4.18 This focus will need to continue into 2019/20 and beyond.

4.19 Policing Priorities Fund

One new area of the budget, which is going to be held under the control of the PCC relates to a fund for Policing Priorities and investments in Service Improvements and Development to enhance the service important to the public of North Yorkshire. It is funded through the additional capacity that has been provided, in 2018/19, through the better than expected funding settlement and specifically the additional Precept funding that will be received from the increase of £11.50 per year for a Band D property in 2018/19.

4.20 It is expected that this process will continue across the MTFP where increases in Precept are added to this Fund and costs pressures from general inflation and pay awards will need to be funded through the delivery of internal efficiencies and savings.

4.21 This funding will be held under Corporate Services until the PCC has approved that it is allocated to a specific area of the organisation. Based on current projection the area will have the following funding levels:

- 2018/19 - £1.9m
- 2019/20 - £3.8m
- 2020/21 - £6.0m
- 2021/22 - £8.5m

4.22 At this stage it is expected that areas that may consider bidding for funding are the Commissioning investment areas referred to in 4.11 and the work and business case that is currently being developed around service improvement and investment in the Force Control Room. It is important to recognise that this funding is not released to budget holders and therefore can't be spent until it has been approved by the PCC.

4.23 Transformational Change

To be able to deliver service improvements going forward, to be able to deliver the necessary investment in new technology and new ways of working that are being developed at a national level, to be able to meet the requirements set out by the Policing Minister for future funding flexibility and to meet increasing demands and new and developing areas of service need; the organisation will need to embrace and deliver transformational change. This will also need to address the improvements required in efficiency and effectiveness within the organisation as highlighted through the Value for Money indicators and the recent inspection by HMICFRS.

4.24 With this in mind the Policing Priorities Fund for 2018/19 is likely to be needed to fund some work in this area, but ultimately it is expected that this work will need to deliver significant savings whilst also covering its costs.

5. Police Force

- 5.1 The vast majority of the funding available to the PCC will be provided to the Chief Constable, this provides the budgetary constraints in which the PCC expects the Force to work within, in delivering against the Police and Crime Plan. It is vital that these allocations are seen as limits within which the Force must operate, as there is neither the capacity nor authority to exceed the budget provided.
- 5.2 It is also useful to consider that the budget projections for future years should be seen as limits to work within.
- 5.3 To be able to deliver an overall balanced budget for the next 4 years the PCC forecasts to be able provide the Chief Constable with the following levels of financial resources:
- 2018/19 - £127.8m
 - 2019/20 - £129.3m
 - 2020/21 - £132.3m
 - 2021/22 - £134.9m
- 5.4 These should be seen as the maximum likely to be available and therefore the Force will need to plan to deliver within these overall limits and deliver the necessary savings and efficiencies, discussed later in this report, to be able to invest into other areas.
- 5.5 The figures set out below, which forecast expected spend over the next 4 years in comparison to 2017/18, do not include any funds for the investment in the Force Control Room, that have recently been discussed, nor do they reflect the future efficiencies that are expected to be delivered.

	Actual	Forecasts			
	2017/18	2018/19	2019/20	2020/21	2021/22
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Pay					
Police Pay	71,361	73,540	74,542	76,470	77,999
Police Overtime	2,005	2,070	2,110	2,152	2,195
Police Community Support Officer Pay	6,717	6,605	6,737	6,872	7,009
Staff Pay	28,123	26,280	28,307	28,760	29,309
Pay Total	108,206	108,495	111,696	114,253	116,512
Non-Pay Budgets					
Other Pay and Training	1,382	1,535	1,561	1,593	1,624
Injury and Medical Police Pensions	3,199	3,699	3,773	3,848	3,925
Premises	65	54	55	56	58
Supplies and Services	11,637	12,321	12,551	12,801	13,058
Transport	1,761	1,660	1,693	1,721	1,751
Efficiency and Savings Target 2018/19	0	0	(2,000)	(2,000)	(2,000)
Non-Pay Total	18,044	19,269	17,634	18,019	18,417
Total Planned Force Expenditure	126,250	127,764	129,331	132,272	134,928
%age Change in Expenditure	4.0%	1.2%	1.2%	2.3%	2.0%
Employee Numbers	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,363	1,390	1,381	1,390	1,390
PCSOs	200	200	200	200	200
Police Staff - Police Force	877	838	874	871	870

5.6 Police Pay

The Budget proposed for Police Pay for 2018/19 is nearly £2.5m (or 3.5%) higher than the budget that was forecast to be required in this area in February 2017. This reflects the higher pay award made in September 2017 and an allowance for a 2% pay award in 2018. It also addresses a number of pressures that materialised during 2017/18 in relation to higher than budgeted average pay levels, that resulted from the recruitment of secondments in comparison to new Police Officer recruits; it also addresses the under-budgeting on Police Officer Pensions.

5.7 The budget also assumes that just over £750k will be delivered in savings within the Police Officer pay budget from a review of the Rank structure within the Force. This is an area that has been highlighted as an outlier as part of the Value for Money analysis and work is already underway in relation to a shift review that would aid in the delivery of these savings.

5.8 Through implementing this type of review it should be possible to reduce the management layers within the Police Rank structure and replace these posts with posts at the level of Police Constable therefore helping with improving capacity at this level within the Force and helping to address areas of growing/new demand.

5.9 Police Overtime

As reported throughout 2017/18 the expenditure on Police Overtime has been an issue, in that it has been an area of significant overspend – forecast to be £1m in 2017/18. This is a recurring trend that has happened for the last 3 years now where spend on Police Overtime has been around £3m each year. While the budget has increased slightly from 2017/18, this is as a result of inflation and pay awards and not growth.

5.10 The Value for Money indicators would suggest that an overtime budget of circa £2m is an appropriate level for a Force the size of North Yorkshire and therefore the budget has not been increased. It is however vital that this area is managed far more tightly than has been the case over the last 3 years and the PCC should seek assurances that this will be the case and that overspends within this area can't be afforded.

5.11 PCSO Pay Budget

The budget for PCSOs is based on an Establishment of 200 FTEs. The budget for 2018/19 is lower than that provided in 2017/18 as previous plans were based on moving towards 214 FTE PCSOs however this is a level that had not previously been reached nor deployed from an operational perspective. This is in line with the 199 FTEs that were reported to be employed at the end of December 2017.

5.12 Staff Pay Budget

Before any decisions on additional investment in the Force Control Room the Force have an indicative Staff Establishment of 906 FTE staff. However the balanced budget assumes that vacancies totalling 68 FTEs would be held on average through 2018/19 and beyond.

5.13 This would equate to a vacancy rate of around 7.5%. A funded establishment of 838 FTEs is in line with the number of staff employed by the Force during April to July 2017, although lower than the 887 FTE reported to have been employed at the end of December 2017.

5.14 This is an area that will require some significant focus and attention during both 2018/19 and beyond to deliver the required services whilst holding this level of vacancies. This is where it will become vitally important to embrace and deliver transformation change within the organisation. By doing this it should be possible to make improvements and savings beyond those already factored into the budget in terms of vacancies.

5.15 Staff numbers across the organisation as a whole were also identified within the Value for Money analysis as being an outlier for North Yorkshire and it is therefore appropriate that this is an area of significant focus in trying to deliver the most effective and efficient service to the public.

5.16 Non-Pay Budgets

The overall non-pay budgets for the Force are projected to be £1,160k (or 6.4%) higher than forecast in February 2017, these increases are predominantly being driven by pressures in the following areas:

- Police Injury and Medical Pensions – this area has been an area of forecast pressure throughout 2017/18 and within both of the previous 2 financial years where overspends have been in the region of £500k each year. The budget has therefore been increased by nearly £500k to reflect this pressure. It is perhaps worth work being undertaken in this area to understand whether the number of Medical and Injury Pensions that occur within North Yorkshire is in line with those experienced in other Forces and/or whether there are any trends that can be addressed.
- Police Custody Healthcare Contract – this recently tendered Regional contract has resulted in the costs for the provision of this service to North Yorkshire increasing by £272k
- Collaboration Budgets – increased contributions payable to collaborations are forecast to be nearly £500k higher, this is in line with the experience of 2017/18 and the financial pressures being reported.

5.17 The overall non-pay budget, at just over £19m, is in line with the forecast outturn for 2017/18.

6. Overall Financial Summary

6.1 The table below shows the current projected position of the overall finances available to the PCC, however this is based on a significant number of assumptions, including that the Force can contain costs and deliver the level of services required within the financial constraints that were outlined above.

	Actual Budget	Forecast Budget	Forecasts		
	2017/18	2018/19	2019/20	2020/21	2021/22
Total Funding	(154,680)	(156,923)	(160,395)	(164,010)	(167,730)
%age Change in Funding	3.1%	1.4%	2.2%	2.3%	2.3%
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	911	1,011	1,061	1,061	1,061
Commissioned Services	£000s	£000s	£000s	£000s	£000s
Commissioned Services	3,651	3,979	3,569	3,576	3,584
Total Planned Expenditure	3,651	3,979	3,569	3,576	3,584
Policing Priorities Fund	£000s	£000s	£000s	£000s	£000s
Investment Fund	0	1,963	3,863	6,063	8,563
Total Policing Priorities Fund	0	1,963	3,863	6,063	8,563
Corporate Services	£000s	£000s	£000s	£000s	£000s
Staff Pay	7,242	7,183	7,654	7,807	7,963
Other Non Salary	271	79	76	78	79
Premises	4,590	4,387	4,286	4,372	4,459
Supplies and Services	8,793	8,843	9,000	9,050	9,231
Transport	635	620	629	639	649
Asset Management	495	906	1,080	1,080	1,169
Efficiency and Savings Target - 2018/19			(500)	(500)	(500)
Total Corporate Services	22,027	22,018	22,225	22,527	23,052
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Pay					
Police Pay	71,361	73,540	74,542	76,470	77,999
Police Overtime	2,005	2,070	2,110	2,152	2,195
PCSO Pay (incl Overtime)	6,717	6,605	6,737	6,872	7,009
Staff Pay (incl Overtime)	28,123	26,280	28,307	28,760	29,309
Pay Total	108,206	108,495	111,696	114,253	116,512
Non-Pay Budgets					
Other Non Salary	1,382	1,535	1,561	1,593	1,624
Injury and Medical Police Pensions	3,199	3,699	3,773	3,848	3,925
Premises	65	54	55	56	58
Supplies and Services	11,637	12,321	12,551	12,801	13,058
Transport	1,761	1,660	1,693	1,721	1,751
Efficiency and Savings Target 2018/19			(2,000)	(2,000)	(2,000)
Non-Pay Total	18,044	19,269	17,634	18,019	18,417
Total Planned Force Expenditure	126,250	127,764	129,331	132,272	134,928
%age Change in Expenditure	4.0%	1.2%	1.2%	2.3%	2.0%
Total Expenditure Budgets	152,839	156,735	160,048	165,499	171,188
Future Efficiency and Savings Target			(2,500)	(5,000)	(7,500)
Total Expenditure Budgets after Efficiencies and Savings			157,548	160,499	163,688
(Surplus)/Deficit before Reserves/Capital	£000s	£000s	£000s	£000s	£000s
Planned Transfers to/(from) General Fund	(1,104)	(1,800)	0	0	0
Contribution to Capital Programme	3,885	1,492	3,048	3,713	4,013
Projects	3,586	2,219	160	521	20
Planned Transfers to/(from) Earmarked Reserves	(4,526)	(1,724)	(361)	(722)	10
Net (Surplus)/Deficit After Reserves	0	0	0	0	0
General Reserves	£000s	£000s	£000s	£000s	£000s
General Fund Balance b/f	9,697	6,443	4,643	4,643	4,643
Proposed (Use of)/Contribution to General Fund	(1,104)	(1,800)	0	0	0
Current Year Forecast (Over)/ Under spend	(2,150)				
General Fund Balance c/f	6,443	4,643	4,643	4,643	4,643
Employee Numbers	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,363	1,390	1,381	1,390	1,390
PCSOs	200	200	200	200	200
Police Staff - Police Force	877	838	874	871	870
Corporate Services, Commissioning and Projects	292	214	219	219	219
PCC Private Office Staff	13	13	13	13	13
Assumptions					
Staff Pay Increases	1.0%	2.0%	2.0%	2.0%	2.0%
Police Pay Increases	1.0%	2.0%	2.0%	2.0%	2.0%
Non Pay Inflation	1.3%	2.5%	2.5%	2.5%	2.5%
Precept Increases	2.0%	5.2%	5.2%	2.0%	2.0%
Government Grant Reductions (Cash Basis)	-1.4%	0.0%	0.0%	2.0%	2.0%

- 6.2 Based on the plans and assumption outlined within this report and some use of reserves, that will be discussed later in the report, then the organisation can demonstrate a balanced budget for the next 4 years.
- 6.3 It is however vital that the mistakes of the recent years, in relation to the following, are managed and avoided going forward:
- The failure to deliver invest to save projects, where the savings can be removed from the budgets and delivered,
 - The failure to deliver, in a timely manner, the required capital investments approved by the organisation,
 - The over optimistic assumptions included in business case, in terms of savings or income,
 - The continued over spending in certain areas; and
 - Most importantly that the organisation stops adding in unfunded growth in lieu of savings to be delivered in the future.
- 6.4 As a result of the financial flexibility that the PCC has been afforded, around Precept, then the organisation is in a relatively strong financial position from which to address those areas of challenge that are already known about; while preparing, through Transformational Change for example, to meet the future challenges that are likely to come.

7. Capital Financing and Expenditure

- 7.1 The assets owned by the PCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure. Plans have been drawn up and are being developed for capital investment which would aid the organisation in delivering against the Police and Crime Plan.
- 7.2 Significant loans are planned to be taken out in the current financial year, however as reported previously this is dependent on the delivery of a significant number of Capital schemes in the last few months of the 2017/18 financial year. While this appears unlikely there will however be a need to undertake this borrowing as and when these schemes are delivered.
- 7.3 In terms of the best approach to the funding of capital expenditure it generally only makes financial sense to borrow to fund investment in long term assets, such as buildings and this is the approach that is currently being worked towards.
- 7.4 With this in mind the plans of the organisation will need to be managed within certain financial constraints and it will therefore be necessary for the organisation to prioritise the investments in wants to make as we move forward.

7.5 The current Capital Plans, which will be subject to review, development and refinement as the 2018/19 progresses, are set out below:

Capital Financing and Expenditure	2017/18	2018/19	2019/20	2020/21	2021/22	5 Year Total
	£000s	£000s	£000s	£000s	£000s	£000s
Earmarked Reserve/Funding b/f	4,542	3,320	2,543	1,709	0	
Capital Grant	1,305	431	431	440	448	3,055
Capital Receipts	169	169	169	169	169	845
Capital Receipts from Estates Strategy	780	2,943	544	0	0	4,267
Contributions from Revenue	2,970	1,492	3,048	3,713	4,013	15,237
Transfers from Earmarked Reserves	0	420	0	0	0	420
External Funding	733	115	0	0	0	848
Borrowing	8,500	4,000	1,799	250	47	14,596
Projected in-year funding available	14,457	9,570	5,991	4,572	4,677	39,267
Capital and Revenue Project Plans						
Fleet	1,371	1,714	1,889	1,738	1,016	7,728
ICT	4,105	3,734	1,158	1,623	1,393	12,014
Estates	5,749	3,589	2,808	2,111	1,562	15,818
Other Rolling Programmes	763	549	831	669	706	3,518
Other Schemes	2,959	645	140	140	0	3,883
Externally Funded	733	115	0	0	0	848
Total Agreed Programme	15,678	10,347	6,826	6,280	4,678	43,809
Earmarked Reserve/Funding c/f	3,320	2,543	1,709	0	0	

7.6 Capital Grant

The PCC is expected to receive only £431k in terms of Capital Grant in 2018/19, this is the same as the Core Capital Grant received in 2017/18 but nearly 60% lower than it was in 2014/15. If the PCC wants, or needs, to spend more on Capital Expenditure than this Grant provides then the options are as follows:

- Borrowing money (either through loans or from current cash balances) to fund Capital Purchases.
- The sale of Capital Assets resulting in a Capital Receipt.
- A contribution from the Revenue Budget
- The Use of Reserves

7.7 The timing of the delivery of some of these plans needs to be reviewed to mitigate significant levels of slippage between financial years. The revenue consequences, both in terms of the savings that are expected to be delivered from the implementation of both the Estates strategy and the wider investment plans along with the costs of borrowing to fund the Capital programme have been incorporated into the overall MTFP.

- 7.8 It is important to recognise that the starting CRDP budget for 2017/18 was over £24m (which included £10m carried forward from 2016/17), this has now reduced to under £16m as significant slippage and underspends have been identified.
- 7.9 The forecast slippage of over £5m (which is likely to grow when final figures are available) between 2017/18 and 2018/19 follows on the back of just over £10m slippage between 2016/17 and 2017/18 and £15m of slippage between 2015/16 and 2016/17.
- 7.10 This recurring trend of slippage will be very closely monitored in 2018/19 to ensure decisions are made at the earliest opportunity and that realistic budgets remain in place and that Project Managers and Budget Holders are robustly managing this area of expenditure.
- 7.11 As I have mentioned for the last couple of years the organisation needs to consider the scope and volume of how many schemes it approves and are currently factored into the next financial year and whether they all can be delivered.
- 7.12 Is it important to recognise that where new and/or additional priorities are identified that are not included within the previous forecasts that they will need to come at the expense of current schemes as there is no additional funding to support them.
- 7.13 It is also vitally important to recognise that there is no scope for any new schemes or additional expenditure that are proposed either in year or across the MTFP to be accommodated within the current resources unless these are minor in nature – so less than £25k – which could be funded from the small items fund.
- 7.14 Specifically the current CRDP plans do not include any costs for future phases of Body Worn Video, it does not include any costs to enable the Transformation programme and does not include any of the costs of any National IT development work.
- 7.15 The CIPFA Prudential Code of Practice is a key element in the system of capital finance. Under this system individual PCC's are responsible for deciding the level of their affordable borrowing having regard to the prudential code. The associated paper '2018/19 Prudential Indicators and Treasury Management' will provide the PCC with reasonable assurance that the proposed Capital Plan and its financing are within prudential limits.

8. Reserves

- 8.1 A specific report from the PCC CFO in relation to the Robustness of the Estimates within the MTFP and the Adequacy of the Reserves covers reserves in more detail and the PCC is asked to consider and take note of this report prior to approving the 2018/19 Budget and MTFP

9. Risks

- 9.1 The major risks and unknowns surrounding the figures presented here are set out below and considered in further detail with the Robustness of Estimates report:
- Pay Awards are higher than the assumptions within the plan
 - Any differences between the future years' actual Government Grant settlements, including Legacy Council Tax Grant and the estimated figures.
 - While the funding formula won't be reviewed until the next Comprehensive Spending Review the impact of any review on the Government Grant received in North Yorkshire needs to be considered as it would fall within the timeframes of this MTFP
 - Variations in future years between the estimated tax base used and the actual declared tax base.
 - That the public does not support the precept increases that are factored into the current plans
 - Increasing costs of the employers Pension Contribution into the Police Pension Fund.
 - Increasing costs of the employers Pension Contributions into the Local Government Pension Scheme when the scheme is actuarially reviewed in 2 years' time.
 - Sensitivity of assumptions, including inflation and borrowing costs.
 - The ability of the Force to manage within it's allocated budget, especially around areas such as overtime
 - The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
 - Ability to deliver the savings included within the plans within the timeframes set and also to the level needed whilst delivering the required levels of service.

APPENDIX A

PCC FOR NORTH YORKSHIRE CORPORATION SOLE (OPCC)		
PRIVATE OFFICE FOR POLICE AND CRIME COMMISSIONER (OPCC) 2018/19		
	Budget 2018/19	
PCC Direct Costs		
PCC Salary costs including pension and NI contributions	79,000	
PCC Travel and Subsistence e.g. mileage	9,500	
PCC Telephone and Communications	400	
Deputy PCC Direct Costs		
Deputy PCC Salary costs including pension and NI contributions	56,000	
Deputy PCC Travel and Subsistence e.g. mileage	8,000	
Deputy PCC Telephone and Communications	650	
OPCC - Staffing Costs		
Private Office Staffing	401,059	
Other staffing costs - Travel	10,500	
Other staffing costs - Subsistence	1,000	
Other staffing costs - Employee Conferences	9,000	
Other staffing costs - Recruitment	5,500	
OPCC - Premises and Office Activities		
Running Costs - Office Expenses	9,500	
Accommodation - Premises Costs	30,000	
Communications and IT Costs	15,500	
PCC Private Office Total		635,609
STATUTORY OFFICER FUNCTIONS		
Chief Finance Officer - Salary & travel costs	52,000	
Chief Executive Officer (CEO - J Carter)	147,500	
CEO - APCCCE subscription	1,000	
CEO - Travel & Subsistence	2,500	
CEO & CFO - Communication	500	
Courses and Conferences	500	
Miscellaneous incl PATS Subscriptions	2,600	
Independent Audit Committee Travelling	19,000	
Independent Panel Members (Honoraria)	1,500	
Custody Visitors	8,000	
External Audit	25,000	
Internal Audit	33,700	
APCC subscription	23,000	
Credit to adjust Ers Pension contribution back to Actual	-24,838	
Statutory Officer Functions Total		291,962
SERVICES TO THE COMMUNITY		
Community Engagement - Hire of Premises	1,000	
Community Engagement - Public Relations incl Web Site	6,500	
Community Engagement - Conferences that the PCC organises	2,000	
Community Engagement - Public Engagement	70,000	
Community Engagement - Community Projects	1,500	
Community Engagement - Interpreters for meetings	1,000	
CAP - Honoraria	500	
CAP - Travel	500	
Services to the Community Total		83,000
TOTAL PRIVATE OFFICE FOR POLICE AND CRIME COMMISSIONER (OPCC)		1,010,571

APPENDIX B

Detailed Capital and Revenue Programmes	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Computers & Printers	305	402	296	303
Servers	109	92	92	92
Telephony & Communications	195	65	65	65
Network equipment	180	304	180	180
IS Strategy inc Mob	84	0	0	0
MAUDS (Mobile Asset Utilisation and Deployment Strategy)	5	5	0	0
ANPR (Automatic Number Plate Recognition Camera)	521	0	0	0
Mobile Policing	1,546	0	0	0
DFU (Digital Forensic Unit)	0	150	0	0
ESMCP (Emergency Services Mobile Communications Programme)	36	140	0	0
Operational Mobile Working	754	0	361	754
VM Ware servers	0	0	290	0
Local Area NetWork	0	0	340	0
ICT TOTAL	3,734	1,158	1,623	1,393
Vehicles	1,714	1,889	1,738	1,016
Fleet Rolling Programme TOTAL	1,714	1,889	1,738	1,016
CC small items budget	110	110	110	250
Logistics Capital Rolling programme	27	28	19	20
Body Armour	0	0	0	17
Technical Assets Rolling Programme	0	0	540	420
P&E Other Technical	0	74	0	0
Custody- Alcohol	16	16	0	0
ANPR (Automatic Number Plate Recognition Camera)	88	251	0	0
Roads Policing	12	12	0	0
NST - Core Business	0	11	0	0
Digital Forensic Unit	14	4	0	0
Technical Surveillance Unit	115	190	0	0
CBRN	5	0	0	0
CIU (Collision Investigation Unit)	96	2	0	0
CSU (Vrime Support Unit)	0	1	0	0
Firearms	20	30	0	0
MCU (Major Crime Unit)	4	81	0	0
OCU (Organised Crime Unit)	12	0	0	0
Print	20	0	0	0
PSU (Police Support Unit)	8	8	0	0
Cyber	5	0	0	0
ADSL (Removal of old firewalls)	0	14	0	0
General Equipment Rolling Programme	549	831	669	706
Property and Facilities Programme	197	301	237	207
Alverton Court	80	0	0	0
Athena House - Training Facility	100	40	0	50
Allowance for Slippage/Savings	0	0	-75	-200
Easingwold	0	18	52	0
Ingleton	3	0	52	16
Boroughbride Road	0	13	4	0
Valehouse	375	89	0	418
Mast Improvement Works	0	0	125	0
Fulford Road	248	307	365	182
Force Control Room	872	247	104	69
Tadcaster	70	161	0	607
Settle	71	0	1	11
Scarborough	50	217	176	38
Leyburn	150	278	0	0
Cliftonmoor	0	28	33	2
Richmond	13	74	73	53
Pateley Bridge	0	32	48	0
Shurburn	0	5	9	0
Whitley Bridge	4	5	9	10
Acomb	19	0	164	0
Boroughbride Local Police Station	0	95	27	19
Crosshills Local Police Station	20	20	0	0
Eastfields Local Police Station	15	0	56	0
Grassington	0	20	9	0
Knaresborough	1	271	0	0
Malton	20	145	109	16
Skipton	20	135	81	0
Stokesley	24	19	25	53
West Ayton	25	22	168	0
Whitby	9	92	101	6
Masham	5	0	0	0
Bridge Road	29	36	31	7
Tynedale	0	112	7	0
Police Box	5	0	5	0
Solberge Kennels	20	0	0	0
Quarry Bank	0	26	115	0
Harrogate	128	0	0	0
Ripon	655	0	0	0
Selby	360	0	0	0
Estates Rolling Programme	3,589	2,808	2,111	1,562
NSPIS replacement - Origin	9	0	0	0
Modernising the Management of Information (MMI)	493	0	0	0
Drones	4	0	0	0
NICHE	140	140	140	0
Other Schemes	645	140	140	0
National Citizens in Policing	115	0	0	0
Externally Funding Schemes	115	0	0	0
Total Capital and Revenue Development Programme	10,347	6,826	6,280	4,678