

Executive Board

August 2020

Q1 Finance Update - Police

Introduction

In February 2020 the PFCC agreed the revenue Budget for 'Policing' for 2020/21 which was based on the receipt of income totalling £177,212k. In addition to the Revenue Budget the PFCC also agreed a Capital Programme that was initially set at £9,471k for 2020/21.

This report is to provide Executive Board with an update on progress in relation to the finances of the 'Policing' budget based on the position to the end of June 2020. The report includes a forecast of the finances across the remainder of the financial year and considers any significant changes that have impacted during 2020/21 so far. The report also provides an indication of some of the potential future challenges from a financial perspective that are likely to impact across the medium term and will therefore need to be taken into account during the 2021/22 budget and precept setting process.

Revenue Budget 2020/21

The £177,212k of revenue funding, that was forecast to be received by the PFCC in 2020/21, was allocated to the following areas:

- £1,150k to run the Office of the PFCC
- £4,101k for Commissioned Services and Community Safety Initiatives
- £3,544k for Investment and Policing Priorities
- £689k for Asset Management Costs
- £165,227k to the Police Force
- £2,715k to the Capital and Revenue Development Programme

This was to be supported with a transfer of £202k from Earmarked Reserves.

Forecast Revenue Outturn as at the end of June 2020 for 2020/21

At this early stage of the financial year, when many plans have been significantly impacted by the many challenges presented by covid-19, there is a significant amount of work being undertaken to deliver a budget position that is as close to breakeven as possible.

A tentative overall **forecast for a relatively small overspend of £220k** is therefore predicted at this point in the year. The following sections cover off those areas of most note within the overall financial plans and an overall summary is provided at Appendix A.

Income Budgets

Early indications are that there will be **pressures of around £1.6m on the income budget** as a result of reduced income from a number of areas:

- Safety Camera Van Income - £1,400k less income due to less traffic initially, training courses being postponed and less speeding detections.
- Police Led Prosecutions - £125k less income due to closure of courts.
- Special Service Income - £75k less income due to no public attendance and therefore Policing at sports events.

OPFCC Budget

It is likely that an underspend will develop as the year progresses. Almost all of the work of the Office is being undertaken remotely therefore no spend is being incurred on areas such as travel, accommodation, subsistence, training and conferences.

Added to this a couple of vacancies currently exists within the office structure.

An initial **forecast for an underspend of £50k** is factored in at this stage.

Commissioned Services Budget

This budget is due to increase in future reports as the following areas are added to be overall budget position:

- £345k has been bid for and secured in relation to COVID-19 extraordinary grant funding in relation to local commissioning of domestic violence and sexual violence services.
- £549k of Safer Streets funding was bid for and secured to prevent crime, put off criminals and protect homeowners, their homes and communities while building the evidence needed to strengthen the case for future investment in targeted crime prevention. The community to benefit from the pilot project is 1,700 properties in the Whitley ward of Selby. As a rural area at the southern tip of North Yorkshire, it is particularly exposed to cross-border criminal activity.

At this stage **the budget is forecast to breakeven** but will be closely monitored as the year progresses.

Police Force Budget

The vast majority of the funding available to the PFCC has been 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. The initial budget allocation provided to the Force for 2020/21 was £165,227k. The main areas of spend for the Force are considered below:

Police Pay

As part of the National Uplift programme, which aims to recruit an additional 20,000 Police Officers by March 2023, North Yorkshire Police has a target to reach 1,509 by the end of March 2021. The budget for 2020/21 reflects this position and the Force are currently on target to deliver this.

Current forecasts are that the Force will have 1,522 FTEs by the end of the current financial year which is higher than planned. As a result there is a **small forecast overspend in this area of £155k.**

PCSOs Pay

The 2020-21 establishment for PCSO's is 221 FTEs after taking into account the new resourcing proposed for the Public Safety Pilot. Current recruitment and leaver plans forecast that PCSO numbers will reach 224 by March 2021 with the average number of PCSOs expected to be employed during the year forecast to be 227 FTEs.

This is 6 FTEs over budget and **is forecast to result in a small overspend of £185k.**

Staff Pay

The original budget for Staff pay for 2020/21 was set based on 1,095 FTEs. An allowance was built in for 50 vacancies meaning the budget has sufficient funding to support a core staff establishment of 1,045 FTEs. This has since increased to 1,105 FTEs (net 1,055 FTE) as a result of additional approvals from investment monies and secondments.

At the end of June 2020 the Force has had on average 57 FTE vacancies compared to the budget of 1,055 FTE. In real terms this is 107 vacancies as a result of the budget carrying a vacancy factor of 50 FTE. Recruitment has increased during July and therefore the forecast allows for an overall increase of staff employed across the year.

In addition to this a number of roles are covered on agency staff terms, especially within the ICT area.

A combination of the volume of additional vacancies, offset by the agency staff costs, results in a **forecast underspend by the year end, in this area, of £855k.**

Non-Pay Budgets

The **Estates budget is currently forecasting an overspend of £100k** predominantly relating to COVID-19 which has required the purchase of cleaning consumables above and beyond what is budgeted. This may alter as we move through the recovery phase and guidelines are published.

The increase in working from home, staff attending more meetings remotely and the Emergency Services free fuel initiative during COVID-19 has resulted in a reduction in spend across **transport costs and a projected underspend of £90k**. This could increase subject to the Force's recovery plans and any longer term working from home arrangements.

The current area of most challenge within the overall Force budget is within the Supplies and Services area, which has a total budget of in excess of £20m and includes the in-year savings required from the Transform 2020 programme of nearly £2.7m.

This does not necessarily mean that all of the savings are expected to be delivered from within the budget area, some, for example, might be delivered within the staff pay budget – which is currently underspending. A lot of work continues in this area and further updates will be provided as the year progresses.

This budget area has also picked up the costs of covid-19 that don't fall naturally into other areas of the budget. The total costs relating to Covid-19 are collated and returned to the Home Office on a monthly basis. Costs incurred in the first 3 months of the year, including lost income, totals £773k and is broken down in months as follows:

- April - £284k
- May - £232k
- June – £257k

So far, the Government have only committed to provide a formal guarantee to reimburse all additional medical grade personal protective equipment (PPE) purchased by the police to deal with the COVID-19 pandemic between March and July. The reimbursement will be made by the Department for Health and Social Care via the Home Office.

Taking all of the various factors into account and reflecting the early stage of the financial year then an **initial forecast is for this area to overspend by £2,065k**.

Investment Fund

In recognition of the challenges elsewhere within the overall budget, in terms of lost income due to Covid-19, additional costs relating to Covid-19 and some uncertainty across both these areas and the delivery of all of the Transform 2020 savings then the Investment Fund budget will remain predominantly unspent until it becomes clear that additional investments can be made without an overspend materialising. At this stage **the forecast is that we will not spend £2,895k from this budget which is resulting in a forecast underspend** in this area.

Capital Budget 2020/21

The Capital Budget of £9,471k has been revised down to £8,863k at the end of June primarily as a result of factoring in the actual outturn from 2019/20, versus estimates, and some early review work on the programme.

Clearly most areas within the programme have been impacted by covid-19, whether that be through suppliers/manufacturers not being available and/or the focus and attention of the organisation being elsewhere. Spend to the end of June is therefore much lower than was originally forecast across all areas.

Whether this can be 'caught up' in the remainder of the year is something that will be worked on over the coming months, however it is likely that there will be slippage into next year. The table below summarises the expenditure to the end of June. While the forecast suggests that all funds will be spent this is in lieu of further work and not a specific forecast at this time.

Details	Original 2020/21 Budget	Revised 2020/21 Budget	Budget to June 2020	Spend to June 2020	Over/(Under) spend to date	Forecast spend by year-end
	£000	£000	£000	£000	£000	£000
ICT	3,058	3,032	1,011	724	(287)	3,032
Fleet Rolling Programme	2,158	1,730	577	104	(473)	1,730
Estates Rolling Programme	2,738	2,187	729	351	(378)	2,187
General Equipment Rolling Programme	962	1,044	348	3	(345)	1,044
Other Schemes	555	870	290	2	(288)	870
Total	9,471	8,863	2,954	1,183	(1,771)	8,863

Future Impact of Covid-19 from a Financial Perspective

The biggest financial challenge, resulting from COVID-19, for the organisation is likely to materialise in 2021/22 with a likely recurring, but smaller impact in the years thereafter. The impact is expected to come from a reduction in Council Tax income.

In 2020/21 the budget is built on the receipt of £81.1m from the 8 local councils in North Yorkshire who collect the Police Precept, as part of the council tax bill, and pay this over to the PFCC in line with the legislation that dictates how this happens. The £81.1m equates to around 46% of the total income budget for 2020/21 and therefore is a significant contributor to funding 'Policing' services in North Yorkshire. The £81.1m is a product of the agreed level of Police Precept – which is £265.77 for a Band D property - multiplied by the calculated level of Band D properties in North Yorkshire – which is 303,774.

The calculated level of Band D properties is made up from a number of assumptions including house building in year, households entitlement to council tax support, which leads to lower council tax bills, and collection rates (i.e. the ability of the councils to actually collect the amount of tax owed from all households).

While the actual amount paid to the PFCC will be £81.1m in 2020/21, as per the budget set, it is likely that those factors referred to above will reduce the amount that the Councils collect on behalf of the PFCC. The result of this is that in setting the Precept for 2021/22 the Councils will determine whether the amounts they paid to the PFCC in 2020/21 equated to the amounts that they collected from council tax payers.

This assessment of the Council Tax Collection Fund happens each year – and in each of, at least, the last 13 years there has been a collective surplus on the fund – i.e. the councils have collected more than was included within the budget – this surplus is then paid to the PFCC in the following year as per the legislation.

Similarly, if there was a collection fund deficit then the PFCC would have to pay this deficit back to the councils in the following year. Given the current circumstances then it is very difficult to imagine a scenario where there isn't a significant deficit on the collection funds across the councils that will need to be re-paid by the PFCC.

What is the likely Financial Impact

While it is clearly too early to be precise, and much can, and will, change over the coming months it is important to start to plan for the financial impact. Most of the national work would seem to indicate that collection rates are between 5% and 6% lower across Council Tax than would otherwise be expected, with further concerns that this might increase as current levels of support are reduced.

A 6% deficit across Council Tax equates to approximately £4.8m for Policing.

The Government have recognised the 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.

We therefore are currently estimating a £1.6m charge in each of the next 3 years. Which equates to a £2m reduction against our planning assumption as we forecast a £400k surplus each year.

In addition to this impact it is also likely that the calculated number of Band D properties in 2021/22 will be lower than currently forecast, which was for an annual growth of 1% from the previous year's base. All of the same reasons that will impact in 2020/21 are likely to continue into, at least, 2021/22 in terms of assessing the calculated number of Band D properties in North Yorkshire.

A 3.0% reduction in the council tax base in 2021/22 (as opposed to a 1% increase) would result in a further reduction in income, versus our previous planning assumption, of an additional £3.3m.

Leaving a potential gap of around £5.3m in the 2021/22 budget versus our balanced plans set out in February 2020.

Even allowing for some pick up in the overall economy thereafter and therefore a reduced need for Council Tax Support and a return of house building, it would not be unreasonable to expect that future Council Tax receipts, from a Policing perspective, being **circa £4m lower than the current financial plans assume in 2022/23, £3m lower in 2023/24 and £2m lower per annum thereafter.**

The financial plans will be kept under review and as more information is available will be updated – this will include scenario planning. At this stage however no changes have been made to the current plans.

The PFCC has general reserves of £5.6m and earmarked reserves of £5.9m and therefore very limited capacity, if needed, to help support the organisation during these unprecedented times.

APPENDIX A

	Original Budget 2020/21	Current Budget 2020/21	Budget to June 2020	Spend to June 2020	(Under)/ Over Spend to June	Forecast (Under) / Over Spend by Year End
	£000s	£000s	£000s	£000s	£000s	£000s
Funding						
Funding for Net Budget Requirement	(163,355)	(163,355)	(40,847)	(42,263)	(1,416)	0
Specific Grants	(5,887)	(5,936)	(1,494)	(1,858)	(364)	41
Partnership Income/Fees and Charges	(7,982)	(8,280)	(2,087)	(1,558)	529	1,559
Total Funding	(177,224)	(177,570)	(44,428)	(45,680)	(1,251)	1,600
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	1,150	1,218	305	263	(41)	(50)
Commissioned Services	£000s	£000s	£000s	£000s	£000s	£000s
Total Commissioned Services	4,101	4,487	1,122	767	(354)	0
Investment Fund	£000s	£000s	£000s	£000s	£000s	£000s
Total Investment Fund	3,544	3,515	827	0	(827)	(2,895)
Corporate Costs	£000s	£000s	£000s	£000s	£000s	£000s
Total Corporate Costs	689	703	194	159	(35)	(15)
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Pay						
Police Pay	83,180	83,011	20,749	20,233	(516)	155
Police Overtime	2,101	2,101	711	668	(44)	0
PCSO Pay (incl Overtime)	7,651	7,322	1,892	1,927	35	205
Staff Pay (incl Overtime)	37,023	37,581	9,352	8,923	(429)	(855)
Pay Total	129,956	130,015	32,703	31,750	(954)	(495)
Non-Pay Budgets						
Other Non Salary	1,656	1,556	389	431	42	0
Injury and Medical Police Pensions	3,709	4,209	927	819	(108)	0
Premises	4,277	4,363	1,091	1,307	217	100
Supplies and Services	21,759	21,628	5,410	5,414	5	2,065
Transport	2,667	2,681	670	554	(116)	(90)
Non-Pay Total	34,069	34,437	8,487	8,526	39	2,075
Projects	1,202	1,625	397	201	(197)	0
Total Planned Force Expenditure	165,227	166,077	41,588	40,477	(1,111)	1,580
(Surplus)/Deficit before Planned Reserves/	£000s	£000s	£000s	£000s	£000s	£000s
Contribution to Capital Programme	(2,513)	(1,570)	(394)	(4,013)	(3,619)	220
Contribution to Capital Programme	2,715	2,740	685	685	(0)	0
Planned Transfers to/(from) Earmarked Reserves	(202)	(1,169)	(167)	(24)	144	0
Final/Forecast Over/(Under) Spend	(0)	0	124	(3,352)	(3,476)	220