

## **Report of the Chief Finance Officer of the PFCC to the Police, Fire and Crime Commissioner for North Yorkshire**

**23<sup>rd</sup> February 2021**

**Status: For Decision**

### **Medium Term Financial Plan (MTFP) 2021/22 to 2024/25 and Capital Plans 2021/22 to 2024/25 - Policing**

#### **1. Executive Summary**

##### **1.1 Purpose of the Report**

This report asks the PFCC to agree the Budget proposals for 2021/22 and the Medium Term Financial Plan (MTFP) for 2021/22 – 2024/25 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 PFCC to agree the funding for the Capital Programme for 2021/22 and the indicative allocations for the period 2022/23 to 2024/25

#### **2. Recommendations**

2.1 The PFCC is requested to approve the allocation of the £182,541k of revenue funding, that is forecast to be received by the PFCC in 2021/22, in the following areas:

- £1,175k to run the Office of the PFCC
- £5,531k for Commissioned Services and Community Safety Initiatives
- £660k for Asset Management Costs
- £169,789k to the Police Force
- £5,679k to the Capital Programme
- £293k from Earmarked Reserves

2.2 The PFCC is asked to note that the 2021/22 budget is based on the approved 1.99%, or £5.29, increase in the level of Band D precept for 2021/22.

2.3 The PFCC is asked to take cognisance of the Robustness of Estimates and Adequacy of Financial Reserves section included within this report.

- 2.4 The PFCC is asked to approve the Reserves Strategy that is attached at Appendix B
- 2.5 The PFCC is asked to approve that the Capital Programme is initially set at £6,805k, before any slippage from 2020/21, as set out at Appendix A, for 2021/22 and within that programme approve that:
- The small items fund for 2021/22, to be managed as set out in the Financial Regulations by the Chief Constables Chief Finance Officer.
  - Indicative approval of the 2022/23 Rolling Programme budgets as set out in Appendix A, and delegation of approval of any requests to pre-order against the 2022/23 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2022/23 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 2020/21 Capital Programme into 2021/22.
- 2.6 The PFCC is asked to agree that additional borrowing totalling £1,823k can be taken out during 2021/22, if needed, to support the delivery of the Capital Programme.

### **3. Planning and Funding Assumptions**

#### **3.1 Police Funding Settlement 2021/22**

- 3.2 The 2021-22 Provisional Settlement was announced on 17 December in a written statement by the Policing Minister, Kit Malthouse, with the Final Settlement announced on the 4<sup>th</sup> February 2021, when the provisional settlement figure were confirmed.
- 3.3 Full details of the Settlement can be found on the Home Office gov.uk pages.
- 3.4 Unlike last year, the Home Office have opted to do a provisional settlement rather than proceeding straight to final settlement in order obtain feedback from stakeholders. The deadline for submissions to the provisional was 15 January.
- 3.5 This settlement follows the one-year Spending Review (SR) and takes place with a backdrop of severe economic difficulties due to the ongoing Coronavirus Pandemic as well as uncertainty around Brexit. GDP for the year was down 11.3%, the largest recession recorded.
- 3.6 Prior to the publication of the settlement, the sector was expecting an additional £400m for the recruitment of 6,000 officers (towards the 20,000 total). Kit Malthouse confirmed that there would be an increase of £415m for PCCs to continue to recruit officers. The document goes on to state that "to ensure...progress in recruitment is maintained, and to track the use of this investment efficiently, the Government will continue to ringfence £100 million of the additional funding". This ring-fenced grant will be akin to the previous settlement grant of £168m and will be split according to funding formula allocation.
- 3.7 Part of this funding allocation is to go to the recruitment of ROCU officers through the same mechanism.
- 3.8 Additionally, the sector was expecting last year's PUP funding (£700m) to be rolled into the baseline.
- 3.9 However, the Written Ministerial Statement stated that in total PCCs will get an increase of £703m assuming that the full precept flexibility is taken. As confirmed in SR2020, the council tax referendum principles will be £15 per PCC, which, assuming every PCC maximised the increase, means an extra £288m for policing in 2021-22.
- 3.10 Furthermore more, PCCs will receive a portion of the £670m additional grant funding announced for the local council tax support as part of SR2020. It is expected that the PCC for North Yorkshire will receive £1,155k from this funding in 2021/22.

### 3.11 Headlines

3.12 Given the recent publication of the 2020 spending review (published much later in the year than previous Spending Review's), some of the settlement was already known. The headlines below build upon headlines from SR2020:

- Core Grant (including the PUP grant) increases from £7.8bn to £8.2bn, a difference of £413.6m an increase of 5.3%.
- £15 precept flexibility for all PCCs, or equivalent.
- 75% of council tax losses (due to Covid-19) to be compensated.
- £87.4m (8%) decrease in reallocations from £1.1bn in 2020-21 to 1.03bn in 2021-22.
- Flat cash pension grant allocations compared to 2020-21.
- Capital grant remains cash flat for PCCs at £12.3m
- £52.3m capital funding for national priorities and infrastructure

### 3.13 What is expected in return for this Flexibility and improved funding position?

3.14 According to the statement, the Government expects the police to continue to build on the progress that has been made in terms of efficiency and productivity. The statement lays out three targets:

- Forces to recruit another 6,000 officers by the end of March 2022 (some of these officers are expected to go into Counter Terrorism Policing, ROCUs and the National Fraud Intelligence Bureau).
- £120m efficiency savings from across the law enforcement sector (reflected as part of this funding settlement). These are expected to be delivered through a combination of improved procurement practises as well as savings in areas such as estates, agile working and shared services. They are broken down as follows:
  - £95m against core grant
  - £8m against CT policing
  - £2.8m from the NCA
  - £14.2 programmes within reallocations.
- High quality data should be collected and used to support local delivery, identify efficiencies and support the National Policing Board's drive to deliver the best possible outcomes within policing.

### 3.15 What does this mean for North Yorkshire in 2021/22 in terms of Funding?

- An increase in of Core Police Grant plus Police Uplift Grant of £4,026k or 5.3%
- This includes up to £973k from the ring-fenced grant for the officer uplift – linked to the recruitment of 58 additional FTE Police Officers by the end of March 2022.
- Police Pension Grant remains at £1,449k
- Capital Grant remains at only £116k

3.16 A challenge to deliver £892k of savings and efficiencies during 2021/22, towards the £95m of savings that have been factored into the National Core Grant allocations.

- 3.17 Based on the agreed precept, of £271.06 for a Band D property, then the overall impact on the Core funding for the organisation is set to increase by 3.6%, or just over £6m, as set out in the table below:

Overall Government and Local Revenue Funding				
	2021/22	2020/21	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
<b>Government Funding</b>				
Police Grant	(48,392)	(45,291)	(3,102)	6.8%
RSG/National Non Domestic Rate	(30,658)	(29,072)	(1,586)	5.5%
Police Officer Uplift Grant	(973)	(1,635)	662	-40.5%
<b>Headline Government Funding Increase</b>	<b>(80,024)</b>	<b>(75,998)</b>	<b>(4,026)</b>	<b>5.3%</b>
Council Tax Freeze Grant	(2,152)	(2,152)	0	0.0%
Council Tax Support Grant	(6,901)	(5,746)	(1,155)	20.1%
Additional Police Pensions Grant	(1,449)	(1,449)	0	0.0%
<b>Additional Government Funding Changes</b>	<b>(10,502)</b>	<b>(9,347)</b>	<b>(1,155)</b>	<b>12.4%</b>
<b>Impact of a 1.99% (£5.29) Band D Precept increase</b>				
Net Surplus on Collection Funds	233	(360)	593	-164.7%
Council Tax Requirement	(82,178)	(80,734)	(1,444)	1.8%
<b>Total Local Funding</b>	<b>(81,945)</b>	<b>(81,094)</b>	<b>(851)</b>	<b>1.0%</b>
<b>Total Government + Local Funding</b>	<b>(172,470)</b>	<b>(166,439)</b>	<b>(6,031)</b>	<b>3.6%</b>

- 3.18 How does North Yorkshire compare to the National Picture?
- 3.19 All Police Force Areas have received the same Headline increase in Core funding of 5.3%. However the increases in precept, in percentage terms, are determined by the current level.
- 3.20 If each PCC had increased their precept by £15, combined with tax base assumptions, there would have been an additional £288m of resources for policing from council tax alone. Due to historic differences in council tax, increases for individual PCCs (based on a £15 increase) would have ranged from 5.4% in Surrey to 10.8% in Northumbria.
- 3.21 A £15 increase in North Yorkshire would have equated to an increase of 5.64%. This would be the second lowest percentage increase in England, which results from North Yorkshire having the second highest Policing Precept level in England and a current Precept level that is over 17% higher than the National average.
- 3.22 If each PCC took the £15 precept, the average band D police precept in England and Wales would be £240.92 (in North Yorkshire this would have been £280.77) with an average of 38% (in North Yorkshire this would have been 49% of total funding coming from council tax (including precept grant and legacy council tax support grants).
- 3.23 **Government Funding for 2022/23 and beyond**
- 3.24 The funding position for 2022/23 will be set out and determined as part of the Spending Review that will be undertaken in 2021.
- 3.25 Given the expected financial challenges that are likely to result from the costs incurred during the pandemic then the assumptions within the revised MTFP is that Core Government Grant will be frozen for the next 3 years.

- 3.26 The plan does however assume that the Police Uplift Programme will continue to be fully funded to deliver the 20,000 National Uplift.
- 3.27 There were no references within the settlement to the Funding Formula and any review of this.
- 3.28 In 2021-22 the top slices/reallocations total £1.033.5bn, £87.4m lower than last year (£1.120bn). Primarily, this difference comes from a £26m reduction in special grant, a £52m reduction in Top ups to National Crime Agency and Regional and Organised Crime Units, a £14m reduction in Police technology programmes and an £8m reduction in National Capability programmes.
- 3.29 Pensions Grant
- 3.30 Pensions Grant allocations remain unchanged from those in 2020-21. They have not been updated to reflect the new forecasts nor increased to reflect pay inflation and therefore additional costs and pressures have to be 'absorbed'.
- 3.31 Council Tax Legacy Grant
- 3.32 The Council Tax Legacy Grants relating to Council Tax Freeze grants from 2011-12, 2013-14, 2014-15 and 2015-16 as well as Local Council Tax Support (LCTS) funding remains separately identifiable in 2021-22. These have again remained flat cash settlements and therefore take no account of any changes for inflation or local need since they were awarded and is another area where additional costs are having to be 'absorbed'.
- 3.33 National and International Capital City Grant (NICC)
- 3.34 In 2021-22 the NICC grant for the City of London and MOPAC (which used to be referred to as the Met special Payment) have remained frozen in cash terms at £4,834,086 and £185,339,439 respectively.
- 3.35 Capital Funding
- 3.36 Total Police Capital Grants are now worth £64.6m but only £12.3m will be allocated locally.
- 3.37 This means that the Total Capital Grant for policing the whole of North Yorkshire is only £116k. When this Grant is compared to a Capital Programme of up to £10m per year it means there is a significant need to use Revenue Funding to fund the Capital Programme.
- 3.38 Counter Terrorism
- 3.39 The Minister announced a total of £914m for Counter Terrorism (CT) policing in 2021-22. This is £46m lower than the previous year. However, the Minister makes it clear that continued investment in CT policing will support record high numbers of counter terrorism policing investigations across the UK.

3.40 Ministry of Justice Grants

3.41 PCCs were notified of their 2021-22 allocations for commissioning of victims' services in early February which were the same as 2020/21, which for North Yorkshire was £964k.

3.42 In addition to this core funding the Government announced an additional £40m for victims' services which will be distributed through different mechanisms. The funding which is proposed to go through PCCs includes:

- £9.7m for Domestic Abuse (DA);
- £5m for Sexual Violence (SV); and
- £16m to further expand the availability of ISVAs and IDVAs (which will be available for 2 years).

3.43 The PFCC has received uplifts for DA and SV services from this additional £40m of £254k.

3.44 Finally the Ministry of Justice will be undertaking an Expression of Interest process for ISVA/IDVAs while existing grants from the national ISVA Fund will be brought in line with any new investment locally.

How has Funding changed for Policing since 2010/11?

3.43 Using the latest Gross Domestic Product deflation factors from the Treasury then:

- In cash terms, funding has increased, on average, by 9.4% between 2010-11 and 2021-22. However in North Yorkshire is it higher than this at 15.3%, the difference is the equivalent of about £9m of additional funding per year.
- However, when we account for inflation, this figure drops to -10.7%., in North Yorkshire however the reduction is much lower at about 5.7%

3.44 **In Real Terms funding in North Yorkshire in 2021/22 will be about 5.7% lower than in 2010/11 – this is the equivalent of £10m.**

3.45 **Precept**

Around 48% of the Net Budget Requirement within North Yorkshire is funded by the local precept and therefore this provides more of a cushion to cuts in government grants, than in most Police Force areas and the ability to generate additional funding locally when Government Funding is constrained.

3.46 However in times where Government Funding is growing at a quicker rate than precept North Yorkshire will tend to benefit less than most Police Force Areas.

3.47 The Localism Act 2011 includes powers to introduce arrangements for council tax referendums. The Police Funding Settlement set out that PCC's would be able to increase Band D bills by as much as £15 before a referendum is required in 2021/22.

3.48 Consultation was undertaken in relation to the option of increasing the precept in 2021/22 and in total 2,121 responses were received via the open online survey and a further 1,000 interviews over the telephone. The open survey was published on the PFCC website and promoted widely via social media.

3.49 The public were asked the following question:

3.50 Last year, your precept was spent on improving support to frontline officers helping those in mental health crisis, on improving services for victims of domestic abuse and stalking, on improving customer service to calls into the Control Room, and on the introduction of specialist programmes to reduce reoffending.

3.51 This year, if the precept exceeds inflation we will invest in services to better support victims of child exploitation, fraud and stalking, in improving customer service to those experiencing lower level crimes and anti-social behaviour, and in safeguarding training, cyber-crime expertise and intelligence gathering capabilities.

3.52 The Government has said that Police and Crime Commissioners can increase the policing precept by up to £15 which is 5.6% for an average Band D property.

3.53 The following options are based on an average Band D property currently paying £265.77 each year for policing. How much more would you be prepared to pay per year, through your council tax for policing?

- No more than I pay now – a precept freeze  
This would be a cut to the police budget due to inflation and current service delivery could not maintained
- Up to £5.29, an increase of 1.99%  
This would raise £1.6 million, keeping up with inflation to maintain current service delivery but no investment in policing services
- Up to £7.97, an increase of 3%  
This would raise £2.4 million, exceeds inflation and would mean an investment in the policing services mentioned



- Up to £15, and increase of 5.6%  
This would raise £4.5 million, exceeds inflation and would mean a significant investment in the policing services mentioned

3.54 A summary of the results is shown below with nearly two-thirds (64%) supporting an increase in the police precept of at least 1.99%. Around a fifth (21%) opted for an increase up to 3% while over a sixth (17%) opted for an increase of up to 5.6%. The consultation questions did not include an option this year for an increase that would require a referendum.

3.55 A summary of the overall results is shown in the table below:

	Total (n=3071)	Telephone (n=975)	Online (n=2096)
No more than I pay now – a precept freeze	36%	37%	35%
Up to £5.29, an increase of 1.99%	26%	27%	25%
Up to £7.97, an increase of 3%	21%	20%	21%
Up to £15, and increase of 5.6%	17%	16%	18%
<b>TOTAL who support an increase of at least 1.99%</b>	<b>64%</b>	<b>63%</b>	<b>65%</b>

3.56 Combined results (online and telephone) from the consultation showed a clear majority (64%) support an increase of up to £5.29 and as a result a 1.99%, or £5.29, increase in the Band D precept was proposed to the Police, Fire and Crime Panel who also supported this increase.

3.57 For the purposes of planning, the balanced plan that is set out within this paper assumes the following:

- 2022/23 – Precept Increase of 1.99%
- 2023/24 – Precept Increase of 1.99%
- 2024/25 – Precept Increase of 1.99%

3.58 Over the last 7 years there have been significant increases, averaging 1.5% increases per year, in the number of calculated Band D properties within North Yorkshire which the PFCC has benefited from. This has come to an abrupt halt in 2021/22.

3.59 **The number of Band D properties within North Yorkshire has reduced by 600 (or 0.2%) to 303,174.**

3.60 A reduction in the overall tax base is highly unusual and was completely unexpected. This has therefore had an impact on the finances of the organisation. This reduction, versus an expected 1% increase, equates to an overall reduction in precept income of nearly £1m. This impact has however been compensated for by an increase in the Local Council Tax Support Grant of £1,155k from the Government.

- 3.61 This funding is expected to be a one-off grant as it is hoped/assumed that the Tax Base will recover over the next 2/3 years. The financial plans assume quicker tax base growth of 1.5% in the next 2 years and then 1.20% in next year. This will however be dependent on many factors which are clearly outside of the control of the organisation
- 3.62 As expected the biggest financial challenge, resulting from COVID-19, for the organisation was likely to materialise in 2021/22 with a likely recurring, but smaller impact in the years thereafter. The impact was expected to result from less Council Tax than planned being collected during 2020/21 and a further impact on the overall tax base in future years in comparison to previous plans.
- 3.63 The Government recognised this challenge and have provided the flexibility to all billing and major precepting authorities (including police and fire authorities) to phase the deficit over a fixed period of three years.
- The phased amount will be the entire collection fund deficit for 2020-21 as estimated on the 15 January 2021 for council tax and in the 2021-22 NNDR1 for business rates.
  - The deficit will be phased in three equal and fixed amounts across the financial years 2021-22, 2022-23 and 2023-24.
  - The amounts to be paid off during 2021-22 will therefore be only 1/3rd of each authority's share of the estimated 2020-21 deficit.
- 3.64 The Councils have indicated an overall deficit on their collection funds, of which £912k relates to Policing.
- 3.65 Of this overall deficit of £912k, there is a £106k surplus that relates to years prior to 2020/21 and is therefore treated normally. Of the £1,018k deficit that relates purely to 2020/21 this will be phased across 3 years in line with the changed legislation. This will result in a £339k charge in each of the next 3 years.
- 3.66 These assumptions will be kept under review as details for future years become available and projections amended accordingly.
- 3.67 MTFP Assumptions  
When the 2020/21 budget was set in February 2020 the forecasts were underpinned by the following assumptions:
- Pay Awards: 2.5% increase p.a
  - Precept: Increases of:
    - 2020/21 - £10 or 3.91%
    - 2021/22 - 1.99%
    - 2022/23 - 1.99%
    - 2023/24 – 1.99%
  - Tax Base increases 1.0% per annum, Collection Surplus £400k p.a
  - Government Grants: Increases of 3% from 2021/22 onwards
  - Impact of Funding Formula review – Nil

3.68 Clearly much has changed in the last year and therefore in line with good planning our assumptions remain under review and are updated with the best information available and it is expected that the MTFP for 2021/22 and beyond will assume the following:

- Pay Awards:
  - 2021/22 - Freeze
  - 2022/23 - 1.0% increase
  - 2023/24 – 1.5% increase
  - 2024/25 – 2% increase
  
- Precept: Increases of:
  - 2021/22 - 1.99%
  - 2022/23 - 1.99%
  - 2023/24 – 1.99%
  - 2024/25 – 1.99%
  
- Tax Base increases of:
  - 2021/22 - 1.5%
  - 2022/23 - 1.5%
  - 2023/24 – 1.2%
  - 2024/25 – 1.0%
  
- Government Grants: Frozen for next 3 years
- Impact of Funding Formula review – Nil

3.69 Specific Grants, Other Income and Partnership Fees and Charges

These sources of income and funding are forecast to provide between £12.5m and £16.5m across the life of the plan.

3.70 Future increases in this area are also dependent on the continuation of the Police Officer uplift grant which is forecast to reach circa £5.7m by 2022/23.

3.71 Based on these revised assumptions, and the information received and forecast around other areas of funding, then the entire funding expected to be available to the PFCC for the next 4 years, in comparison to 2020/21, is as follows

	Actual Budget	Forecasts			
	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Core Funding</b>	£000s	£000s	£000s	£000s	£000s
Government Grant	(74,363)	(79,050)	(79,050)	(79,050)	(79,050)
Council Tax Precept	(81,094)	(81,945)	(85,131)	(88,126)	(91,565)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(6,901)	(5,746)	(5,746)	(5,746)
<b>Funding for Net Budget Requirement</b>	<b>(163,355)</b>	<b>(170,048)</b>	<b>(172,079)</b>	<b>(175,074)</b>	<b>(178,513)</b>
%age Change in Net Budgetary Requirement	5.8%	4.1%	1.2%	1.7%	2.0%
<b>Other Funding</b>					
Specific Grants	(5,887)	(5,227)	(9,731)	(9,751)	(9,772)
Partnership Income/Fees and Charges	(7,982)	(7,266)	(6,574)	(6,644)	(6,782)
<b>Total Funding</b>	<b>(177,224)</b>	<b>(182,541)</b>	<b>(188,385)</b>	<b>(191,469)</b>	<b>(195,067)</b>
%age Change in Funding	6.4%	3.0%	3.2%	1.6%	1.9%

3.72 2021/22 is the 3<sup>rd</sup> year of significant investment back into Policing. The level of funding available within North Yorkshire, at a Net Budget Requirement level, available to the PFCC has increased by £24.7m (or 17%) in the past 3 years.

3.73 The position is similar as a Total Core funding level, with increases of £25.6m (or over 16%) across the same 3 year period.

3.74 As mentioned earlier in this report however it is important to recognise that this is still a reduction in real terms, so after taking into account inflation, of around £10m since 2010/11.

3.75 The 2021/22 settlement continues to provide a significant opportunity to invest in Policing and Crime services within North Yorkshire.

## 4. Expenditure Plans

4.1 In setting the budget for 2021-22 the PFCC is asked to make decisions on how the overall funding discussed in Section 3 is allocated. The PFCC is asked to provide funding/budgets to the areas discussed in the following sections:

### 4.2 Office of the PFCC

4.3 The proposed budget in this area for 2021/22 is £1,175k which reflects a small increase in the overall budget of £25k to absorb higher costs in relation to External Audit Fees, higher costs for the APCC subscription and other small increases across pay and non-pay from inflation.

### 4.4 Community Safety and Victims and Witnesses Commissioning

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

4.5 The Ministry of Justice have confirmed the level of the Victims and Witnesses Grant for 2021/22, core allocations were frozen at £964k in 2021/22, which is as per 2020/21. However a further £254k has been provided to the PFCC for additional Domestic Abuse and Sexual Violence services in 2021/22.

4.6 In addition to the uplift, there are two targeted pots of funding that PFCC's can bid into, dependent on local need:

- Critical Support Fund – The Government are aware that a number of support services in areas have significant waiting lists or have had to close waiting lists for sexual violence and domestic abuse services. They are therefore making £1.5m funding available through a 'critical support fund' to support PCC areas that have critical levels of demand that the additional uplift in funding, and funding from other sources, will not be able to sufficiently address.
- Funding for Independent Sexual Violence Advisors and Independent Domestic Abuse Advisors – They Government are providing an additional £12m funding for ISVAs and IDVAs this financial year. This funding will be for two years until end March 2023. They will also be extending the existing £4m ISVA funding for a further year until end March 2023.

4.7 The PFCC was successful in bidding for £549k from the 2020/21 Safer Streets Fund. There will be an opportunity for the PFCC to bid into a similar fund for 2021/22 where £20m will be made available nationally to:

- Work with partners to design and deliver local crime prevention plans in hotspot areas with the outcome of reducing neighbourhood crimes through situational prevention. The objective of the fund being to:
  - Reduce neighbourhood crime (burglary, vehicle related theft, theft from the person, robbery) in areas that receive funding – making local

areas safer and reducing demand on the police to focus on higher harm crimes.

- Continue to build evidence about the impact of targeted investment in situational prevention in high crime areas to strengthen the case for future investment, both at a local and national level
- Grow local capability to undertake data driven problem solving and capture evidence and practical learning about how best to implement situational interventions to prevent crime

4.8 Other opportunities may become available during the year however having the resources available to pursue these opportunities is likely to be a challenge and will need to be considered as part of any future bids.

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

	Forecasts			
	2021/22	2022/23	2023/24	2024/25
<b>Commissioning and Partnerships</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Supporting Victims	1,480	1,612	1,439	1,439
Community Safety	1,213	1,273	1,190	1,190
Street Triage and Mental Health Services	500	518	518	518
Youth Justice	375	375	375	375
Child Sexual Assault Services	347	420	420	420
Safeguarding Communities	246	246	246	246
SARC Services	186	162	162	162
Community Fund	250	250	250	250
Initial Enquiry Team	192	225	259	296
Staff Pay	642	614	669	648
Non-Pay	101	106	106	106
<b>Total Costs</b>	<b>5,531</b>	<b>5,800</b>	<b>5,634</b>	<b>5,649</b>

4.10 A number of commissioned serviced have started during 2020/21 and/or will start early in 2021/22 including:

- Diversion services - £470k per annum
  - Adult Male (18-25) – referrals from partners when risk identified or by NYP at the point of arrest
  - Adult Female (18+) – referrals from partners when risk identified or by NYP at the point of arrest
  - Young People (10-17) – referrals from partners when risk identified (we already have a point of arrest process i.e. the YOP)
- Young People within Domestic Abuse Households service – cope and recovery service for those 17 and under exposed to Domestic Abuse - £330k over 3 years
- Street Triage service – expansion of the existing services delivered across Scarborough and the surrounding area, and York into Harrogate and the surrounding area - £160k per annum
- Respect Young People’s service – expansion of existing service for young people displaying the use of medium risk violence/abuse in close relationships to support those displaying high risk violence/abuse.

4.11 Asset Management

- 4.12 When investment in Capital is funded through borrowing there is a requirement to make a charge against the revenue budget to reflect the use of the asset over its useful life. This charge is called a Minimum Revenue Provision.
- 4.13 Furthermore when this borrowing is funded via a loan then there are also interest charges incurred.
- 4.14 The combination of these two areas are factored into the Asset Management budget which is estimated to be £660k for 2021/22. This is forecast to increase in future years given the plan to fund future investments in Estates from borrowing, this is set out within the current capital plans.

## 5. Police Force

- 5.1 The vast majority of the funding available to the PFCC will be provided to the Chief Constable, this provides the budgetary constraints in which the PFCC expects the Force to work within, in delivering against the Police, and Crime Plan.
- 5.2 The PFCC tries to provide a stable financial platform for the Force to work to and within, despite the significant level of unknowns around various areas of future funding. The aim of this approach is to support and enable good strategic planning, decision making and ultimately service delivery by the Force.
- 5.3 The Force have pulled together detailed financial plans which are discussed later in the report and summaries in the table:

	Actual Budget	Forecasts			
	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	83,180	84,788	87,496	90,648	92,240
Police Overtime	2,101	2,312	2,326	2,003	1,918
PCSO Pay (incl Overtime)	7,651	7,672	7,742	7,939	8,178
Staff Pay (incl Overtime)	37,023	37,963	37,952	38,681	39,820
<b>Pay Total</b>	<b>129,956</b>	<b>132,735</b>	<b>135,515</b>	<b>139,271</b>	<b>142,156</b>
<b>Non-Pay Budgets</b>					
Other Non Salary	1,656	1,724	1,701	1,729	1,755
Injury and Medical Police Pensions	3,709	3,871	3,885	3,845	3,835
Premises	4,277	4,319	4,322	4,386	4,450
Supplies and Services	21,759	23,126	23,388	23,829	24,215
Transport	2,667	2,646	2,670	2,711	2,753
<b>Non-Pay Total</b>	<b>34,069</b>	<b>35,686</b>	<b>35,966</b>	<b>36,500</b>	<b>37,008</b>
<b>Projects</b>	1,202	1,368	2,536	1,535	1,087
<b>Total Planned Force Expenditure</b>	<b>165,227</b>	<b>169,789</b>	<b>174,016</b>	<b>177,306</b>	<b>180,250</b>
%age Change in Expenditure	6.9%	2.8%	2.5%	1.9%	1.7%
<b>Employee Numbers</b>	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,509	1,567	1,645	1,645	1,645
PCSOs	221	221	221	221	221
Police Staff	1,065	1,086	1,078	1,072	1,067

- 5.4 A further 2.8% (£4.5m) increase in the funding available to the Force in 2021/22 followed on the back of a £10.6m increase in 2020/21. In 2021/22 the Force will therefore have £18.7m, or 12.4%, more Revenue funding available that it had in 2018/19.
- 5.5 In addition to the Revenue funding, the MTFP also provides significant additional funding into the Capital Programme to support the Force's plans in this area too. The Revenue contributions into the Capital Programme in 2021/22 is nearly £4.2m higher than it was in 2018/19.
- 5.6 **In 2021/22 the Force will therefore have £23m, or 15%, more Revenue and Capital funding available that it had in 2018/19.**



- 5.7 The sections below set out where the overall funding available to the Chief Constable is planned to be spent.
- 5.8 **Police Officer Pay and Recruitment**
- 5.9 To be able to receive the £973k specific grant that is included within these financial plans, for the additional Uplift of Police Officers, and to meet the Government targets for Police Officer increases then North Yorkshire Police need to recruit an additional 58 FTEs by the end of March 2022, and have at least 1,567 FTEs by this point.
- 5.10 This follows closely on the back of recruiting the additional 51 Officers during 2019/20 and the recruitment of 58 additional Officers in 2021/22.
- 5.11 It is also expected that a further additional 78 Officers will be needed in 2022/23 to deliver the overall National Uplift programme by March 2023. If these forecasts become a reality this would result in North Yorkshire having 1,645 FTEs by March 2023.
- 5.12 The Force is well positioned to deliver the Police Officer recruitment required for 2021/22 with expectations that it will start 2021/22 with around 1,510 FTE Officers in Force.
- 5.13 To enable the growth in Police Officer numbers being targeted by the Government it is projected that North Yorkshire Police will need to recruit the following number of Police Officers to reach these targets, while replacing those who will leave or retire:
- 2021/22 – 130 FTEs
  - 2022/23 – 140 FTEs
- 5.14 These continued levels of recruitment are clearly both a significant challenge and opportunity, however the Force has done an excellent job in delivering against their Police Officer recruitment plans over the last few years.
- 5.15 Not only is recruitment progressing well but the Force are also making significant improvements in relation to both equality and diversity.
- 5.16 Prior to the start of Operation Uplift around 37% of Police Officers within North Yorkshire were Female. Data recorded and published by the Home Office shows that to the end of December 2020 just over 54% of the new recruits into North Yorkshire Police have been Female.
- 5.17 Prior to the start of Operation Uplift around 2.5% of Police Officers within North Yorkshire indicated that their ethnicity was Black, Asian, Mixed or Other. Data recorded and published by the Home Office shows that, to the end of December 2020, 7.4% of the new recruits into North Yorkshire Police have indicated that their ethnicity was Black, Asian, Mixed or Other.

5.18 From financial perspective the Force will need to ensure that their recruitment plans are aligned to the financial plans – especially given the National Targets are lower than there were forecast to be a year ago. The Rank mix of the Officers will also need to be closely managed however the area that is likely to have the most significant impact on the Police Pay budget in both 2021/22 and beyond are Pay Awards.

5.19 Pay Awards

5.20 At the same time as reassessing the projections on Government Grant increases the 2021/22 MTFP also reflects on the financial landscape for future pay awards. The previous plan assumed that pay awards would be at 2.5% throughout the plan, which was in line with the pay award that was expected, and ultimately paid, in September 2020.

5.21 Since then the Government has indicated that it intends to freeze the majority of public sector pay for 2021-22. Exceptions apply to NHS doctors, nurses and others and those who earn less than £24,000 (who will receive a pay rise of at least £250).

5.22 The MTFP assumes that this is delivered in 2021/22 and thereafter assumes a gradual increase in pay awards as follows:

- 2022/23 – 1%
- 2023/24 – 1.5%
- 2024/25 – 2%

5.23 It is however important to recognise that neither the PFCC nor the Chief Constable have any control over the level of pay awards. These are determined at a national level.

5.24 The impact of pay settlements that vary from those forecast within the MTFP will have a significant impact on the finances of the organisation and will need to be closely monitored.

5.25 If pay assumptions were returned to the previous assumption of 2.5% increases then this would have the impact of adding the following costs into the current balanced financial plan.

<b>Financial Impact of Pay Awards at 2.5% versus</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
<b>Current Assumptions</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
September 2021 Pay Award	1,940	3,370	3,412	3,420
September 2022 Pay Award	0	1,185	2,047	2,055
September 2023 Pay Award	0	0	791	1,370
September 2024 Pay Award	0	0	0	400
<b>Impact of increasing pay assumptions to 2.5%</b>	<b>1,940</b>	<b>4,555</b>	<b>6,250</b>	<b>7,245</b>

5.26 **Police Overtime**

5.27 Police Overtime is no longer an area of significant concern in terms of expenditure being incurred beyond the budget set.

5.28 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 this continues to be the level of the budget set across the plan. It is likely that this is an area that will increase both locally and nationally as the increased levels of Police Officers are delivered

5.29 **PCSO Pay Budget**

5.30 The budget for PCSO's is based on an Establishment of 221 FTEs, this is after taking into account the investment in Reinforcing the Frontline.

5.31 It is forecast that the number of PCSO's at the start of 2021/22 will be significantly above this at 238 FTEs however 6 FTEs are expected to be within the Early Intervention Team – which will be separately funded subject to the successful of the pilot.

5.32 This will however leave the Force around 11 FTEs over budget to start the year. This could lead to an over spend at the start of 2021/22. This is an area that will need to be closely managed while the overall numbers are brought back in line with the funded Establishment.

5.33 **Police Staff**

5.34 While the focus of Operation Uplift is the increase in Police Officers there is recognition that 'just' funding the salary costs of the Officers won't be sufficient.

5.35 The national work that is overseeing this project were clear that to enable this to happen would require funding to support the following areas:

- It was estimated that 6,500 FTE staff would be required to enable initial recruitment and then deal with the extra work generated from having 20,000 additional officers.
- More Officers would require more capital expenditure in terms of vehicles, IT (laptops, phones, body worn video etc) and having 26,500 additional staff would require more estate.
- All of these capital assets would incur revenue running costs.
- More officers would require uniforms, they would work overtime and un-social hours, they would need training and would generate additional costs in areas such as custody and forensics, while also increasing general costs of 'doing business' and employing people, such as insurances.

5.36 Many of these areas are those that would have been expected to deliver savings as part of the Transform 2020 programme, however in many instances will have been superseded from the projected increase in Police Officers of 194 FTE (or 13%) across the 3 years of the National Uplift Programme.

5.37 Transform 2020 Programme

5.38 The Transform 2020 Programme was established in mid-2018, with the following vision:

5.39 *A police service transformed to provide an exemplary and continuously developing and improving service to the public of North Yorkshire, able to meet diverse and complex local needs and adapt sustainably to incorporate local and national change.*

5.40 The Goal for our Transform 2020 work was that it will achieve a new NYP Operating Model delivering £10m annual savings by 2022/23 which are being reinvested in line with public expectation and changing demand via an embedded, organisation wide approach to continuous improvement and change management.

5.41 A Programme Management approach was adopted for the Programme with a separate temporary governance structure established for the T2020 Programme. The Transform 2020 Board, chaired by DCC Phil Cain as the accountable person for the programme, was established to facilitate decision making and maintain an oversight of the programme, as well as holding responsible persons to account for the delivery of assigned savings.

5.42 This programme was set up to deliver in the following 3 stages:

- Stage 1 – Simplify

Remove duplication of processes, define and refine what our enabling services do, ensure staff are deployed appropriately and supported to be the best they can, support managers to provide strong leadership and optimise the use of technology.

- Stage 2 – Standardise

Transition to self-service enabling services across the organisations, continue to improve processes, implement technology standardisation through joint procurements when upgrades are required, ongoing prioritisation in line with emerging needs of North Yorkshire Police, North Yorkshire Fire & Rescue Service and the public of North Yorkshire.

- This will then lead to Stage 3 – Share – where: A completely standard set of processes are in place across North Yorkshire Police and North Yorkshire Fire & Rescue Service, underpinned by a common set of systems

5.43 The overall financial aim of the programme was to deliver £10m of savings.

5.44 Just over £7.8m of these savings have been delivered and removed from the budgets. The remaining savings have been superseded by the significant investment that is taking place within policing, as part of the National Police Officer Uplift Programme, and which were not known about when the Transform 2020 Programme was completed.

- 5.45 The National Uplift programme is increasing Police Officer numbers within North Yorkshire by over 13% across 3 years, with an assessment that an additional 63 Staff roles would also be required to meet the additional demands and work generated by the increased work force.
- 5.46 These additional staff roles – would cost circa £2.5m. In addition to this the additional non-staff revenue costs of the whole Uplift Programme, are estimated at a recurring cost of £2.3m and there is also a further recurring need to invest around £1.2m into Capital items.
- 5.47 Many of these areas of investment would have generated additional savings within the original Transform 2020 programme. For example the more efficient use of the vehicle fleet would have resulted in a smaller fleet (a reduction of 62 was identified as part of the T2020 programme), doing less miles and requiring less repairs and maintenance. However the increased number of Police Officers are estimated to require a further 72 vehicles.
- 5.48 This scenario is replicated across many areas of the business.
- 5.49 In terms of the Police Staff budget, the Establishment is based on 1,086 FTEs. This is around 16 FTEs higher than Forecast a year ago and reflects both areas of investment, such as the additional investment in the Safeguarding team, and the additional resources need to deliver the Uplift programme.
- 5.50 In line with the current financial year the financial plans 'allow' for 50 FTE vacancies throughout 2021/22 and therefore the Force has sufficient budget to fund 1,036 FTEs.
- 5.51 As at the end of January 2021 the Force employed 1,047 FTEs and forecasts to be at 1,037 FTEs by the start of the 2021/22 financial year.
- 5.52 This area will therefore need to be really closely managed throughout 2021/22, this will especially need to be the case when this is combined with the expenditure on Agency staff.
- 5.53 The Force are projecting almost £1m of spend on Agency staff during 2020/21 – the vast majority of this (over £700k) is for ICT Agency staff. There is no budget for any ICT agency staff costs within the Force's revenue budget, outside of Capital and Project budgets, and therefore any posts filled via an agency staff employee will need to be funded from the overall staff budget.
- 5.54 **Injury and Medical Pensions**
- 5.55 This continues to be an area that is difficult to predict, with 2020/21 returning to an over spend in this area. No additional funding has been provided by the Force to this budget in their 2021/22 planning and therefore there is a risk that this is an area that will overspend. The over spend in this area in 2020/21 is forecast to be nearly £800k and this is another that will need to be closely watched in 2021/22.

5.56 **Supplies and Services**

5.57 The other area of note within Non-Pay is supplies and services. The budget has decreased by nearly £1.1m (or 4.5%) from 2020/21 however it is important to recognise what sits behind some of the big movements in this area:

- There is a £1.4m on the budget for contributions to collaborations – it is important to recognise that this is purely an accounting change and there is a reduction within the income area of £1.7m too.
- In addition to this a further £1m has been reallocated to other areas relating to inflation and Uplift costs.

5.58 This leaves an underlying increase in costs in this area of £1.3m, however of this over £400k is to forecast to be required for increases in National IT charges, a further £470k is forecast to be required for extra IT licences and equipment, £160k extra for insurance premiums and a further £100k required for uniforms.

## 6. Overall Financial Summary

6.1 The table below shows the current projected position of the overall finances available to the PFCC, however this is based on a significant number of assumptions that have been discussed and set out within this report.

	Actual Budget 2020/21	Forecasts			
		2021/22	2022/23	2023/24	2024/25
<b>Core Funding</b>	£000s	£000s	£000s	£000s	£000s
Government Grant	(74,363)	(79,050)	(79,050)	(79,050)	(79,050)
Council Tax Precept	(81,094)	(81,945)	(85,131)	(88,126)	(91,565)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(6,901)	(5,746)	(5,746)	(5,746)
<b>Funding for Net Budget Requirement</b>	<b>(163,355)</b>	<b>(170,048)</b>	<b>(172,079)</b>	<b>(175,074)</b>	<b>(178,513)</b>
%age Change in Net Budgetary Requirement	5.8%	4.1%	1.2%	1.7%	2.0%
<b>Other Funding</b>					
Specific Grants	(5,887)	(5,227)	(9,731)	(9,751)	(9,772)
Partnership Income/Fees and Charges	(7,982)	(7,266)	(6,574)	(6,644)	(6,782)
<b>Total Funding</b>	<b>(177,224)</b>	<b>(182,541)</b>	<b>(188,385)</b>	<b>(191,469)</b>	<b>(195,067)</b>
%age Change in Funding	6.4%	3.0%	3.2%	1.6%	1.9%
<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>1,150</b>	<b>1,175</b>	<b>1,250</b>	<b>1,300</b>	<b>1,350</b>
<b>Commissioned Services</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>4,101</b>	<b>5,531</b>	<b>5,800</b>	<b>5,634</b>	<b>5,649</b>
<b>Policing Priorities Fund</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Policing Priorities Fund</b>	<b>3,544</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Asset Management</b>	<b>689</b>	<b>660</b>	<b>745</b>	<b>820</b>	<b>965</b>
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	83,180	84,788	87,496	90,648	92,240
Police Overtime	2,101	2,312	2,326	2,003	1,918
PCSO Pay (incl Overtime)	7,651	7,672	7,742	7,939	8,178
Staff Pay (incl Overtime)	37,023	37,963	37,952	38,681	39,820
<b>Pay Total</b>	<b>129,956</b>	<b>132,735</b>	<b>135,515</b>	<b>139,271</b>	<b>142,156</b>
<b>Non-Pay Budgets</b>					
Other Non Salary	1,656	1,724	1,701	1,729	1,755
Injury and Medical Police Pensions	3,709	3,871	3,885	3,845	3,835
Premises	4,277	4,319	4,322	4,386	4,450
Supplies and Services	24,216	23,126	23,388	23,829	24,215
Transport	2,667	2,646	2,670	2,711	2,753
<b>Non-Pay Total</b>	<b>36,526</b>	<b>35,686</b>	<b>35,966</b>	<b>36,500</b>	<b>37,008</b>
<b>Projects</b>	1,202	1,368	2,536	1,535	1,087
<b>Efficiency and Savings Targets</b>	(2,457)				
<b>Total Force Budget</b>	<b>165,227</b>	<b>169,789</b>	<b>174,016</b>	<b>177,306</b>	<b>180,250</b>
%age Change in Expenditure	6.9%	2.8%	2.5%	1.9%	1.7%
<b>Total Expenditure Budgets</b>	<b>174,711</b>	<b>177,155</b>	<b>181,811</b>	<b>185,061</b>	<b>188,215</b>
<b>(Surplus)/Deficit before Reserves/Capital</b>	£000s	£000s	£000s	£000s	£000s
Contribution to Capital Programme	2,715	5,679	6,747	6,415	6,822
Planned Transfers to/(from) Earmarked Reserves	(202)	(293)	(174)	(7)	30
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>0</b>
<b>General Reserves</b>	£000s	£000s	£000s	£000s	£000s
General Fund Balance c/f	<b>5,603</b>	<b>5,603</b>	<b>5,603</b>	<b>5,603</b>	<b>5,603</b>
<b>Employee Numbers</b>	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,509	1,567	1,645	1,645	1,645
PCSOs	221	221	221	221	221
Police Staff	1,115	1,086	1,078	1,072	1,067
<b>Assumptions</b>					
Staff Pay Increases	2.5%	0.0%	1.0%	1.5%	2.0%
Police Pay Increases	2.5%	0.0%	1.0%	1.5%	2.0%
Non Pay Inflation	2.5%	1.5%	1.5%	1.5%	2.0%
Precept Increases	3.9%	2.0%	2.0%	2.0%	2.0%
Government Grant Increases	7.5%	6.3%	0.0%	0.0%	0.0%

- 6.2 Based on the plans and assumption outlined within this report and some use of reserves, that are discussed later in the report then the organisation can demonstrate a balanced budget for the next 4 years.
- 6.3 It is however vital to keep in mind that there will be challenges to this balanced plan, there are a number of risks that could impact significantly on the currently forecasted balanced position and there are undoubtedly many things that the organisation will have to deal with, that are currently unknown. Therefore the constant search for savings and efficiencies will need to continue to provide future flexibility from a financial perspective.
- 6.4 As a result of the significantly better Government funding settlements over the last 3 years and the financial flexibility that the PFCC has been afforded, around Precept, then the organisation is in a much stronger financial position than was previously expected.
- 6.5 The impact of the pandemic on the national finances have not yet been fully realised, however it is likely that this will become apparent when the Government sets out the National Budget in early March 2021.
- 6.6 While it is unlikely too much will change during 2021/22, as the focus remains on the pandemic, on returning the economy to its previous level and a focus on job retention and creation, there is likely to be a cost in the years to follow.
- 6.7 What this means for the continued investment in Policing will need to be closely monitored with financial and service delivery plans altered to fit the financial envelope that the organisation will need to work within.



## **7. Capital Financing and Expenditure**

- 7.1 The assets owned by the PFCC are a vital platform for the delivery of the Police, Fire 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, Fire and Crime Plan.
- 7.2 The current and future ICT plans, as set out by the Force, are relatively limited with much of the focus of the plans on the on-going investment in the Force Control Room of almost £6m and a future indication that circa £7.2m will need to be spent as part of the National Emergency Services Communication Programme.
- 7.3 Beyond these areas are some small items of replacement but nothing of a significant nature.
- 7.4 The Force have recently undertaken a stock condition survey of the Estate which has provided up-to-date forecasts of the work needed, covering major component replacement (windows, boilers, roof, etc.) and other major cyclical work.
- 7.5 This has indicated around £11.6m of work required over the next 5 years. This is a significant ask and should prompt further work around the financial sustainability of some of the buildings within the estate given the level of expenditure required to keep them up to date.
- 7.6 Whereas previous investments in the Estate may have been funded from reserves this is unlikely to be possible going forward and therefore it is currently projected that all investments in the Estate will be funded from borrowing and this would therefore result in an increase in borrowing over the next 5 years totalling £11.6m.
- 7.7 The savings from the Transform 2020 programme has resulted in significant increases in the availability of funding to be able to contribute to the Capital Programme. With funding in excess of £5.5m per year now being contributed into the programme.
- 7.8 The required contributions to the Capital Plan are factored into the balanced revenue position and therefore the PFCC has a fully balanced Capital Plan and Revenue Budget for the next 4 years based on current plans and assumptions.
- 7.9 The PFCC will have sufficient funds available to support the current plans of the Police Force over the current year and the next 4 years provided that resources can continue to be provided to the Capital programme from the revenue budget. With this in mind it is vital that the Force manages any revenue growth/pressures and develops savings to contra these otherwise this will impact on the availability of funding to deliver future investments and change.

7.10 The current Capital Plans, which will continue to be subject to review, development and refinement over the coming years, are set out below:

<b>Capital Financing and Expenditure</b>						
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Reserve/Funding b/f</b>	<b>1,979</b>	<b>3,154</b>	<b>995</b>	<b>6,834</b>	<b>7,437</b>	<b>7,439</b>
Capital Grant	116	116	116	116	116	116
Capital Receipts - vehicles	169	169	169	169	169	169
Capital Receipts from Estates Strategy	1,250	2,052	2,500	770	0	0
Contributions (to)/from Revenue	2,715	5,679	6,747	6,415	6,822	6,647
Borrowing	3,694	1,823	2,048	1,957	2,677	3,123
<b>Projected in-year funding available</b>	<b>7,949</b>	<b>9,838</b>	<b>11,580</b>	<b>9,426</b>	<b>9,783</b>	<b>10,055</b>
<b>Capital and Project Plans</b>						
ICT	3,614	3,182	1,012	4,697	4,237	627
Fleet	2,730	1,177	1,939	1,460	2,142	1,534
Estates	3,694	1,823	2,048	1,957	2,677	3,123
Other Rolling Programmes and Schemes	1,928	623	742	710	725	1,189
Slippage/Re-profiling	-5,192	5,192				
<b>Total Agreed Programme</b>	<b>6,773</b>	<b>11,997</b>	<b>5,741</b>	<b>8,823</b>	<b>9,781</b>	<b>6,473</b>
<b>Earmarked Reserve/Funding c/f</b>	<b>3,154</b>	<b>995</b>	<b>6,834</b>	<b>7,437</b>	<b>7,439</b>	<b>11,021</b>

7.11 There is a significant amount of work that is required around the Capital Programme so that the Force can make the most of the funding that has been made available to them and so that they can plan with confidence for the significant number of schemes and programmes that they have indicated that are on the horizon and on the Change Pipeline.

7.12 The value of the schemes included within the 2020/21 budget totals £11,395k, although slippage and re-profiling has previously reduced this to £6,773k. However as at the end of January 2021 less than £2m of this original £11,395k has been spent.

7.13 Despite this plans have been put forward for a further £6.8m of new/continued schemes for 2021/22.

#### 7.14 Change Pipeline

7.15 It is also important to recognise that all of this is before any additional schemes/business cases are put forward from the Change Pipeline that was recently discussed with the PFCC.

7.16 This Pipeline indicated a further £4.4m worth of schemes that were indicated as required in 2021/22 and this increased to almost £11m of indicated costs for the whole Change Pipeline.

- 7.17 In recognition that there will be a need for additional investment then the Capital Programme sets out how there is £11m of currently unallocated funding available, should it be needed and subject to approved business cases, to further invest.
- 7.18 The timing of when this can be invested is completely dependent on the Force setting out realistic and deliverable plans for those schemes that already exist, combining this with any new business cases, including being clear that it is possible to deliver and that the resources are available and put in place the necessary oversight and programme management to ensure delivery.

## **8. Reserves**

- 8.1 As at the end of 2020/21 the PFCC had Usable Reserves of £11.5m. The main reserves held at that point were for the following reasons:
- General Reserves - £5.6m
  - Funding for projects within the financial plans - £2.9m
  - General contingency and risk Reserves - £2.6m
- 8.2 The PFCC has a separate Reserves Strategy, which is in line with the requirement of the Government, which sets out the details of all reserves, what they are held for and how they will be used in the future. This is attached at Appendix B to this report.
- 8.3 The expected movements on all reserves held by the PFCC will be kept under review in line with the development of the MTFP, current projections are included within the table below:

	Balance at 31 March 2020 £000	Tranfers In 2020/21 £000	Tranfers Out 2020/21 £000	Balance at 31 March 2021 £000	Tranfers In 2021/22 £000	Tranfers Out 2021/22 £000	Balance at 31 March 2022 £000	Tranfers In 2022/23 £000	Tranfers Out 2022/23 £000	Balance at 31 March 2023 £000	Tranfers In 2023/24 £000	Tranfers Out 2023/24 £000	Balance at 31 March 2024 £000
<b>Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.</b>													
Revenue Initiatives	436	33	(101)	368	33	(33)	368	33	(33)	368	33	(33)	368
Capital Reserve	0	2,715	(2,715)	(0)	5,679	(5,679)	(0)	6,747	(3,577)	3,170	6,415	(6,415)	3,170
Firearms Licence Reserve	590			590			590			590			590
PCC Community Fund Reserve	308		(250)	58			58			58			58
Investments Reserve	817		(300)	517		(237)	280		(167)	114			114
Training Reserve	190			190			190			190			190
Commissioned Services Reserve	534		(114)	420		(44)	376			376			376
<b>Total Reserves within current MTFP</b>	<b>2,875</b>	<b>2,747</b>	<b>(3,479)</b>	<b>2,143</b>	<b>5,711</b>	<b>(5,992)</b>	<b>1,862</b>	<b>6,780</b>	<b>(3,776)</b>	<b>4,865</b>	<b>6,447</b>	<b>(6,447)</b>	<b>4,865</b>
<b>Funding for specific projects and programmes beyond the current planning period.</b>													
Confiscated Monies Reserve	160	130	(100)	190	130	(100)	220	130	(100)	250	130	(100)	280
Cost of Change Reserve	220			220			220			220			220
<b>Total Reserves beyond current MTFP</b>	<b>380</b>	<b>130</b>	<b>(100)</b>	<b>410</b>	<b>130</b>	<b>(100)</b>	<b>440</b>	<b>130</b>	<b>(100)</b>	<b>470</b>	<b>130</b>	<b>(100)</b>	<b>500</b>
<b>As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)</b>													
Insurance Reserve	511			511			511			511			511
Pay and Pensions Reserve	1,012			1,012			1,012			1,012			1,012
Major Incident Reserve	1,114			1,114			1,114			1,114			1,114
<b>Total General Contingency Reserves</b>	<b>2,637</b>			<b>2,637</b>			<b>2,637</b>			<b>2,637</b>			<b>2,637</b>
<b>Total Earmarked Reserves</b>	<b>5,892</b>	<b>2,877</b>	<b>(3,579)</b>	<b>5,190</b>	<b>5,841</b>	<b>(6,092)</b>	<b>4,940</b>	<b>6,910</b>	<b>(3,876)</b>	<b>7,973</b>	<b>6,577</b>	<b>(6,547)</b>	<b>8,003</b>
<b>General Reserves</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>
<b>Total Usable Reserves</b>	<b>11,495</b>	<b>2,877</b>	<b>(3,579)</b>	<b>10,793</b>	<b>5,841</b>	<b>(6,092)</b>	<b>10,542</b>	<b>6,910</b>	<b>(3,876)</b>	<b>13,576</b>	<b>6,577</b>	<b>(6,547)</b>	<b>13,606</b>
<b>Capital Receipts Reserve</b>	<b>1,979</b>	<b>1,419</b>	<b>(244)</b>	<b>3,154</b>	<b>2,221</b>	<b>(4,380)</b>	<b>995</b>	<b>2,669</b>		<b>3,664</b>	<b>939</b>	<b>(337)</b>	<b>4,266</b>

## 9. Risks

9.1 The major risks and unknowns surrounding the figures presented here are:

- Pay Awards are higher than the assumptions within the plan
- The significant levels of recruitment needed to deliver against both the financial and operational plans of the Force.
- Any differences between the future years' actual Government Grant settlements, especially in relation to Operation Uplift, and those estimated within the plan
- 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.
- Sensitivity of assumptions, including inflation and borrowing costs.
- The ability of the Force to manage within its allocated budget
- 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.

## **10 Robustness of Estimates and Adequacy of Financial Reserves Advice**

- 10.1 As CFO to the PFCC it is my duty to specifically comment on the robustness of the estimates put forward for the PFCC's consideration. For the reasons set out in this report and from my own review of the estimates process I am satisfied that the proposed spending plan for 2021/22 is sound and robust.
- 10.2 There are however a number of areas of expenditure that will need to be closely managed throughout the year and these have been referred to in the report, particular focus will be required on:
- Staff Pay and Agency Staff
  - Managing PCSO numbers back to Establishment levels
  - Ensuring Police Officer Targets are hit
  - Medical and Injury Pensions
- 10.3 The main risks in terms of higher than forecast spend will come from any pay awards agreed during the year and any further costs in relation to COVID expenditure that are not covered by additional government funding.
- 10.4 It will be vital to continue to closely monitor the financial position throughout 2021/22 to ensure that the finances support the delivery and achievement of the Police, Fire and Crime Plan objectives.
- 10.5 The funding available to deliver the Capital plans of the organisation are robust however the continued challenges around delivery need to be overcome as it is holding back the organisation in terms of developing and financing the investments that are likely in the medium term.
- 10.6 A review has been undertaken of the PFCC's reserves and general balances. The PFCC's general balances and reserves are an important part of the PFCC's risk management strategy giving the financial flexibility to deal with unforeseen costs or liabilities. Assuming the approval of the plan set out in the budget report, I am satisfied that the PFCC would have adequate levels of financial reserves and general balances throughout the MTFP provided that service restructuring is delivered and future growth, if any, is managed and funded from sustainable savings.
- 10.7 In overall terms the capacity to increase precept and the better than expected government funding settlement has reduced the overall risk that the organisation faces in terms of Funding in the short term. Both the next Comprehensive Spending Review and any subsequent Funding Formula review could however change this position significantly.
- 10.8 The MTFP forecasts that General Reserves will be maintained at £5.6m across the MTFP. This will provide a General Reserve of 3.3% of the Net Budget Requirement in 2021/22 and I believe this to be a reasonable level given the overall challenges and risks faced by the organisation.

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## Appendix A

<b>Capital Financing and Expenditure</b>						
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Reserve/Funding b/f</b>	<b>1,979</b>	<b>3,154</b>	<b>995</b>	<b>6,834</b>	<b>7,437</b>	<b>7,439</b>
Capital Grant	116	116	116	116	116	116
Capital Receipts - vehicles	169	169	169	169	169	169
Capital Receipts from Estates Strategy	1,250	2,052	2,500	770	0	0
Contributions (to)/from Revenue	2,715	5,679	6,747	6,415	6,822	6,647
Borrowing	3,694	1,823	2,048	1,957	2,677	3,123
<b>Projected in-year funding available</b>	<b>7,949</b>	<b>9,838</b>	<b>11,580</b>	<b>9,426</b>	<b>9,783</b>	<b>10,055</b>
<b>Capital and Project Plans</b>						
ICT	3,614	3,182	1,012	4,697	4,237	627
Fleet	2,730	1,177	1,939	1,460	2,142	1,534
Estates	3,694	1,823	2,048	1,957	2,677	3,123
Other Rolling Programmes and Schemes	1,928	623	742	710	725	1,189
Slippage/Re-profiling	-5,192	5,192				
<b>Total Agreed Programme</b>	<b>6,773</b>	<b>11,997</b>	<b>5,741</b>	<b>8,823</b>	<b>9,781</b>	<b>6,473</b>
<b>Earmarked Reserve/Funding c/f</b>	<b>3,154</b>	<b>995</b>	<b>6,834</b>	<b>7,437</b>	<b>7,439</b>	<b>11,021</b>

## Appendix B

### Reserves Strategy

There is a requirement within the Financial Management Code of Practice to publish a Reserve Strategy and as part of arrangement to improve transparency:

- Each PCC should publish their reserves strategy on their website, either as part of their medium term financial plan or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).
- Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the PFCC's medium term financial plan.

The strategy should be set out in a way that is clear and understandable for members of the public, and should include:

- how the level of the general reserve has been set;
- justification for holding a general reserve larger than five percent of budget;
- details of the activities or items to be funded from each earmarked reserve, and how these support the PFCC and Chief Constable's strategy to deliver a good quality service to the public.
- Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.

The information on each reserve should make clear how much of the funding falls into the following three categories:

- 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.
- As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).

With this in mind the Reserves Forecast across the MTFP are shown below, along with the necessary supporting information on the following pages:



## Reserves Forecast

The following schedule sets out the forecast movements on reserves over the life of the current long term financial plan, it is important to recognise that whilst the schedule sets out the expected use of the current reserves circumstances will change and all reserves will be reviewed at least annually. It is also important to recognise that there will undoubtedly be a need to create new reserves, in future years, to deal with risks that are currently unknown; therefore while the current schedule shows that the overall level of risks will reduce significantly, the likelihood is that they will not reduce in overall financial terms as exactly planned and that while current reserves are spent new reserves are likely to be needed to manage future risks

	Balance at 31 March 2020 £000	Tranfers In 2020/21 £000	Tranfers Out 2020/21 £000	Balance at 31 March 2021 £000	Tranfers In 2021/22 £000	Tranfers Out 2021/22 £000	Balance at 31 March 2022 £000	Tranfers In 2022/23 £000	Tranfers Out 2022/23 £000	Balance at 31 March 2023 £000	Tranfers In 2023/24 £000	Tranfers Out 2023/24 £000	Balance at 31 March 2024 £000
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Commissioned Services Reserve	534		(114)	420		(44)	376			376			376
<b>Total Reserves within current MTFP</b>	<b>2,875</b>	<b>2,747</b>	<b>(3,479)</b>	<b>2,143</b>	<b>5,711</b>	<b>(5,992)</b>	<b>1,862</b>	<b>6,780</b>	<b>(3,776)</b>	<b>4,865</b>	<b>6,447</b>	<b>(6,447)</b>	<b>4,865</b>
<b>Funding for specific projects and programmes beyond the current planning period.</b>													
Confiscated Monies Reserve	160	130	(100)	190	130	(100)	220	130	(100)	250	130	(100)	280
Cost of Change Reserve	220			220			220			220			220
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<b>As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)</b>													
Insurance Reserve	511			511			511			511			511
Pay and Pensions Reserve	1,012			1,012			1,012			1,012			1,012
Major Incident Reserve	1,114			1,114			1,114			1,114			1,114
<b>Total General Contingency Reserves</b>	<b>2,637</b>			<b>2,637</b>			<b>2,637</b>			<b>2,637</b>			<b>2,637</b>
<b>Total Earmarked Reserves</b>	<b>5,892</b>	<b>2,877</b>	<b>(3,579)</b>	<b>5,190</b>	<b>5,841</b>	<b>(6,092)</b>	<b>4,940</b>	<b>6,910</b>	<b>(3,876)</b>	<b>7,973</b>	<b>6,577</b>	<b>(6,547)</b>	<b>8,003</b>
<b>General Reserves</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>	<b>0</b>	<b>0</b>	<b>5,603</b>
<b>Total Usable Reserves</b>	<b>11,495</b>	<b>2,877</b>	<b>(3,579)</b>	<b>10,793</b>	<b>5,841</b>	<b>(6,092)</b>	<b>10,542</b>	<b>6,910</b>	<b>(3,876)</b>	<b>13,576</b>	<b>6,577</b>	<b>(6,547)</b>	<b>13,606</b>
<b>Capital Receipts Reserve</b>	<b>1,979</b>	<b>1,419</b>	<b>(244)</b>	<b>3,154</b>	<b>2,221</b>	<b>(4,380)</b>	<b>995</b>	<b>2,669</b>		<b>3,664</b>	<b>939</b>	<b>(337)</b>	<b>4,266</b>

## **Why have these Reserves been established and what will they used for?**

### **Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.**

#### **Revenue Initiatives and Revenue CRDP Reserve (Funding for Planned Expenditure over MTFP)**

These reserves are held to meet the forecast costs of some on-going revenue initiatives to enable one off schemes/expenditure to be funded

#### **Capital Reserve (Funding for Planned Expenditure over MTFP)**

This reserve is held to meet the forecast costs of capital schemes which will enable the capital needs of the organisation to be funded in a sustainable manner, without the need to increase borrowing beyond what is determined to be a prudent level and to also provide some contingency to fund unknown investments whether these be from local changes or national initiatives.

#### **PFCC Community Fund (Funding for Planned Expenditure over MTFP)**

The PFCC has established the reserve to support local community safety initiatives over the period of her term in Office. £250k per annum has been set aside to support this initiative.

#### **Investments Reserve (Funding for Planned Expenditure over MTFP)**

This reserve was created from a 'precept' underspend from 2019/20 and is to be invested in line with the PFCC proposals.

#### **Training Reserve**

This reserve was created from an underspend from 2019/20 when not all planned training could be delivered in year.

#### **Commissioned Services Reserve (Funding for Planned Expenditure over MTFP)**

To help manage the variable nature of and short term nature of some grants provided for this area of work this Reserve has been established from previous underspends in this area to help manage the uncertainties of funding changes and invest initially in new areas of work

### **Funding for specific projects and programmes beyond the current planning period.**

#### **Confiscated Monies Reserve**

These reserves hold monies raised from confiscated assets generated through the proceeds of crime, either directly or via grant from Central Government. The reserve is utilised to support crime fighting work, subject to statutory restrictions on usage

#### **Cost of Change Reserve (Funding for Planned Expenditure over MTFP)**

This reserve is held to meet the forecast costs of change and held to enable future change programmes that might be required to help transform the organisation

### **As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).**

#### **Insurance Reserve (General Contingency Reserve)**

The Police, Fire and Crime Commissioner operates on a self-insurance basis determined by the level of excess on the cover provided by external policies. This reserve is ring-fenced for insurance requirements only and cannot be used for other purposes. It is calculated based on an historic assessment of claims history and is subjected to an actuarial audit to validate the fund level on a

three-yearly basis. This reserve is available should the Police, Fire and Crime Commissioner face exceptional costs or suffer a major catastrophic incident or face premium increases which cannot be met by budget in year.

**Pay and Pensions Reserve (General Contingency Reserve)**

The biggest risk within the financial plans are the cost pressures that result from Pay Awards that are higher than forecast. These awards are generally notified late in the financial year and therefore with little/no time to reduce spending if required. This reserve therefore provides a mechanism for meeting unexpected costs in this area, should they materialise, while long term savings plans are developed and delivered.

**Major Incident Reserve (General Contingency Reserve)**

This reserve was established by transfer from revenue, and is held to contribute to the funding of any one off major incident revenue costs over and above the annual budget set aside for major incidents.