

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

22nd February 2022

Status: For Decision

Medium Term Financial Plan (MTFP) 2022/23 to 2025/26 and Capital Plans 2022/23 to 2025/26 - Policing

1. Executive Summary

1.1 Purpose of the Report

This report asks the PFCC to agree the Budget proposals for 2022/23 and the Medium Term Financial Plan (MTFP) for 2022/23 – 2025/26 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 2022/23 and the indicative allocations for the period 2023/24 to 2025/26

2. Recommendations

2.1 The PFCC is requested to approve the allocation of the £191,491k of revenue funding, that is forecast to be received by the PFCC in 2022/23, in the following areas:

- £1,335k to run the Office of the PFCC
- £5,244k for Commissioned Services and Community Safety Initiatives
- £585k for Asset Management Costs
- £176,858k to the Police Force
- £8,483k to the Capital Programme
- £1,014k from Earmarked Reserves

2.2 The PFCC is asked to note that the 2022/23 budget is based on the approved £10, or 3.69%, increase in the level of Band D precept for 2022/23.

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 £5,444k, before any slippage from 2021/22, as set out at Appendix A, for 2022/23 and within that programme approve that:
- Indicative approval of the 2023/24 Rolling Programme budgets as set out in Appendix A, and delegation of approval of any requests to pre-order against the 2023/24 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2023/24 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 2021/22 Capital Programme into 2022/23.
 - The Force bring a specific report to Executive Board, in June, September, December and March, setting out full details of the Capital Programme, which provides an update on each scheme within the programme, including an overview of each scheme, progress on delivery, finances and risks.
- 2.6 The PFCC is asked to agree that additional borrowing totalling £3,887k can be taken out during 2022/23, if needed, to support the delivery of the Capital Programme.
- 2.7 The PFCC is asked to approve that if Projects/Business Cases that are already on the Change Pipeline are supported/approved at Change Board, and not novel, contentious or of significant public interest, then the PFCC CFO can approve the financial arrangements, where these are £100k per year or less.
- 2.8 The PFCC is asked to agree that the Force bring a specific report to Executive Board, in June, September, December and March, setting out full details and updates on the Change Pipeline, which provides an update on each scheme within the 2022/23 programme, including an overview of each scheme, progress on delivery, finances and risks, with specific focus on those that the Force have indicated are Mandated and Business Critical.
- 2.9 The PFCC is asked to approve that if the Force want to release funding that is set aside for the Change Pipeline, to fund the Costed Service Plans then the following process is followed:
- A proposal is made to Change Board to identify where permanent reductions/savings from the Pipeline are to be made.
 - If approved then the PFCC CFO will approve a reduction in the budget being allocated to the Change Pipeline and allocate this to the CC Budget, provided this was within the submitted Costed Service Plans.

3. Planning and Funding Assumptions

3.1 Police Funding Settlement 2022/23

3.2 The 2022-23 Provisional Settlement was announced on 16 December in a written statement by the Crime and Policing Minister, Kit Malthouse. with the Final Settlement announced on the 2nd February 2022, when the provisional settlement figures were confirmed.

3.3 Full details of the Settlement can be found on the Home Office gov.uk pages.

3.4 This settlement follows the first three-year Spending Review for several years. Despite the economic landscape improving, there are still significant difficulties within the economy. Inflation is of particular concern with the Bank of England's prediction of a CPI figure of over 5% in 2022 coming to fruition.

3.5 Prior to the publication of settlement, the sector was expecting a continuation of additional Police Uplift Programme funding for the recruitment of 8,000 officers (towards the 20,000 total).

3.6 In a follow up meeting, Kit Malthouse confirmed that policing would receive an extra £550m in 2022-23, £650m in 2023-24 and £800m by 2024-25. It has been clarified that this means £100m extra in 2023/24 and then £150m extra in 2023/24.

3.7 At the time of the Spending Review, how this money was to be distributed was unknown, however, it was suggested that as well as Uplift funding this would also give forces enough resource to fund a pay rise, in line with the end of the public sector pay freeze.

3.8 The settlement also provided Police and Crime Commissioners (PCCs) in England with the flexibility to increase funding in each year of the Spending Review period with a £10 council tax referendum limit. According to the Spending Review, if all PCCs in England and Wales were to take full advantage of this flexibility, this would raise up to an additional £774m by 2024-25 based on current Home Office forecasts.

3.9 Spending Review 2021 Headlines

- £10 Precept Flexibility for PCCs over the 3 years of the Spending Review.
- The Home Office settlement provides £4.2 billion over the Parliament, increasing from £12.3bn in 2019-20, (14.6bn in 2021-22) to £16.5bn in 2024-25
- Public Sector Pay Freeze to end in 2022

3.10 Core Funding

3.11 Based on the analysis released by the Government Core Funding to PCC's has increased by 5.8%, this however assumes that all PCCs increase their Precept by £10 and also does not take into account the loss of the additional Local Council Tax Support Grant that PCCs received in 2021/22.

- 3.12 The smallest increases in core funding were seen in City of London at 4.7%, with Dorset and Gloucestershire at 4.8%. In contrast Northumbria is shown to have the largest increase at 6.3%, followed by West Midlands at 6%.
- 3.13 The Government calculate the increase in North Yorkshire (including a £10 increase in Precept and excluding the loss of £1,155k for additional Council Tax Support Grant) to be 5.0%.
- 3.14 When the transfer of Special Branch out of force budgets is included, the additional money for all forces amounts to an increase of £549m. It has been confirmed that the funding that was promised to cover employer NI contributions increase of 1.25% is included within this funding.
- 3.15 What does the Government expect to be delivered with this additional funding?
- 3.16 The Government has written to PCC's setting out that:
- 3.17 One of our top priorities will be to complete the recruitment of the 20,000 additional officers by March 2023. All forces have continued to deliver through year two of the programme and, working in partnership with you, we have already recruited 11,053 additional officers. We expect the pace of delivery to continue.
- 3.18 For the final year of the Police Uplift Programme, the 8,000 additional officers to be recruited will be allocated based on the forces' share of the core grant under the police funding formula.
- 3.19 The allocation of 8,000 officers will support the growth of 425 officers into Regional Organised Crime Units to confront serious and organised crime. This continues our investment in to the regional-tier of policing. This investment will support the delivery of our strategic commitments as set out in the Beating Crime Plan, as well as tackling drug supply, fraud, and online harms. These officers will also allow us to do more to stop the exploitation and abuse of the most vulnerable in our communities.
- 3.20 The Government expects PCCs to continue to take responsibility for crime outcomes both locally and nationally, and we will support PCCs and forces to deliver well-evidenced crime interventions as part of their core business. The Spending Review has provided £150m of Government funding for specific crime reduction programmes, designed to prevent crime and keep our communities safe, in each of the next three years. This funding will be available on a 'matched funding' basis.
- 3.21 Within this Spending Review settlement, we expect to see over £100m of cashable efficiency savings per annum delivered from police force budgets by 2024/25 against the 2020/21 baseline. Following positive engagement across the sector, we have identified three key areas for efficiencies: corporate functions ("back office" including shared services), commercial and procurement, and modern working practices including estates (taking advantage for new technology and innovation). The delivery of efficiencies will be supported and monitored by the Home Office and the Efficiency in Policing Board.

3.22 What does this mean for North Yorkshire in 2022/23 in terms of Funding?

- An increase in of Core Police Grant plus Police Uplift Grant of £4,766k.
- This includes up to £1,314k from the ring-fenced grant for the officer uplift – linked to the recruitment of 78 additional Police Officers by the end of March 2023 (which includes 4 to be allocated to the Regional Organised Crime Unit)
- Police Pension Grant remains at £1,449k
- Capital Grant has been abolished. In 2021/22 it was £116k
- The one-off increase in Council Tax Support Grant of £1,155k has not continued.
- A challenge to deliver £1,050k of savings and efficiencies towards the £100m of savings that have been factored into the National Core Grant allocations, with £825k required to be delivered in 2022/23.

3.23 Based on the precept being proposed, of £281.06 for a Band D property, then the overall impact on the Core funding for the organisation is set to increase by 5.0%, or just over £8.5m, as set out in the table below:

Overall Government and Local Revenue Funding	2022/23	2021/22	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
Government Funding				
Police Grant	(51,102)	(48,392)	(2,709)	5.6%
RSG/National Non Domestic Rate	(32,374)	(30,658)	(1,716)	5.6%
Police Officer Uplift Grant	(1,314)	(973)	(341)	35.0%
Council Tax Freeze Grant	(2,152)	(2,152)	0	0.0%
Council Tax Support Grant	(5,746)	(6,901)	1,155	-16.7%
Additional Police Pensions Grant	(1,449)	(1,449)	0	0.0%
Additional Government Funding Changes	(94,137)	(90,525)	(3,612)	4.0%
Impact of a £10 (3.69%) Band D Precept increase				
Net Surplus on Collection Funds	(318)	233	(551)	
Council Tax Requirement	(86,556)	(82,178)	(4,378)	5.3%
Total Local Funding	(86,874)	(81,945)	(4,929)	6.0%
Total Government + Local Funding	(181,011)	(172,470)	(8,540)	5.0%

3.24 How does North Yorkshire compare to the National Picture?

3.25 Of the £550m increase in Government Grant, which equates to a 6.1% increase nationally, North Yorkshire has only received a 5.2% increase.

3.26 The 0.9% difference is the equivalent of £770k (this is the equivalent to a £2.50 (0.9%) increase in the Band D precept)

3.27 If each PCC increased their precept by £10, combined with tax base assumptions, there will be an additional £246m of resources for policing from council tax alone. Due to historic differences in council tax, increases for individual PCCs range from 3.3% in North Wales to 6.95% in Northumbria. The unweighted average for all PCCs is 4.2%.

- 3.28 A £10 increase in North Yorkshire would equate to an increase of 3.69%. This would be the fourth lowest percentage increase in England, which results from North Yorkshire having the fourth highest Policing Precept level in England (down from 2nd highest in the previous year) and a current Precept level that is over 13% higher than the National average.
- 3.29 If each PCC took the £10 precept, the average band D police precept in England and Wales would be £249.42 (in North Yorkshire this would be £281.06) with an average of 41% of total funding coming from Council Tax (in North Yorkshire this would 49%)
- 3.30 Government Funding for 2023/24 and beyond
- 3.31 The Government have indicated that policing would receive an extra £100m extra in 2023/24 and then £150m extra in 2024/25.
- 3.32 A £100m increase equates to an increase of only 1.1% in 2023/24. Whereas an increase of £150m equates to an increase of only 1.7% in 2024/25.
- 3.33 Neither of these increases will be sufficient to keep pace with either pay or non-pay inflation.
- 3.34 In 2022-23 the top slices/reallocations total £1,373.7m, a £340.2m increase over last year (£1,033.5m). Primarily, this difference comes from an increase in Police Technology Programmes at £121.8m, with an additional £325m going to new programmes including Police and CJS Performance, Crime Reduction Programmes, Crime Reduction Capabilities, Rape Review, Drugs / County Lines, Capital Reallocations and Fraud.
- 3.35 Pensions Grant
- 3.36 Pensions Grant allocations remain unchanged from those in 2019-20. 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'.
- 3.37 Council Tax Legacy Grant
- 3.38 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 2022-23. 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'.

3.39 Capital Funding

3.40 Capital Funding has been moved under the umbrella of reallocations and adjustments. Total Police Capital Funding is now worth £188.1m. Capital funding grant in its previous form no longer exists.

3.41 As such no Government funding is providing specifically for Policing in North Yorkshire is only £116k. When this is compared to a Capital Programme of around £7m to £10m per year it means there is a significant need to use Revenue Funding to fund the Capital Programme.

3.42 Counter Terrorism

3.43 The Minister announced a total of £1,022.9m for Counter Terrorism (CT) policing in 2022-23. The top slice amounts to a total of £978.9m, an increase of £65m. However, this year the policing minister stated that there would be a £44m transfer from the Special Branch from core PCC budgets to the CT policing grant, which pushes the total to over £1bn.

3.44 Ministry of Justice Grants

3.45 PCCs have recently been notified of their 2022-23 allocations for commissioning of victims' services. These allocations are unfortunately based on population and as such they do not consider the level of victims in a Police Force Area. Given that the population in North Yorkshire is not increasing as quickly as other areas of the country then the allocation for 2022/23 has reduced, by just over £3k, in comparison to 2022/23 to £961k

3.46 In addition to the above it has been confirmed that £483k has been awarded to North Yorkshire to continue to invest in the 3 additional Independent Sexual Violence Advisor posts and 9 additional Independent Domestic Violence Advisor posts that were the subject of a successful funding bid in 2021/22.

How has Funding changed for Policing since 2010/11?

3.43 Using the latest Gross Domestic Product deflation factors from the Treasury and Excluding the Welsh and London Forces, as they have different funding mechanisms, then:

- In cash terms, funding has increased, on average, by 18.6% between 2010-11 and 2022-23. However in North Yorkshire is it higher than this at 21.2%, the difference is the equivalent of about £4.7m of additional funding per year, in comparison to the average.
- However, when we account for inflation, this figure drops to -5.1%., in North Yorkshire however the reduction is lower at about -3.0%

3.44 **In Real Terms funding in North Yorkshire in 2022/23 will be about 3% lower than in 2010/11 – this is the equivalent of £5.5m.**

3.45 The table below provides more detail:

Police Force Area (excl Wales and London)	Cash Change in GOVERNMENT FORMULA FUNDING between 2010-11 and 2022-23	REAL TERMS cut in GOVERNMENT FORMULA FUNDING between 2010-11 and 2022-23	Cash change in TOTAL FUNDING between 2010-11 and 2022-23	REAL TERMS cut to TOTAL FUNDING between 2010-11 and 2022-23
Surrey	6.4%	-14.8%	27.7%	2.1%
Warwickshire	6.8%	-14.5%	26.5%	1.2%
Thames Valley	4.4%	-16.5%	25.2%	0.2%
Wiltshire	4.6%	-16.3%	25.1%	0.1%
Cambridgeshire	5.5%	-15.6%	24.9%	-0.1%
Lincolnshire	7.4%	-14.1%	24.7%	-0.2%
Norfolk	7.7%	-13.8%	24.6%	-0.3%
Dorset	8.7%	-13.0%	24.0%	-0.8%
Gloucestershire	6.9%	-14.5%	23.6%	-1.1%
Sussex	4.9%	-16.1%	23.4%	-1.3%
Essex	4.7%	-16.2%	23.4%	-1.3%
Northamptonshire	6.0%	-15.2%	23.2%	-1.4%
Bedfordshire	4.0%	-16.8%	23.0%	-1.6%
Suffolk	6.8%	-14.6%	22.7%	-1.8%
Hampshire	3.5%	-17.2%	22.4%	-2.1%
Devon & Cornwall	5.7%	-15.4%	22.3%	-2.2%
Kent	4.2%	-16.6%	22.2%	-2.2%
Cheshire	4.1%	-16.7%	22.2%	-2.2%
Hertfordshire	5.9%	-15.3%	21.5%	-2.8%
North Yorkshire	7.3%	-14.2%	21.2%	-3.0%
Leicestershire	5.1%	-15.9%	21.0%	-3.2%
Avon & Somerset	5.9%	-15.3%	21.0%	-3.2%
West Mercia	6.7%	-14.6%	20.1%	-3.9%
Derbyshire	4.8%	-16.1%	19.0%	-4.8%
Nottinghamshire	5.3%	-15.7%	17.9%	-5.7%
Staffordshire	6.8%	-14.5%	16.8%	-6.5%
Cumbria	4.6%	-16.3%	16.7%	-6.6%
Humberside	6.1%	-15.1%	16.2%	-7.0%
Lancashire	3.4%	-17.2%	15.3%	-7.8%
West Yorkshire	3.3%	-17.3%	15.1%	-7.9%
South Yorkshire	3.5%	-17.2%	13.7%	-9.0%
Durham	3.9%	-16.9%	13.3%	-9.3%
Cleveland	6.0%	-15.2%	13.0%	-9.6%
Greater Manchester	3.8%	-17.0%	12.5%	-10.0%
West Midlands	2.1%	-18.3%	10.8%	-11.3%
Merseyside	3.6%	-17.1%	10.7%	-11.4%
Northumbria	1.4%	-18.9%	9.4%	-12.5%
Total	4.5%	-16.4%	18.6%	-5.1%

3.47 **Precept**

Around 49% 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.

3.48 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.

3.49 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 £10 before a referendum is required in 2022/23.

3.50 Consultation was undertaken in relation to the option of increasing the precept in 2022/23 and in total 1,502 responses were received via the open online survey and a further 1,011 interviews over the telephone. The open survey was published on the PFCC website and promoted widely via social media.

3.51 The public were asked the following question:

3.52 Last year, in light of the financial impact of Covid, the Commissioner set a 1.99% increase which covered the rate of inflation but didn't allow for any additional investment in policing services.

3.53 This year, the Government has said that the Commissioner can increase the policing precept by up to £10, which is 3.7% for an average Band D property, but the Commissioner wants to know what you think.

3.54 Money raised beyond paying for inflation will be invested in enhancing services to support victims of violent crime, particularly women and girls, and in services to tackle the root causes of harm and offending behaviour.

3.55 It will also contribute to additional training, equipment and support for new Police Officers recruited to North Yorkshire Police through the national Policing Uplift Programme.

3.56 The following options are based on an average Band D property currently paying £271.06 each year 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 be maintained.
- Up to £5.39, an increase of 1.99%
This would raise £1.6 million, however this is likely to be a below inflation rise and would be a challenge to maintain current service delivery with no additional investment in policing services.

- Up to £10, an increase of 3.7%
This would raise £3.0 million, is likely to be slightly in excess of inflation and would provide limited scope for investment in the policing services mentioned.
- Up to £15, an increase of 5.5%
This would raise £4.6 million, exceeds inflation and would mean a significant investment in the policing services mentioned.

3.57 A summary of the results is shown below:

	Total (n=2513)	Telephone (n=1011)	Online (n=1502)
No more than I pay now – a precept freeze	36%	37%	34%
Up to £5.39, an increase of 1.99%	23%	29%	20%
Up to £10, an increase of 3.7%	23%	22%	23%
Up to £15, and increase of 5.5%	18%	12%	23%
<i>TOTAL who support an increase of at least £5.39/1.99%</i>	65%	63%	66%
<i>TOTAL who support an increase if at least £10/3.7%</i>	41%	34%	46%

3.58 Combined results (online and telephone) from the consultation show the majority (65%) support an increase of up to £5.39 in the policing precept. A cumulative total of 41% respondents supported an increase of £10 or more, which was the level proposed to the Police, Fire and Crime Panel, and unanimously supported.

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

- 2023/24 – Precept Increase of 1.99%
- 2024/25 – Precept Increase of 1.99%
- 2025/26 – Precept Increase of 1.99%

3.60 In the 7 years prior to 2021/22 there had been significant increases, averaging 1.5% per year, in the number of calculated Band D properties within North Yorkshire which the PFCC has benefited from. This come to an abrupt halt in 2021/22 however 2022/23 has returned to a more 'normal' pattern with the Tax Base increasing by 1.58%.

3.61 The number of Band D properties within North Yorkshire has increased by 4,789 to 307,963.

3.62 During 2021/22 the Councils indicated an overall deficit on their Council Tax collection funds, of which £1,018k related to Police.

3.63 The Government recognised the challenge of absorbing these deficits in one year and therefore 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.

3.64 The deficit is therefore being phased in three equal and fixed amounts across the financial years 2021-22, 2022-23 and 2023-24.

3.65 2022-23 is the second of these 3 years and therefore a £339k charge is factored into the overall collection fund position, which was a surplus of £318k.

3.66 MTFP Assumptions

When the 2021/22 budget was set in February 2021 the forecasts were underpinned by the following assumptions:

- 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

3.46 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 2022/23 and beyond will assume the following:

- Pay Awards:
 - 2022/23 – 3.5% increase
 - 2023/24 – 2.5% increase
 - 2024/25 – 2.0% increase

- Precept: Increases of:
 - 2022/23 - £10, or 3.69%
 - 2023/24 – 1.99%
 - 2024/25 – 1.99%

- Tax Base increases of:
 - 2022/23 - 1.58%
 - 2023/24 – 1.5%
 - 2024/25 – 1.2%
 - 2025/26 – 1.0%

- Government Grants increases of:
 - 2023/24 – 1.1%
 - 2024/25 – 1.7%
 - 2025/26 – 2.0%

- Impact of Funding Formula review – Nil

3.47 Specific Grants, Other Income and Partnership Fees and Charges

These sources of income and funding are forecast to provide between £12.6m and £13.2m across the life of the plan.

3.48 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 2021/22, is as follows

	Actual Budget	Forecasts			
	2021/22	2022/23	2023/24	2024/25	2025/26
Core Funding	£000s	£000s	£000s	£000s	£000s
Government Grant	(79,050)	(83,476)	(84,446)	(85,901)	(87,619)
Council Tax Precept	(81,945)	(86,874)	(89,763)	(92,882)	(95,666)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(6,901)	(5,746)	(5,746)	(5,746)	(5,746)
Funding for Net Budget Requirement	(170,048)	(178,248)	(182,107)	(186,681)	(191,183)
%age Change in Net Budgetary Requirement	4.1%	4.8%	2.2%	2.5%	2.4%
Other Funding					
Specific Grants	(5,227)	(6,114)	(5,606)	(5,626)	(5,647)
Partnership Income/Fees and Charges	(7,266)	(7,130)	(7,042)	(7,160)	(7,282)
Total Funding	(182,541)	(191,491)	(194,755)	(199,467)	(204,112)
%age Change in Funding	3.0%	4.9%	1.7%	2.4%	2.3%

3.49 2022/23 is the 4th 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 £33.0m (or 23%) in the past 4 years.

3.50 The position is similar as a Total Core funding level, with increases of £34.5m (or over 22%) across the same 4 year period.

3.51 As mentioned earlier in this report however it is important to recognise that this is still a reduction in real terms (i.e. after taking into account inflation) of around £5.5m since 2010/11.

3.52 The 2022/23 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 2022-23 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 2022/23 is £1,335k which reflects the first real investment in this area since PCC's came into existence. The investment is expected to increase staffing within 'Complaints' Team, add to the in-house Communications Team and provide greater capacity within the Executive Management Team.
- 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 PCCs have recently been notified of their 2022-23 allocations for commissioning of victims' services. These allocations are unfortunately based on population and as such they do not consider the level of victims in a Police Force Area. Given that the population in North Yorkshire is not increasing as quickly as other areas of the country then the allocation for 2022/23 has reduced, by just over £3k, in comparison to 2021/22 to £961k
- 4.6 In addition to the above it has been confirmed that £483k has been awarded to North Yorkshire to continue to invest in the 3 additional Independent Sexual Violence Advisor posts and 9 additional Independent Domestic Violence Advisor posts that were the subject of a successful funding bid in 2021/22
- 4.7 The OPFCC has been successful in bidding Safer Streets Funding in both 2020/21 and 2021/22. There will be an opportunity for the PFCC to bid into a similar fund for the next 3 years with £50m per year available nationally. The Funds overarching proposals were signed off in the government's Levelling Up paper which confirms the Fund has expanded its primary objectives to encompass the prevention of:
- neighbourhood crimes like burglary, robbery and vehicle theft
 - anti-social behaviour (new area of focus)
 - violence against women and girls (e.g. harassment, rape, sexual assault and stalking)
- 4.8 This means bidders in England and Wales can submit bids on one, all or a selection of these crime areas based on local needs. Bidders will be able to identify secondary benefits too.
- 4.9 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.

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

	Forecasts			
	2022/23	2023/24	2024/25	2025/26
<u>Commissioning and Partnerships</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Supporting Victims	2,012	1,376	1,376	1,376
Community Safety	1,380	1,246	1,246	1,246
Street Triage and Mental Health Services	505	505	505	505
Youth Justice	375	375	375	375
Child Sexual Assault Services	347	347	347	347
Safeguarding Communities	246	246	246	246
SARC Services	195	195	195	195
Community Fund	250	250	250	250
Staff Pay	603	669	648	648
Non-Pay	102	102	102	102
Total Costs	6,014	5,311	5,289	5,289
Income	(562)	(562)	(562)	(562)
Reserves	(209)	(37)	0	0
Total Net Budget	5,244	4,712	4,727	4,727

4.11 The higher budget in 2022/23 is reflective of the £483k additional, time limited, funding from the MoJ that is referred to in paragraph 4.6.

4.12 Asset Management

4.13 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.

4.14 Furthermore when this borrowing is funded via a loan then there are also interest charges incurred.

4.15 The combination of these two areas are factored into the Asset Management budget which is estimated to be £585k for 2022/23. 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 summarised in the table:

	Actual Budget	Forecasts			
	2021/22	2022/23	2023/24	2024/25	2025/26
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Pay					
Police Pay	84,788	89,734	93,846	95,936	97,840
Police Overtime	2,312	2,529	2,360	2,164	2,329
PCSO Pay (incl Overtime)	7,672	8,222	8,596	8,918	9,229
Staff Pay (incl Overtime)	37,963	40,613	41,708	42,849	44,347
Pay Total	132,735	141,098	146,509	149,867	153,745
Non-Pay Budgets					
Other Non Salary	1,724	2,052	1,800	1,800	1,800
Injury and Medical Police Pensions	3,871	3,693	3,650	3,647	3,680
Premises	4,319	4,640	4,831	4,928	5,024
Supplies and Services	23,126	22,409	23,396	23,140	23,328
Transport	2,646	2,966	3,028	3,090	3,151
Non-Pay Total	35,686	35,760	36,706	36,605	36,983
Projects	1,368				
Total Force Budget	169,789	176,858	183,215	186,472	190,729
%age Change in Expenditure	2.8%	4.2%	3.6%	1.8%	2.3%
Employee Numbers	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,567	1,620	1,645	1,645	1,645
PCSOs	221	229	229	229	229
Police Staff	1,086	1,103	1,096	1,095	1,095

- 5.4 A further 4.2% (£7.1m) increase in the funding available to the Force in 2022/23 has followed on the back of significant increase for the last 3 years. In 2022/23 the Force will therefore have £25.4m, or 16.7%, more Revenue funding available than 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 2022/23 is nearly £7.0m higher than it was in 2018/19.
- 5.6 **In 2022/23 the Force will therefore have £32m, or 21%, more Revenue and Capital funding available than 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 £1,314k 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 78 FTEs by the end of March 2023, and have at least 1,645 Police Officers by this point.
- 5.10 This additional recruitment follows closely on the back of recruiting the additional 51 Officers during 2019/20 and then the subsequent increases from the Uplift programme of 58 additional Officers in both 2020/21 and 2021/22.
- 5.11 The Force is well positioned to deliver the Police Officer recruitment required for 2022/23 with expectations that it will start 2022/23 with around 1,600 Officers in Force.
- 5.12 To enable the growth in Police Officer numbers being targeted by the Government it is projected that North Yorkshire Police will need to recruit in excess of 100 Police Officers to reach this target, while replacing those who will leave or retire.
- 5.13 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.
- 5.14 Not only is recruitment progressing well but the Force are also making significant improvements in relation to both equality and diversity.
- 5.15 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 September 2021 just under 49% of the new recruits into North Yorkshire Police, for whom they have data, have been Female.
- 5.16 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 September 2021, 4.3% of the new recruits into North Yorkshire Police have indicated that their ethnicity was Black, Asian, Mixed or Other.
- 5.17 From a financial perspective the Force will need to ensure that their recruitment plans are aligned to the financial plans. 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 2022/23 and beyond are Pay Awards.

5.18 Pay Awards

5.19 There are broadly 3 main drivers of increased pay budgets for 2022/23. These are:

- A Forecast 3.5% pay award from the 1st September 2022
- A Employers National Insurance increase of 1.25% from the 1st April 2022
- Delivery of the final 78 Police Officer to meet the Government target

5.20 The costs of these 3 items alone are projected to be:

Unavoidable increases in pay costs	2022/23	2023/24	Ultimate Cost
	£m	£m	£m
3.5% Pay Award	2.7	4.7	4.7
1.25% NI Increase	1.2	1.2	1.2
78 Additional Police Officers	2.7	2.9	4.7
Total	6.6	8.8	10.6

5.21 The full year costs of these 3 items effectively require all of the additional funding, including the £10 precept increase, of just over £8.5m that was set out in paragraph 3.23.

5.22 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.

5.23 The MTFP assumes that pay awards are implemented from the 1st September each year at the following levels:

- 2022/23 – 3.5%
- 2023/24 – 2.5%
- 2024/25 – 2.0%
- 2025/26 – 2.0%

5.24 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.

5.25 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.

5.26 **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 2022/23 budget reflects the higher number of Bank Holidays in 2022/23 as well as the higher levels of Police Officers.

5.29 **PCSO Pay Budget**

5.30 The budget for PCSO's is based on an Establishment of 229 FTEs, this is after taking into account the investment into the Initial Enquiry Team.

5.31 The Force are currently reporting the their 2021/22 recruitment plans and leaver expectations forecast that PCSO numbers will only reach 210 FTE by March 2022, which includes a recruitment of 14 in February 2022.

5.32 The will mean that almost 10% (19 FTEs) of the PCSO posts will be vacant at the start of 2022/23. This is likely to lead to an underspend in 2022/23, in a similar way to PCSO pay is underspending in 2021/22.

5.33 The PFCC may want to seek some assurances from the Force on their plans for both the recruitment of PCSOs and the impact that these vacancies are likely to have on service delivery during 2022/23 and how the Force plans to address these.

5.34 **Police Staff**

5.35 In terms of the Police Staff budget, the Establishment is based on 1,103 FTEs. This is around 17 FTEs higher than the budget set in 2021/22. This is also before any increases that set out within the Costed Service Plans, which sets out an ask/need for 33 FTE additional staff posts.

5.36 In line with the current financial year the financial plans 'allow' for 50 FTE vacancies throughout 2022/23 and therefore the Force has sufficient budget to fund 1,053 FTEs.

5.37 As at the end of January 2022 the Force are reporting 1,026 FTEs employed and forecasts to be at 1,021 FTEs by the start of the 2022/23 financial year.

5.38 This area will therefore need to be really closely managed throughout 2022/23, as similarly to PCSOs, this is an area that is underspending during 2021/22. The current forecast for 2021/22 from the Force includes a £1.4m underspend on Staff Pay.

5.39 Given the projected starting point for overall staff numbers, in comparison to the budget, even before the additional roles for the Costed Service Plans are taken into account, the PFCC may want to seek assurances on the impact of these vacancies on service delivery – especially within the Force Control Room/Customer Contact which the Force have highlighted as having a number of current vacancies.

5.40 **Other Non-Salary**

5.41 Growth of over £300k is factored into the area. Which is predominantly made up from a £135k permanent increase in Police Training, a £250k budget for Agency Staff Costs for 2022/23 only and recurring savings on Staff Training of £100k.

5.42 **Injury and Medical Pensions (Police Officers)**

5.43 This continues to be an area that is difficult to predict, with only 2 injury/medical retirements in the first 9 months of 2021/22 (versus a budget for 11). This will need to be a budget that is closely monitored in 2022/23 given the variability that occurs on it.

5.44 The budgeted level in 2022/23 is in line with the budget over the last 4 years after an increase of £500k in 2018/19.

5.45 **Premises**

5.46 Significant cost and inflation pressures have been factored into the 2022/23 budget in this area. In total the budget has increased by £320k (almost 7.5%) with the vast majority resulting from forecast increases in:

- Electric - £190k (23%)
- Gas - £80k (49%)
- Cleaning - £55k (11%)

5.47 Given the current volatility in the energy markets there is clearly a risk that these increase may not be enough and therefore this will need to be closely monitored throughout the year.

5.48 **Supplies and Services**

5.49 This budget has decreased by nearly £1.1m (or 3%) from 2021/22 however it is important to recognise that this is still £2m, or 10%, higher than the Force is currently forecasting to spend in this area in 2021/22.

5.50 Of this £2m, £0.8m relates to a new contribution to the Regional Collaboration in relation to the Collision Investigation Unit.

5.51 However this will need to be an area for close scrutiny by the Force given the forecast £1.6m underspend in 2021/22 which followed on from an underspend of £3.5m in 2020/21.

5.52 **Transport**

5.53 There is a £320k (12%) increase in the transport budgets factored into the 2022/23 budget.

5.54 This is being driven by increases across 4 main areas:

- Fuel - £110k (9%) increase
- Vehicle Parts - £140k (87%) increase
- Tyres - £85k (74%) increase
- Air Support - £85k (25%) increase

5.55 These costs are forecast to be partly offset by lower travelling expenses as a result of new ways of working.

5.56 **Costed Service Plans**

5.57 Over the last 12 months, the Force have adopted an integrated business planning approach which has utilised the Force Management Statement to identify gaps in capacity and capability alongside more specific requirements to support the Police Officer Uplift Programme and the resources required to meet the changing nature of demand.

5.58 As a result of this the Force has set out a need for additional resources and funding of almost £1.7m in 2022/23, reducing to around £1.5m by 2025/26.

5.59 **National Savings Requirements**

5.60 In setting out details of the Spending Review the Government set a requirement for Policing to deliver £100m of cashable savings across the 3 years of the Spending Review period, with 80% of these required to be delivered in 2022/23.

5.61 The Government have therefore removed this funding from the settlement numbers and now it is down to the Force to deliver these savings to enable them to meet the cost pressure being faced.

5.62 From a North Yorkshire perspective this requires the delivery of £1,050k of savings and efficiencies towards the £100m of savings that have been factored into the National Core Grant allocations, with £825k required to be delivered in 2022/23.

<u>Costed Service Plan delivery</u>	2022/23	2023/24	2024/25	2025/26
	£000s	£000s	£000s	£000s
Current Costs not included within Plans	1,673	1,629	1,567	1,520
Allowed for in CC budget plans (Balance on CC Performance Priority Fund)	-570	-678	-518	-449
Government Savings Target - FORCE NEED TO DELIVER **	-825	-951	-1,050	-1,070
Allow for phased deliver of plans (2 months)	-278			
Balance Remaining	-0	-0	0	0
**Equates to (roughly) 1.05% of the £100m National Savings Requirement over 3 years with 80% in year 1				

5.63 The 2022/23 budget therefore provides for the difference between the financial ask to deliver these Costed Service Plans, net of the need to the Government Savings Target, after taking in account an element of phased delivery in year 1 (of 2 months – assuming that it is likely to take 3 months realistically to recruit into any of the posts)

5.64 The Force will therefore have all of the funding that it requires to deliver these plans providing it can deliver its proportion of the national savings target.

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	Forecasts			
	2021/22	2022/23	2023/24	2024/25	2025/26
Core Funding	£000s	£000s	£000s	£000s	£000s
Government Grant	(79,050)	(83,476)	(84,446)	(85,901)	(87,619)
Council Tax Precept	(81,945)	(86,874)	(89,763)	(92,882)	(95,666)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(6,901)	(5,746)	(5,746)	(5,746)	(5,746)
Funding for Net Budget Requirement	(170,048)	(178,248)	(182,107)	(186,681)	(191,183)
%age Change in Net Budgetary Requirement	4.1%	4.8%	2.2%	2.5%	2.4%
Other Funding					
Specific Grants	(5,227)	(6,114)	(5,606)	(5,626)	(5,647)
Partnership Income/Fees and Charges	(7,266)	(7,130)	(7,042)	(7,160)	(7,282)
Total Funding	(182,541)	(191,491)	(194,755)	(199,467)	(204,112)
%age Change in Funding	3.0%	4.9%	1.7%	2.4%	2.3%
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	1,175	1,335	1,365	1,395	1,425
Commissioned Services	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	5,531	5,244	4,712	4,727	4,727
Asset Management	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	660	585	585	742	792
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Pay					
Police Pay	84,788	89,734	93,846	95,936	97,840
Police Overtime	2,312	2,529	2,360	2,164	2,329
PCSO Pay (incl Overtime)	7,672	8,220	8,594	8,917	9,228
Staff Pay (incl Overtime)	37,963	40,613	41,708	42,849	44,347
Pay Total	132,735	141,096	146,508	149,866	153,744
Non-Pay Budgets					
Other Non Salary	1,724	2,052	1,800	1,800	1,800
Injury and Medical Police Pensions	3,871	3,693	3,650	3,647	3,680
Premises	4,319	4,640	4,831	4,928	5,024
Supplies and Services	23,126	22,411	23,398	23,142	23,330
Transport	2,646	2,966	3,028	3,090	3,151
Non-Pay Total	35,686	35,762	36,708	36,606	36,984
Projects	1,368				
Total Force Budget	169,789	176,858	183,215	186,472	190,729
%age Change in Expenditure	2.8%	4.2%	3.6%	1.8%	2.3%
Total Expenditure Budgets	177,155	184,022	189,877	193,336	197,674
(Surplus)/Deficit before Reserves/Capital	£000s	£000s	£000s	£000s	£000s
(5,386)	(7,469)	(4,878)	(6,131)	(6,438)	
Contribution to Capital Programme	5,679	8,483	6,087	6,638	6,945
Planned Transfers to/(from) Earmarked Reserves	(293)	(1,014)	(1,210)	(507)	(507)
Net (Surplus)/Deficit After Reserves	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 4 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.

7. Capital Financing and Expenditure

7.1 The assets owned by the PFCC 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.

7.2 12 months ago the Force set out plans that indicated a need for £30.8m of Capital Budgets and £11m of funding for the Change Pipeline, covering the period 2022/23 to 2025/26. So £41.8m in total.

7.3 The Force have now put forward plans for the same 4 year period that indicate a need for Capital Budgets of £28m (although this would have been £6.7m higher had this expenditure not been slipped into 2026/27) plus a Change Pipeline that is now costed to total £27m across the same 4 year period. So in total an 'ask' for £61.7m – this is almost £20m (almost 50%) higher in the space of just 12 months.

7.4 It is important to recognise that the above numbers, and the significant increase in the 'ask', **does not include** any costs related to the development of Fulford Road.

7.5 Capital Expenditure Plans

7.6 Before considering the future Capital Expenditure Plans of the Force it is also important to take into account current plans and forecasts for 2021/22, which is summarised in the table below:

Details	Revised Plan 2021/22 V62	2021/22 Actual spend as at	2021/22 Under / Overspend comparison to YTD Budget	2021/22 Forecast as at	Forecast Variance
		31.12.21		31.12.21	31.3.22
CAPITAL	£000	£000	£000	£000	£000
ICT	3,569	453	-2,216	966	-2,604
Fleet Rolling Programme	2,463	891	-956	1,200	-1,263
Estates Rolling Programme	3,606	832	-1,846	1,765	-1,840
General Equipment Rolling Programme	942	41	-666	132	-810
Other Schemes	493	15	-355	113	-380
Externally Funded Schemes	0	10	10	90	90
Total Capital	11,073	2,242	-6,030	4,266	-6,807

- 7.7 Currently only £2,242k (20%), out of a budget of £11,073k has been spent over 9 months of the 21/22 financial year. With a forecast to spend a further £2,024k in the final 3 months.
- 7.8 If this is achieved it would still leave £6.8m (over 60%) unspent.
- 7.9 The constant slippage and underspending on the Capital Programme has been highlighted for a number of years now however very little progress has been made in delivering, in either a more rigorous way nor to budget.
- 7.10 As a result a different approach to Capital expenditure and financial planning is being put in place for 2022/23 to bring more rigor and financial oversight to the plans. These include the following:
- No provision has been made within the plans for projects/programmes that have not already been approved.
 - No additional funding has been allocated to Fleet in 2022/23. It is expected that they will firstly deliver the delayed and slipped replacement programme for 2021/22.
 - No Estates schemes, beyond 3 already approved schemes (Ripon, Malton and Victims Centre) have been included within the financial plans for 2022/23. The priority will be to deliver these 3 schemes in conjunction with any slippage from the 2021/22 programme.
 - No slippage is going to be approved for 'Other Rolling Programmes and Schemes' and 'Other Schemes'
 - The remainder of the plans, including ICT, are predominantly replacement programmes and therefore should be deliverable providing the equipment and assets are available.
- 7.11 It is expected that the Force will robustly manage the Capital Programme and report regularly to the PFCC via Executive Board as set out in the recommendations to this report.
- 7.12 The above, combined with a robust approach to the approval of any carry forwards and a simplified method of Capital financial oversight is expected to see a marked improvement in delivery of the programme in 2022/23. This will however need to be closely monitored.

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000s	£000s	£000s	£000s	£000s
Capital Financing and Expenditure					
Earmarked Reserve/Funding b/f	5,118	11,294	16,217	13,055	5,439
Capital Grant	116				
Capital Receipts - vehicles and PPE	169	169	169	169	169
Capital Receipts from Estates Strategy	4,659	0	1,070	0	0
Contributions (to)/from Revenue	8,279	8,483	6,087	6,638	6,945
Borrowing	1,823	3,887	2,049	1,857	2,577
Projected in-year funding available	15,045	12,539	9,375	8,664	9,692
Capital and Project Plans					
ICT	966	1,978	2,732	2,524	2,013
Fleet	2,463	0	2,403	1,520	1,476
Estates	5,106	2,387	2,049	1,857	2,577
Other Rolling Programmes and Schemes	132	1,046	770	786	913
Other Schemes	203	33	0	35	0
Slippage/Re-profiling					
Total Agreed Programme	8,870	5,444	7,954	6,721	6,979
Change Pipeline		2,172	4,583	9,559	8,079
Earmarked Reserve/Funding c/f	11,294	16,217	13,055	5,439	73

7.14 The details that make up the £5,444k of new schemes in 2022/23 (plus those of future years) are included in Appendix A.

7.15 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.

7.16 Change Pipeline

7.17 Beyond the 'Agreed' Capital Programme, the table above also allocates, indicatively, funding for the schemes that the Force have set out and costed within their Change Pipeline.

7.18 This is summarised in the table below, and show a total ask of:

- 2022/23 - £4,343k
- 2023/24 - £4,823k
- 2024/25 - £14,295k
- 2025/26 - £2,328k

Change Pipeline	2022/23 DRAFT PLAN			2023/24 DRAFT PLAN			2024/25 DRAFT PLAN			2025/26 DRAFT PLAN			2026/27 DRAFT PLAN		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Not approved: In scoping / not yet scoped															
Mandated	857,421	374,000	1,231,421	2,232,421	570,000	2,802,421	3,087,421	4,170,000	7,257,421	1,775,000	-	1,775,000	795,000	-	795,000
Business critical	1,277,295	1,220,300	2,497,595	1,325,646	559,000	1,884,646	1,841,946	5,110,000	6,951,946	357,372	110,000	467,372	287,000	110,000	397,000
Other	434,191	180,000	614,191	85,799	50,000	135,799	85,799	-	85,799	85,799	-	85,799	85,799	-	85,799
TOTAL Change Pipeline	2,568,907	1,774,300	4,343,207	3,643,866	1,179,000	4,822,866	5,015,166	9,280,000	14,295,166	2,218,171	110,000	2,328,171	1,167,799	110,000	1,277,799

7.19 The financial plans assume all of these plans are delivered however with a 6 month lead in time, given that none of these schemes are currently approved.

7.20 It is expected that the Force will robustly manage the Change Pipeline and report regularly to the PFCC via Executive Board as set out in the recommendations to this report

7.21 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.

7.22 A combined Capital Programme and Change Pipeline that totals over £50m of spend across 4 years (after already slipping £10m into 26/27) seems very ambitious and a significant challenge to deliver given the experiences of delivery of the Capital Programme over at least each of the last 7 years.

7.23 The additional reporting into Executive Board is a reflection of the need therefore for additional oversight and governance of this.

7.24 It is also really important to recognise how this is going to be funded and therefore why it is vital that these plans are fully understood, realistic, deliverable and align to both the Police and Crime Plan and the wider organisational need.

7.25 The funding for this investment is set to come from the following areas:

- £28.2m of contributions from Revenue over 4 years
- £11.3m out of Earmarked Reserves across 4 years
- £10.4m of additional borrowing to fund Estates across 4 years.

7.26 These plans are therefore 'tying up' significant amounts of future financial resources within the financial plans. If these plans therefore fail to be delivered/deliverable, poorly costed and/or simply not needed in the future then a significant amount of lost opportunities might be missed.

8. Reserves

8.1 As at the end of 2020/21 the PFCC had Usable Reserves of £16m, plus £3.4m in the Capital Receipts Reserve. The main reserves held at that point were for the following reasons:

- General Reserves - £5.6m
- Funding for projects within the financial plans - £6.2m
- General contingency and risk Reserves - £3.7m

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 It is worth reflecting that reserves are forecast to increase to around £25m by the end of 2022/23 and then to almost £30m by 2023/24. This results from continued under delivery of the Capital Programme while at the same time adding funding to reserves to make it possible to fund the current projected spend on the Change Pipeline.

8.4 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 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	Tranfers In 2024/25 £000	Tranfers Out 2024/25 £000	Balance at 31 March 2025 £000	Tranfers In 2025/26 £000	Tranfers Out 2025/26 £000	Balance at 31 March 2026 £000
Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.																
PFCC Reserve	510	33	(33)	510	33	(33)	510	33	(33)	510	33	(33)	510	33	(33)	510
Capital Reserve	1,735	8,279	(6,932)	3,082	8,483	(3,728)	7,837	6,087	(10,488)	3,436	6,638	(10,074)	(0)	6,945	(6,945)	0
Change Reserve	0	1,120		1,120		(819)	301	225	(390)	135		(37)	98		(37)	61
Firearms Licence Reserve	615			615			615			615			615			615
PFCC Community Fund	11			11			11			11			11			11
Investments Reserve	593		(392)	201		(176)	25			25			25			25
Training Reserve	400			400			400			400			400			400
Council Tax Reserve	460			460			460		(225)	235			235			235
COVID Reserve	300		(300)	0			0			0			0			0
Donated Stock Reserve	51		(51)	0			0			0			0			0
ESMCP	838			838		(48)	790			790			790			790
Commissioned Services Reserve	726		(44)	681			681			681			681			681
Total Reserves within current MTFP	6,239	9,431	(7,752)	7,918	8,516	(4,804)	11,629	6,344	(11,135)	6,839	6,671	(10,144)	3,366	6,978	(7,015)	3,329
Funding for specific projects and programmes beyond the current planning period.																
Confiscated Monies Reserve	273	130	(100)	303	130	(100)	333	130	(100)	363	130	(100)	393	130	(100)	423
Cost of Change Reserve	220		(220)	0			0			0			0			0
Total Reserves beyond current MTFP	494	130	(320)	304	130	(100)	334	130	(100)	364	130	(100)	394	130	(100)	424
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	554			554			554			554			554			554
Pay and Pensions Reserve	2,000			2,000			2,000		(850)	1,150		(500)	650		(500)	150
Major Incident Reserve	1,114			1,114			1,114			1,114			1,114			1,114
Total General Contingency Reserves	3,669			3,669												
Total Earmarked Reserves	10,401	9,561	(8,072)	11,890	8,646	(4,904)	15,631	6,474	(11,235)	10,871	6,801	(10,244)	7,428	7,108	(7,115)	7,421
General Reserves	5,603	0	0	5,603												
Total Usable Reserves	16,003	9,561	(8,072)	17,493	8,646	(4,904)	21,234	6,474	(11,235)	16,474	6,801	(10,244)	13,031	7,108	(7,115)	13,024
Capital Receipts Reserve	3,384	4,828		8,212	169		8,381	1,239		9,620	169	(4,350)	5,439	0	(5,367)	72

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 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.
- The ability of the Force to deliver both the Capital Programme and the Change Pipeline.

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 2022/23 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 given the current levels of vacancies
 - Recruiting PCSO numbers back to Establishment levels
 - Ensuring Police Officer Targets are hit
 - Medical and Injury Pensions
 - Ensuring that Supplies and Service budgets are fully understood and managed.
 - Capital Programme
- 10.3 The main risks in terms of higher than forecast spend are likely to come from pay awards, if these are agreed at a higher level than budgeted. In addition to pay the level of general inflation within the economy and therefore likely to feed through into costs for the organisation will also need to be monitored closely.
- 10.4 It will be vital to continue to closely monitor the financial position throughout 2022/23 to ensure that the finances support the delivery and achievement of the Police 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. The 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 3.1% of the Net Budget Requirement

in 2022/23 and I believe this to be a reasonable level given the overall challenges and risks faced by the organisation.

Appendix A

Capital Programme Detail	2022/23	2023/24	2024/25	2025/26
ICT Programme	£000s	£000s	£000s	£000s
Computers & Printers	459	353	262	620
Servers	607	1,835	10	110
Telephone and Radio replacement programme	13	9	243	37
Network equipment	631	527	294	731
Body Worn Cameras	259	0	0	0
Operational Mobile Working Refresh	0	0	1,200	0
FCR Refresh	9	8	8	8
DISG Ongoing Requirement	0	0	507	507
Total ICT	1,978	2,732	2,524	2,013
Fleet Rolling Programme	£000s	£000s	£000s	£000s
Vehicles	0	2,403	1,520	1,476
Total Fleet Rolling Programme	0	2,403	1,520	1,476
Estates Rolling Programme	£000s	£000s	£000s	£000s
Property and Facilities Programme	0	186	178	243
Alverton Court	0	550	44	276
Athena House - Training Facility	0	14	0	783
Easingwold	0	22	108	8
Ingleton	0	7	4	3
Vale house	0	34	1	0
Boroughbridge Road	0	8	0	0
Mast Improvement Works	0	81	17	16
Fulford Road	0	443	51	948
Force Control Room	0	65	44	0
Tadcaster	0	27	37	6
Settle	0	9	1	5
Scarborough	0	117	11	74
Leyburn	0	0	0	0
Clifton moor	0	4	1	3
Richmond	0	103	381	12
Patley Bridge	0	0	0	0
Sherburn	0	6	51	2
Whitley Bridge	0	0	0	6
Alverton House	0	3	0	2
Eastfields Local Police Station	0	7	67	5
Grassington	0	7	2	2
Knaresborough	0	30	294	29
Malton	1,275	0	0	0
SARC/VRI York new build	600	0	0	0
Ripon	512	0	0	0
Skipton	0	64	419	29
Stokesley	0	5	0	0
Whitby	0	126	0	15
48 Bridge Road	0	2	1	3
Acomb	0	7	10	1
Estates - Shared Premises	0	100	100	100
Harrogate	0	15	19	3
VRI (Visually Recorded Interview Suites)	0	4	9	0
West Ayton	0	3	0	0
Bobbies Bank	0	2	5	3
Total Estates Rolling Programme	2,387	2,049	1,857	2,577
General Equipment Rolling Programme	£000s	£000s	£000s	£000s
Technical Assets Rolling Programme	340	322	322	350
Custody- Alcohol	28	16	16	43
P&E - ANPR (Rolling Programme)	83	85	157	247
Roads Policing	0	0	0	5
Digital Forensics Unit	17	21	17	27
Technical Surveillance Unit	46	109	49	79
Camera Office	45	30	0	0
CSU (Crime Support Unit)	26	31	3	13
Firearms	222	3	3	3
Cyber Crime	14	15	63	8
Special Branch Rolling Programme	10	0	0	0
Logistics Capital Rolling programme	75	38	38	38
Body Armour	140	100	100	100
EGT Rolling Programme	0	0	18	0
Total General Equipment Rolling Programme	1,046	770	786	913
Other Schemes	£000s	£000s	£000s	£000s
Drones	33	0	35	0
Total Other Schemes	33	0	35	0
Total Capital Programme	5,444	7,954	6,721	6,979

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 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	Tranfers In 2024/25 £000	Tranfers Out 2024/25 £000	Balance at 31 March 2025 £000	Tranfers In 2025/26 £000	Tranfers Out 2025/26 £000	Balance at 31 March 2026 £000
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Investments Reserve	593		(392)	201		(176)	25			25			25			25
Training Reserve	400			400			400			400			400			400
Council Tax Reserve	460			460			460		(225)	235			235			235
COVID Reserve	300		(300)	0			0			0			0			0
Donated Stock Reserve	51		(51)	0			0			0			0			0
ESMCP	838			838		(48)	790			790			790			790
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Major Incident Reserve	1,114			1,114			1,114			1,114			1,114			1,114
Total General Contingency Reserves	3,669			3,669												
Total Earmarked Reserves	10,401	9,561	(8,072)	11,890	8,646	(4,904)	15,631	6,474	(11,235)	10,871	6,801	(10,244)	7,428	7,108	(7,115)	7,421
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Total Usable Reserves	16,003	9,561	(8,072)	17,493	8,646	(4,904)	21,234	6,474	(11,235)	16,474	6,801	(10,244)	13,031	7,108	(7,115)	13,024
Capital Receipts Reserve	3,384	4,828		8,212	169		8,381	1,239		9,620	169	(4,350)	5,439	0	(5,367)	72

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.

PFCC Reserve (Funding for Planned Expenditure over MTFP)

The PFCC has established the reserve to support PFCC specific costs and initiatives.

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.

Change Reserve (Funding for Planned Expenditure over MTFP)

This reserve is held to meet the forecast costs of additional fixed term resources that are needed to deliver Change within the Force.

Firearms Licence Reserve (Funding for Planned Expenditure over MTFP)

This reserve is held to meet the variable nature of income from Firearms versus the costs of administering the process.

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 (Funding for Planned Expenditure over MTFP)

This reserve was created from an underspend from 2019/20 when not all planned training could be delivered in year. This is expected to be used to support 'catching up' with training that was paused during the pandemic.

Collection Fund Reserve (Funding for Planned Expenditure over MTFP)

This reserve will be utilised to support the Road Safety Partnership, with the remaining balance transfer to the Change Reserve.

Covid Reserve (Funding for Planned Expenditure over MTFP)

This reserve is expected to be fully utilised to support the additional costs arising from dealing with the pandemic.

ESMCP Reserve (Funding for Planned Expenditure over MTFP)

This specific funding from the Government is to be used to support the transition to the new Emergency Service Mobile Communications Platform and will be released in line with plans and Government timelines.

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

This reserve holds money 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 funding within this reserve is be released to the Change Reserve.

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.