

Finance Update to the end of August 2020 - 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 the Board with an update on progress in relation to the finances of the 'Policing' budget based on the position to the end of August 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 the Board with 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 August 2020 for 2020/21

The previous report to the Board indicated a small forecast overspend of £220k for 2020/21, however an indication was given that as the Government had provided a formal guarantee to reimburse all additional medical grade personal protective equipment (PPE) purchased by the police to deal with the COVID-19 pandemic that the expectation was that this overspend would be mitigated by this additional funding.

This updated report supports this position. **A reported breakeven position is now forecast for 2020/21 based on the first 5 months of 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 were that there would be pressures of around £1.6m on the income budget as a result of reduce income from a number of areas however with 2 months more information an improved forecast is now made. **The forecast at the end of August is that there will be a pressure of £1.34m on the income budget,** these are predominantly from the following areas:

- Safety Camera Van Income - £1,100k less income due to less traffic initially, training courses being postponed and less speeding detections. (This was forecast to be £1,400k at the of June)
- Police Led Prosecutions - £155k less income due to closure of courts.
- Special Service Income - £95k less income due to no public attendance, and therefore Policing required, at sports events.

Additional Support from the Government

All PCCs have lost income on expected sales, fees and charges against their 2020/21 budgets as a result of the pandemic. In response to this, the Home Office has recently announced that it is setting up a scheme to enable PCC's to recover 75p in every £1 of lost income once a 5% deductible has been absorbed by PCCs. This scheme applies exactly the same principles and methodology as the local authorities income loss recovery scheme being led by the Ministry for Housing, Communities and Local Government.

The impact of this recent announcement is currently being worked through and therefore hasn't been factored into the numbers within this report, however it should clearly have a positive impact on the overall finances of the PFCC.

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 exist within the office structure.

An initial **forecast for an underspend of £50k** is factored in at this stage although this is likely to increase if current ways of working continue.

Commissioned Services Budget

This budget has increase since the start of the year as a result of the following:

- £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.

- £380k of partner contributions towards Community Safety commissioned services.

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 well on target to deliver this and as at the end of August have 1,513 FTE Police Officers, which means that the Force is already above its Government target.

Current forecasts are that the Force will have just over 1,520 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 £40k.**

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 almost 240 by March 2021 with the average number of PCSOs expected to be employed during the year forecast to be 232 FTEs.

This would be 11 FTEs over budget on average and **is forecast to result in an overspend of £395k.**

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 1,112 FTEs (net 1,062 FTE) as a result of additional approvals from investment monies and secondments.

At the end of August 2020 the Force employed 1,021 FTEs (this has increased from around 982 FTEs in April) resulting in 91 overall vacancies and 41 additional vacancies beyond the budgeted position.

These vacancies are forecast to continue to reduce as the financial year progresses and are currently being offset with additional overtime and the use of agency staff. **The overall forecast in this area is however still for an underspend of £775k.**

Non-Pay Budgets

The **Estates budget is currently forecasting an overspend of almost £140k** 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 £100k**. 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, are being 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. The current forecast overspend in this area is now just over £1.8m, a reduction of over £200k since June as savings continue to be identified and delivered.

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 5 months of the year, including lost income, totals £1,204k and is broken down in months as follows:

- April - £284k
- May - £232k
- June – £257k
- July – £242k
- August £189k

The Government have 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. This would equate to just over £200k of the £1.2m spent to date being funded by additional income.

The forecasts included within this report assume that the remaining £1m would have to be absorbed within the overall budget however the recently announced Income Loss Recovery Scheme will hopefully reduce the impact on the core budget further.

Taking all of the various factors into account and reflecting on further work and information generated since the June forecast then the **forecast is for this area to overspend by £1.8m**.

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 August 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/manufacture not being available and/or the focus and attention of the organisation being elsewhere. Spend to the end of August is therefore much lower than was originally forecast across all areas.

It is becoming more unlikely that this can be 'caught up' in the remainder of the year and therefore work will need to take place over the coming months to understand what can realistically be delivered and what is likely to be slipped into next year. The table below summarises the expenditure to the end of August. While the forecast continues to suggest that all funds will be spent this in lieu of further work and not a specific forecast at this time.

Details	Original 2020/21 Budget	Revised 2020/21 Budget	Budget to August 2020	Spend to August 2020	Over/(Under) spend to date	Forecast spend by year-end
	£000	£000	£000	£000	£000	£000
ICT	3,058	3,032	1,263	796	(468)	3,032
Fleet Rolling Programme	2,158	1,730	721	181	(540)	1,730
Estates Rolling Programme	2,738	2,187	911	353	(559)	2,187
General Equipment Rolling Programme	962	1,044	435	3	(432)	1,044
Other Schemes	555	870	363	2	(361)	870
Total	9,471	8,863	3,693	1,334	(2,359)	8,863

Future Impact of Covid-19 from a Financial Perspective

As referred to in the last update report 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 result from less Council Tax than planned being collected during 2020/21 and a further impact on the overall tax base in future years in comparison to previous plans.

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 in 2020/21, with further concerns that this might increase as current levels of support are reduced.

A 5.5% deficit across Council Tax equates to approximately £3.9m for Policing in North Yorkshire.

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 are therefore currently estimating a £1.3m charge in each of the next 3 years. Which equates to a £1.7m 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. A couple of scenarios are set out below to model the potential impact from changes to the council tax base forecasts:

Revised Assumptions

Until more information is available scenarios are starting to be developed based on the following assumptions:

Scenario 1:

This scenario assumes a 1.75% reduction in the Tax Base in 2021/22, followed by larger increases, than previously forecast, in the years that follow. This is based on the assumption that the need for Council Tax Support reduces over the medium term and that by 2024/25 the Tax Base recovers to where it was previously forecast to reach.

Council Tax Assumptions						
	Feb 2020 MTFP			September 2020 MTFP		
	Tax Base	Collection Fund Surplus	Band D Increase	Tax Base	Collection Fund	Band D Increase
2021/22	+1%	£400k	+1.99%	-1.75%	-£1,300k	+1.99%
2022/23	+1%	£400k	+1.99%	1.5%	-£900k	+1.99%
2023/24	+1%	£400k	+1.99%	2.0%	-£900k	+1.99%
2024/25	+1%	£400k	+1.99%	2.0%	+£400k	+1.99%

The impact of these revised assumptions on the income received from the Police element of the Council Tax bill, in comparison to the February 2020 forecast position, is as follows:

Council Tax Income Forecasts	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000
As at February 2020	(83,564)	(86,067)	(88,650)	(91,301)
As at September 2020	(79,564)	(82,817)	(86,200)	(91,001)
Forecast Reduction in Income	4,000	3,250	2,450	300

If this scenario materialised it would result in around £10m less Council Tax income, across the next 4 years, than was included in the February 2020 plans.

Scenario 2:

This scenario assumes a 3% reduction in the Tax Base in 2021/22, followed by larger increases, than previously forecast, in the years that follow. This is based on the assumption that the need for Council Tax Support reduces over the longer term and that by 2026/27 the Tax Base recovers to where it was previously forecast to reach.

Council Tax Assumptions						
	Feb 2020 MTFP			September 2020 MTFP		
	Tax Base	Collection Fund Surplus	Band D Increase	Tax Base	Collection Fund	Band D Increase
2021/22	+1%	£400k	+1.99%	-3.0%	-£1,600k	+1.99%
2022/23	+1%	£400k	+1.99%	+2%	-£1,200k	+1.99%
2023/24	+1%	£400k	+1.99%	+2%	-£1,200k	+1.99%
2024/25	+1%	£400k	+1.99%	+2%	-£1,200k	+1.99%

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Council Tax Income Forecasts	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000
As at February 2020	(83,564)	(86,067)	(88,650)	(91,301)
As at September 2020	(78,269)	(81,877)	(85,230)	(90,321)
Forecast Reduction in Income	5,295	4,190	3,420	980

If this scenario materialised it would result in around £14m less Council Tax income, across the next 4 years, than was included in the February 2020 plans.

Reserves

The financial plans will be kept under review and as more information is available will be updated. 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	Current Budget	Budget to August	Spend to August	(Under)/ Over Spend	Forecast (Under) / Over Spend
	2020/21	2020/21	2020	2020	to August	by Year End
	£000s	£000s	£000s	£000s	£000s	£000s
Funding						
Funding for Net Budget Requirement	(163,355)	(163,355)	(68,065)	(68,065)	(0)	0
Specific Grants	(5,887)	(7,028)	(2,822)	(3,524)	(702)	(25)
Partnership Income/Fees and Charges	(7,982)	(8,290)	(3,563)	(2,926)	637	1,365
Total Funding	(177,224)	(178,673)	(74,449)	(74,514)	(65)	1,340
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	1,150	1,218	479	406	(73)	(50)
Commissioned Services	£000s	£000s	£000s	£000s	£000s	£000s
Total Commissioned Services	4,101	5,380	2,129	1,720	(410)	0
Investment Fund	£000s	£000s	£000s	£000s	£000s	£000s
Total Investment Fund	3,544	3,307	1,378	0	(1,378)	(2,894)
Corporate Costs	£000s	£000s	£000s	£000s	£000s	£000s
Total Corporate Costs	689	795	331	265	(66)	(156)
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Pay						
Police Pay	83,180	83,009	34,622	33,935	(687)	40
Police Overtime	2,101	2,101	1,009	992	(17)	140
PCSO Pay (incl Overtime)	7,651	7,567	3,153	3,255	102	395
Staff Pay (incl Overtime)	37,023	37,816	15,727	15,044	(683)	(775)
Pay Total	129,956	130,493	54,510	53,225	(1,285)	(200)
Non-Pay Budgets						
Other Non Salary	1,656	1,556	648	669	21	275
Injury and Medical Police Pensions	3,709	4,409	1,546	2,161	615	0
Premises	4,277	4,363	1,818	2,144	326	137
Supplies and Services	21,759	21,475	8,981	8,711	(270)	1,823
Transport	2,667	2,681	1,117	1,111	(6)	(100)
Non-Pay Total	34,069	34,485	14,110	14,796	686	2,135
Projects	1,202	1,625	677	355	(322)	(115)
Total Planned Force Expenditure	165,227	166,602	69,297	68,377	(921)	1,820
(Surplus)/Deficit before Reserves and Capital	£000s	£000s	£000s	£000s	£000s	£000s
(Surplus)/Deficit before Reserves and Capital	(2,513)	(1,371)	(834)	(3,747)	(2,913)	60
Contribution to Capital Programme	2,715	2,740	1,142	1,142	(0)	0
Planned Transfers to/(from) Earmarked Reserves	(202)	(1,369)	(279)	(30)	249	(60)
Final/Forecast Over/(Under) Spend	(0)	(0)	28	(2,635)	(2,664)	0