

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

27<sup>th</sup> February 2024

Status: For Decision

### Medium Term Financial Plan (MTFP) 2024/25 to 2027/28 and Capital Plans 2024/25 to 2027/28 - Policing

#### 1. Executive Summary

##### 1.1 Purpose of the Report

This report asks the PFCC to agree the Budget proposals for 2024/25 and the Medium Term Financial Plan (MTFP) for 2024/25 – 2027/28 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 2024/25 and the indicative allocations for the period 2025/26 to 2027/28.

#### 2. Recommendations

2.1 The PFCC is requested **to approve** the allocation of the £221,012k of revenue funding, that is forecast to be received by the PFCC in 2024/25, in the following areas:

- £1,520k to run the Office of the PFCC
- £7,500k for Commissioned Services and Community Safety Initiatives
- £700k for Asset Management Costs
- £207,450k to the Police Force
- £4,936k to the Capital Programme
- £1,094k from Earmarked Reserves

- 2.2 The PFCC is asked **to note** that the 2024/25 budget is based on the approved 3.99%, or £11.77, increase in the level of Band D precept for 2024/25.
- 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 £12,017k, before any additional slippage from 2023/24, as set out at Appendix A, for 2024/25 and within that programme approve that:
- Indicative approval of the 2025/26 budgets as set out in Appendix A, and delegation of approval of any requests to pre-order against the 2025/26 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2025/26 Capital Budget 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 2023/24 Capital Programme into 2024/25.
- 2.6 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.
- 2.7 The PFCC is asked **to approve** that quarterly updates on performance against both the revenue and capital budgets are reported to the PFCC via the Executive Board.

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

#### **3.1 Police Funding Settlement 2024/25**

- 3.2 The 2024-25 Provisional Settlement was announced on 14 December in a written ministerial statement by the Minister of State for Crime, Policing and Fire, Chris Philp MP.
- 3.3 The Minister said "Today, the Government has set out the provisional police funding settlement...for the forthcoming financial year. For 2024-25 overall funding ... will rise by up to £842.9m compared to the restated 2023-24...This funding settlement demonstrates that the Government remains committed to giving policing the resources they need to keep the public safe...The Home Office was only able to deliver this substantial funding increase by reprioritising funding from other programmes."
- 3.4 Full details of the Settlement can be found on the Home Office gov.uk pages.

- 3.5 Police Uplift Grant (PUP)
- 3.6 Prior to the provisional settlement, the sector was expecting a continuation of additional PUP funding for the recruitment of the final officers (towards the 20,000 total). The Ministerial Statement confirms ongoing funding of £425m to maintain officer numbers at (148,433 nationwide).
- 3.7 Within this funding £67.2m is "additional recruitment top-up grant" for forces that have agreed to recruit additional officers. The remaining £357.8m is ringfenced, allocated via formula funding shares and PCCs will be able to access this funding, as in previous years, by demonstrating that they have maintained their officer numbers.
- 3.8 The total PUP ringfence grant of £425m has increased by £150m, which was promised in the spending review, and therefore provides an even stronger incentive for officer numbers to be maintained. The actual terms of the grant will be released early next year.
- 3.9 The Police Uplift Grant for North Yorkshire has increased by £2,420k from £2,676k to £5,096k, with a requirement for the Force to achieve 1,665 Police Officers (Headcount) in 2024/25, this is 20 higher than the initial 2023/24 target.
- 3.10 The above funding includes £960k for these additional 20 Officers, however there is no guarantee that these 20 Officers will continue to be funded beyond 2024/25 and therefore the financial plans do not include these on a recurring basis.
- 3.11 Pay Award
- 3.12 During 2023/24 both Police Officers and Police Staff were awarded a 7% pay award with effect from the 1<sup>st</sup> September 2023. The additional cost of a 7% award (above a 2.5% assumption) was £515m across Policing, and this has been funded by the Government.
- 3.13 The ministerial statement highlights that £330m of this was given in-year in 2023-24 with a further £185m awarded for 2024/25. Any comparisons to last year's data now include the additional £330m that was distributed in year. This indicates that this funding is in the baseline for future spending reviews.
- 3.14 The Core Government Grant increase for North Yorkshire in 2024/25 is £1,792k, which is not enough to fund the additional costs of last year's pay award of £1,920k that fall into 2024/25 due to the way that the funding has been allocated.
- 3.15 Pensions Grant
- 3.16 From the 1<sup>st</sup> April 2024 the level of employers Pension Contributions into the Police Officer Pension scheme increases by 4.3% from 31% to 35.3%.
- 3.17 The Force estimate that the cost of this increase to be around £2,845k in 2024/25. The increase in the Pensions Grant to mitigate the impact of increased employer pension contributions is slightly higher due to the allocation method, at £3,481k, however this also includes a one-off amount of £308k to support the administration costs of a number of changes that are happening within Police Pensions.

3.18 Core Funding

3.19 The total amount of extra funding available for forces is £922m of which £298m would come from Council Tax however this is a local decision for each PCC.

3.20 The remaining £624m comes predominantly from an increase of £184m core funding to cover the pay award, £286m additional pension grant, £83m through additional PUP ringfenced grant and £67m from additional recruitment grant.

3.21 As set out above however, the North Yorkshire share of the £624m additional Government funding is all attached to additional costs for decisions already made. There is no funding with the Government settlement to support any inflationary pressures in 2024/25, no funding to support a pay award in 2024/25 and no funding to support any operational pressures/growth.

3.22 Based on the analysis released by the Government, Core Funding to PCC's has increased by 6% in 2024/25, this however assumes that all PCCs increase their Precept by £13.

3.23 The smallest increases in core funding were seen in London at 3.5%, with Lincolnshire (5.7%) and Surrey (5.9%) the only other areas projected to be below the average 6% increase.

3.24 Outside of the City of London, Northumbria is expected to see the highest increase in core funding of 7.6%.

3.25 The Government calculate the increase in North Yorkshire (including a £13 increase in Precept) would be 6.5%.

3.26 What does the Government expect to be delivered with this additional funding?

3.27 The Minister set out his expectations for this investment as follows:

3.28 "In return for this significant investment, it is imperative that policing continues to deliver on driving forward improvements to productivity and identifying efficiencies where possible. The Government will continue to work with the sector to unlock the full range of opportunities and benefits of productivity and innovation to enable officers to have the tools to deliver on their core mission of keeping the public safe.

3.29 We, therefore, expect policing to approach the 2024-25 financial year with a focus on this Government key priorities:

- Maintaining 20,000 additional officers (148,433 officers in total nationally) through to March 2025.
- Continuing to deliver on the opportunities presented by new technology and innovation to deliver improvements in productivity and drive forward efficiencies, therefore maximising officer time and service to the public.
- Improving the visibility of police officers and focusing on providing a targeted approach to tackling crime and antisocial behaviour to make neighbourhoods safer, which should be a priority for all forces."

3.30 There are no new specific savings targets set, and the Government recognises that police have already exceeded the efficiency targets set at the start of the spending review period. The recently published Policing Productivity Review estimated that if all the recommendations were followed the equivalent of 20,000 officers could be freed up over the next 5 years. The Government will respond to the review in 2024.

3.31 What does this mean for North Yorkshire in 2024/25 in terms of Funding?

- An increase in of Core Police Grant of £1,792k
- An increase in Police Uplift Grant of £2,420k.
- An increase in the Police Pension Grant of £3,481k

3.32 Based on the precept being proposed, of £306.86 for a Band D property, then the overall impact on the Core funding for the organisation is set to increase by 6.6%, or just under £12.7m, as set out in the table below:

Overall Government and Local Revenue Funding	2024/25	2023/24	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
<b>Government Funding</b>				
Police Grant	(55,512)	(54,390)	(1,122)	2.1%
RSG/National Non Domestic Rate	(33,258)	(32,589)	(669)	2.1%
Police Officer Uplift Grant	(5,096)	(2,677)	(2,420)	90.4%
Council Tax Freeze Grant	(2,152)	(2,152)	0	0.0%
Council Tax Support Grant	(5,746)	(5,746)	0	0.0%
Police Pensions Grant	(4,930)	(1,449)	(3,481)	240.2%
<b>Government Funding Changes</b>	<b>(106,695)</b>	<b>(99,002)</b>	<b>(7,693)</b>	<b>7.8%</b>
<b>Impact of a 3.99%, £11.77 Band D Precept increase</b>				
Net Surplus on Collection Funds	(751)	(484)	(267)	
Council Tax Requirement	(96,694)	(91,970)	(4,724)	5.1%
<b>Total Local Funding</b>	<b>(97,445)</b>	<b>(92,454)</b>	<b>(4,991)</b>	<b>5.4%</b>
<b>Total Government + Local Funding</b>	<b>(204,140)</b>	<b>(191,456)</b>	<b>(12,684)</b>	<b>6.6%</b>

3.33 How does North Yorkshire compare to the National Picture?

3.34 If each PCC increased their precept by £13, combined with tax base assumptions, there will be an additional £298m of resources for policing from council tax alone.

3.35 Due to historic differences in council tax the proportion that £13 represents can vary significantly between force areas. The £13 increase means that Northumbria's percentage increase is 8.5%, followed by the West Midlands at 7.2% whereas, £13 represents a 4.4% increase for North Wales and a 4.5% increase for South Wales and Gwent.

3.36 If every PCC takes the £13 precept, the weighted average band D police precept in England and Wales would be £278.38.

3.37 If all other PCC's increase their precept by £13 in 2024/25 then the £11.77 or 3.99% increase in North Yorkshire has the potential to be the **lowest percentage increase in England**. This follows on from the PFCC setting the 2<sup>nd</sup> lowest percentage increase in Precept nationally in 2023/24.

- 3.38 North Yorkshire is likely to have the 5th highest Police Precept in England (and 9<sup>th</sup> highest in England and Wales) in 2024/25. The Police Precept in North Yorkshire will be around **£28.50, or just over 10%, higher than the average** in England and Wales.
- 3.39 This £28.50 is the equivalent of £9m more funding available for policing in North Yorkshire than if there was an average precept level in North Yorkshire.
- 3.40 The proportion of funding raised through council tax differs significantly between force areas. Northumbria's Council Tax makes up 19% of their total funding, followed by West Midlands at 20.3% and Merseyside at 22.9%.
- 3.41 Conversely, Surrey has 54.6% of their funding coming from Council tax, followed by Dyfed Powys at 51.3% and North Wales at 50.2%. On average, 34.3% of budgets are made up from Council tax, which is broadly in line with last year.
- 3.42 Government Funding for 2025/26 and beyond
- 3.43 2024/25 is the final year of the current Spending Review period and therefore there is very little formal guidance for future plans.
- 3.44 The current plan has therefore assumed that Government Funding will continue to increase by CPI and that this will be 2%.
- 3.45 The current plan also assumes that PFCC's will continue to be provided with precept limits set via a monetary, instead of a percentage, increase and that increases of at least £12 per year will be possible.
- 3.46 The current plan does not consider any changes to funding that may occur as a result of the PFCC becoming part of the Mayoral Combined Authority in May 2024.
- 3.47 Top Slices
- 3.48 In 2024/25 reallocations total £1,038m, a £76m reduction over 2023-24 (£1,114m). Reallocations were also reduced by £260m between 2022-23 and 2023-24.
- 3.49 This year, the biggest reductions to funding were a £25.6m decrease in police technology programmes, followed by a £19.5m reduction in national policing capabilities and a £16m reduction in special grant. Crime reduction capabilities were dropped completely, saving £18.4m.
- 3.50 Conversely, there was a significant rise in capital reallocations, increasing by £23.8m.
- 3.51 Council Tax Legacy Grant
- 3.52 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 2024-25. 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'.

3.53 Counter Terrorism

3.54 The Minister announced a total of £1,017.5m for Counter Terrorism (CT) policing in 2024-25, a 2% increase in cash terms on 2023-24. PCCs will be notified separately of force-level funding allocations for CT policing, which will not be made public for security reasons.

3.55 Ministry of Justice Grants

3.56 The PFCC expects to receive £1,514k from the Ministry of Justice in 2024/25 to deliver Victims Services, however this has yet to be confirmed.

3.57 This is almost £430k higher than the Core Grant and reflects successful bids by the PFCC for additional funding.

3.43 Crime Programme Funding

3.44 In addition to the usual Core Funding and Specific Grant funding announcements, the Government also set out a number of other funding streams that would be available to PCCs in 2024-25 for headline crime programmes.

3.45 With the Government stating that "Despite difficult decisions across all budgets, we have sought to protect those tried-and-tested programmes that support PCCs to target activity and deliver an overall reduction in crime. In total this is a continued investment of over £200 million in 2024-25.

- £92.8 million to support activity designed to combat anti-social behaviour and serious violence.
- £15 million on Safer Streets Round 5, to supplement the funding already provided for 2023-24.
- £46 million to continue the County Lines Programme and Project Adder
- £47 million to continue to support the work of Violence Reduction Units"

3.46 What does this mean for North Yorkshire?

3.47 The PFCC has been allocated the following in 2024/25:

- £1m under the Government's Anti-social Behaviour (ASB) Action Plan, to ensure an enhanced uniformed presence in ASB hotspot areas.
- £0.5m to enable the roll out of immediate justice more widely across England and Wales
- £0.35m to continue/finalise those schemes which began in 2023/24 as part of the Safer Streets programme – which is "the Government's flagship crime prevention programme, helping to drive down crime and anti-social behaviour, ensuring the public is better protected."

3.58 **Precept**

For the second year in a row over 50% of the Net Budget Requirement within North Yorkshire is now funded by the local precept. 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.

3.59 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.

3.60 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 £13 before a referendum is required in 2024/25.

3.61 Consultation was undertaken in relation to the option of increasing the precept in 2024/25 and in total 1,683 responses were received via the open online survey and a further 996 interviews over the telephone. The open survey was published on the PFCC website and promoted widely via social media.

3.62 The public were asked the following question:

3.63 North Yorkshire Police has a budget of £201 million – around 46 per cent comes from the precept on your council tax.

3.64 To provide a similar level of service to now, they think they will need around an extra £12m due to salary increases and the rising cost of fuel, utilities and general cost increases.

3.65 The Government are expected to say that Commissioner Zoë can raise the police precept by £15 from April – that would be an increase of 5.1%, an extra 29 pence per week for an average Band D property. Even this would only raise £4.7m of that extra demand

3.66 The following options are based on an average Band D property currently paying £295.09 each year for policing.

3.67 How much more would you be prepared to pay per year, through your council tax for policing in North Yorkshire and York?

- 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 £10 a year more (83 pence per month), an increase of 3.4%  
This would raise around £3.1million, however is significantly below inflation and would likely lead to reductions in current levels of service delivery unless savings could be delivered.
- Up to £15 a year more (£1.25 per month), an increase of 5.1%



This would raise around £4.7million, however is significantly below inflation and would likely lead to reductions in current levels of service delivery unless savings could be delivered.

- Up to £20 a year more (£1.67 per month), an increase of 6.8%  
This would raise around £6.2 million, is broadly in line with the organisation’s inflationary pressures and would lead to no reductions in current levels of service delivery.

3.68 A summary of the results is shown below:

	Total (n=2,678)	Telephone (n=995)	Online (n=1,683)
No more than I pay now a precept freeze	39%	49%	33%
Up to £10 a year more (83 pence per month), an increase of 3.4%	20%	23%	19%
Up to £15 a year more (£1.25 per month), an increase of 5.1%	20%	18%	22%
Up to £20 a year more (£1.67 per month), an increase of 6.8%	20%	11%	26%
<b>TOTAL who support an increase of at least £10</b>	<b>61%</b>	<b>51%</b>	<b>67%</b>

3.69 Combined results (online and telephone) from the consultation show the majority (61%) support an increase of £10 or more in the policing precept

3.70 However based on a number of factors, including the financial needs set out by the Force an increase of £11.77 (3.99%) was proposed to the Police, Fire and Crime Panel, and unanimously supported.

3.71 **For the purposes of planning, the balanced plan that is set out within this paper assumes the precept increases at £12 per annum going forward.**

3.72 Over the last 10 years the calculated number of Band D properties within North Yorkshire has increased by 1.3% per year which the PFCC and policing has benefited from in terms of additional funding. This trend has broadly continued in 2024/25 with an increase of 1.1%.

3.73 The number of Band D properties within North Yorkshire has increased by 3,441 to 315,107. This increase generates over £1m of additional funding in comparison to the Tax Base from 2023/24.

3.74 In addition to the continued increase in the tax base, the overall collection of Council Tax returned to normal after a 3 year period impacted by the pandemic.

3.75 The overall collection fund surplus reported across North Yorkshire equated to £751k, this continues a trend from the last 2 years where the surplus was also in excess of £600k.

### 3.76 MTFP Assumptions

When the 2023/24 budget was set in February 2023 the forecasts were underpinned by the following assumptions:

- Pay Awards:
  - 2023/24 – 4.0% increase
  - 2024/25 – 2.0% increase
  - 2025/26 – 2.0% increase
- Precept: Increases of:
  - 2023/24 – 4.99% or £14.03
  - 2024/25 – £10 or 3.39%
  - 2025/26 – 1.99%
- Tax Base increases of:
  - 2023/24 – 1.2%
  - 2024/25 – 1.2%
  - 2025/26 – 1.0%
- Government Grants increases of:
  - 2024/25 – 1.7%
  - 2025/26 – 2.0%
  - 2026/27 – 2.0%
- Impact of Funding Formula review – Nil

3.77 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. It is expected that the MTFP for 2024/25 and beyond will assume the following:

- Pay Awards:
  - 2024/25 – 2.5% increase
  - 2025/26 and beyond – 2.0% increase
- Precept: Increases of:
  - 2024/25 – £11.77 or 3.99%
  - 2025/26 and beyond – £12 per annum
- Tax Base increases of:
  - 2024/25 – 1.1%
  - 2025/26 and beyond – 1.4% per annum

- Government Grants increases of:
  - 2025/26 and beyond – 2.0%
- Impact of Funding Formula review – Nil

3.78 Specific Grants, Other Income and Partnership Fees and Charges

These sources of income and funding are forecast to provide between £20.1m and £26.9m across the life of the plan.

3.79 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 2023/24, is as follows

	<b>Actual Budget 2023/24</b>	<b>Proposed Budget 2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>Core Funding</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(83,766)	(88,770)	(90,546)	(92,357)	(94,204)
Council Tax Precept	(92,454)	(97,445)	(102,482)	(107,796)	(113,239)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(5,746)	(5,746)	(5,746)	(5,746)
<b>Funding for Net Budget Requirement</b>	<b>(184,118)</b>	<b>(194,113)</b>	<b>(200,925)</b>	<b>(208,051)</b>	<b>(215,341)</b>
%age Change in Net Budgetary Requirement	3.3%	5.4%	3.5%	3.5%	3.5%
<b>Other Funding</b>					
Specific Grants	(8,791)	(17,733)	(11,737)	(11,738)	(11,738)
Partnership Income/Fees and Charges	(8,465)	(9,166)	(8,499)	(8,376)	(8,336)
<b>Total Funding</b>	<b>(201,374)</b>	<b>(221,012)</b>	<b>(221,162)</b>	<b>(228,165)</b>	<b>(235,415)</b>
%age Change in Funding	5.2%	9.8%	0.1%	3.2%	3.2%

3.80 2024/25 is the 6<sup>th</sup> year of significant investment back into Policing. **The level of funding available within North Yorkshire, at a Net Budget Requirement level, has increased by £48.8m (or 34%) in the past 6 years.**

3.81 The position is even better from **Total funding level perspective, with increases of £64m (or over 41%) across the same 6 year period.**

## **4. Expenditure Plans**

- 4.1 In setting the budget for 2024-25 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 2024/25 is £1,520k which is £85k higher than 2022/23.
- 4.4 This reflects the revised staffing structure within the Office and also the impact of the 7% pay awards for 2023/24 and the forecast pay award for 2024/25.
- 4.5 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.
- 4.6 The current assumptions within the financial plans include the expectation that the PCC will receive £428k more than the Ministry of Justice 'core' allocations (of £1,085k) for 2024/25.
- 4.7 The OPFCC has been successful in bidding for Safer Streets Funding in each of the last 3 years. The bid for 2023/24 extended funding into 2024/25, therefore £350k of already agreed funding and expenditure is included within the 2024/25 budget
- 4.8 As mentioned earlier, the PFCC has been allocated additional funding for the following in 2024/25:
- £1m under the Government's Anti-social Behaviour (ASB) Action Plan, to ensure an enhanced uniformed presence in ASB hotspot areas.
  - £0.5m to enable the roll out of immediate justice more widely across England and Wales
- 4.9 These expenditure budgets have been added to the Commissioning Budgets while plans and proposed are agreed on how these funds will be invested.
- 4.10 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.

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

	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Commissioning and Partnerships</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Supporting Victims	2,625	1,987	1,539	1,491	1,491
Community Safety	1,197	1,197	1,197	1,197	1,197
Street Triage and Mental Health Services	474	474	474	474	474
Youth Justice	375	375	375	375	375
Child Sexual Assault Services	315	315	315	315	315
Safeguarding Communities	246	246	246	246	246
SARC Services	191	191	191	191	191
Community Fund	250	250	250	250	250
Safer Streets	446	355			
ASB Hotspot Policing		1,000			
Immediate Justice		500			
Staff Pay	582	609	613	616	632
Serious Violence Duty		261			
Child and Young People affected by Domestic Abuse		210	320	330	340
Women Centre Investment and Wider Inflation		100	100	100	100
Non-Pay	73	73	73	73	73
<b>Total Costs</b>	<b>6,774</b>	<b>8,143</b>	<b>5,693</b>	<b>5,658</b>	<b>5,683</b>
Income	(643)	(643)	(643)	(643)	(643)
<b>Total Net Budget</b>	<b>6,131</b>	<b>7,500</b>	<b>5,050</b>	<b>5,015</b>	<b>5,040</b>

#### 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 £700k for 2024/25. 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 provided in a separate report, which is also on today's agenda however a summary of the finances is included below:

	Actual Budget 2023/24	Proposed Budget 2024/25	2025/26	2026/27	2027/28
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	96,951	106,717	107,990	110,004	111,367
Police Overtime	2,904	2,613	3,331	4,085	3,708
PCSO Pay (incl Overtime)	6,880	6,770	8,100	8,936	9,122
Staff Pay (incl Overtime)	44,875	47,390	48,518	49,481	50,512
<b>Pay Total</b>	<b>151,610</b>	<b>163,490</b>	<b>167,939</b>	<b>172,506</b>	<b>174,709</b>
<b>Non-Pay Budgets</b>					
Other Non Salary	2,390	4,731	2,576	2,559	2,555
Injury and Medical Police Pensions	4,051	4,475	4,514	4,505	4,505
Premises	5,722	5,561	5,674	5,787	5,900
Supplies and Services	23,779	26,079	25,908	26,280	27,394
Transport	3,523	3,114	3,159	3,198	3,262
<b>Non-Pay Total</b>	<b>39,465</b>	<b>43,960</b>	<b>41,831</b>	<b>42,329</b>	<b>43,616</b>
<b>Total Planned Force Expenditure</b>	<b>191,075</b>	<b>207,450</b>	<b>209,770</b>	<b>214,835</b>	<b>218,325</b>
%age Change in Expenditure	8.0%	8.6%	1.1%	2.4%	1.6%
<b>Average Employee Numbers</b>	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,645	1,660	1,645	1,645	1,645
PCSOs	177	163	192	208	208
Police Staff	1,142	1,203	1,191	1,189	1,189

- 5.4 **The Force are being provided with an increase in their revenue funding of almost £16.4m, or 8.6%.**
- 5.5 This significant increase in funding follows on from significant increases over the last 5 years too. **In 2024/25 the Force will therefore have over £56m, or over 43%, more Revenue funding available than it had in 2018/19.**

5.6 This arguably puts the Force in a very fortunate position from a financial perspective in comparison to other Police Force Areas, for example:

- **There are no Forces in the country who have more money than North Yorkshire to deal with less Police Recorded Crime.**
- **There are however 10 Forces who have less money to deal with more Police Recorded Crime.**
- As can be seen from the table below even within NYPs most similar group of Forces then North Yorkshire would appear well funded relative to Police Recorded Crime levels. For example, based on Net Revenue Expenditure North Yorkshire will have over £30m more than Suffolk, however Suffolk has over 3,500 more Police Recorded Crime incidents to deal with.

5.7

NYP MSG Police Force Areas	2024/25 Total Income, £k	Police Recorded Crime in 22/23	Funding per Police Recorded Crime	Police Officer Uplift Target	PRC per Police Officer	999Calls in 12 months to Dec-23
Lincolnshire	163,893	58,808	2,787	1,186	50	117,234
Suffolk	171,100	52,109	3,284	1,425	37	122,609
North Yorkshire	203,388	49,452	4,113	1,664	30	114,544
North Wales	208,620	63,485	3,286	1,727	37	117,906
Norfolk	221,735	67,213	3,299	1,935	35	132,662
West Mercia	298,012	94,908	3,140	2,503	38	189,720
Devon & Cornwall	428,527	104,753	4,091	3,655	29	313,132
<b>National Totals</b>	<b>16,357,494</b>	<b>5,514,364</b>	<b>2,966</b>	<b>148,433</b>	<b>37</b>	<b>11,687,181</b>

5.8 Outside of London, the PFCC will be providing North Yorkshire Police with the **2<sup>nd</sup> highest level of funding per Police Record Crime in the country.**

5.9 This will be **almost 40% more funding per Police Recorded Crime** than the average within England and Wales.

5.10 In addition to this, the funding provided by the PFCC to North Yorkshire Police, which will fund (above the) 1,664 Police Officers in 2024/25, will result in North Yorkshire Police being able to have sufficient funding to have the **3<sup>rd</sup> lowest level of Police Recorded Crime per Police Officer in the country (excluding London).**

5.11 The 2024/25 Budget from the Force includes further significant investment into the Force Control Room of £1m. The recently published Government data on the number of 999 calls for the year ended Dec-23 showed that **North Yorkshire continue to have the 8th lowest number of 999 calls in England and Wales.**

- 5.12 If this is cross-referenced with funding, as with Police Recorded Crime, **there are no Forces within England and Wales who have more overall funding that North Yorkshire to deal with less 999 calls.**
- 5.13 There are however 7 Police Forces who receive more 999 calls than North Yorkshire but have less overall funding.
- 5.14 This is perhaps another indicator of how well funded the Force is overall.
- 5.15 **Areas of Note within the Force's Plans**
- 5.16 **Police Officers** – the PFCC was provided with a letter than provided an overview from the Home Secretary and the Minister of State for Crime, Policing and Fire of both the National Policing financial settlement for 2023/24 and the local impact for North Yorkshire.
- 5.17 Within that letter the Police Officer Uplift Target for North Yorkshire is stated as 1,664 – with an indication that this is the level of Police Officers to be maintained in 2024/25.
- 5.18 The new grant conditions will retain elements of the existing terms in 2023-24. Every officer below a force's maintenance headcount (1,644 for North Yorkshire) will result in the ringfence share reducing by £80,000 if missed at both data points (£40k per officer at each data point) down to a threshold of 1.5% below the total maintenance headcount, or 30 officers - whichever is greater. This threshold differs from 2023-24 when the threshold was 1% or 20 officers. For example, if a force is two officers below its maintenance headcount at both September, and at March, ringfenced funding would reduce by £160k.
- 5.19 As with this year, reducing officers beyond this threshold level would mean a force will not be eligible for its full share of the ringfence grant. Access to ringfence funding shares will be based upon headcount levels recorded at data collection points on 30 September 2024 and 31 March 2025 and paid in January and July 2025 following the publication of police workforce statistics.
- 5.20 The current plans of the Force are that they will be more than the Uplift Target by 16 at the end of September, and around 36 by the end of March 2024, this should ensure that the Uplift Target is easily achievable.
- 5.21 The Home Office have also indicated that there will also be an opportunity for further additional recruitment in 2024-25, up to an additional 625 officers in total above original force allocations.
- 5.22 The current recruitment plans are built with this additional recruitment in mind and therefore should the Force be successful with any bid for additional resources they will be well placed to deliver.
- 5.23 Full details of the additional recruitment scheme for 2024-25 were communicated to in February 2024 and a bid for additional funding has been made.



- 5.24 **Staff** – To be able to balance the budget for 2024/25 the Force have factored into their planning assumptions that they will have 100 staff vacancies on average during 2024/25. This has reduced the staff pay budget by circa £4m.
- 5.25 This level of vacancies is 26 higher than the budgeted position for 2023/24. The budget from the Force is therefore based on being able to afford to have 1,203 FTE Police Staff throughout 2024/25 (after allowing for 100 vacancies).
- 5.26 The Force report that they have around 1,095 FTEs at the end of December 2023. Given the significant level of staff post growth that has been factored into the Force budget for 2024/25 then the Force are likely to start 2024/25 with around 200 staff vacancies (depending on starters/leavers in the last 3 months of 2023/24), which would be around 100 FTE vacancies more than factored into the budget.
- 5.27 **It is very likely that this budget area will start 2024/25 underspending.**
- 5.28 As mentioned earlier in the report the PFCC is providing sufficient funding to the Force to be very well resourced in terms of Police Officer numbers relative to Police Recorded Crime levels. In a similar vein the Force has a budget for 1,203 FTE staff versus 1,660 FTE Officers – this is a ratio of over 70% staff to officers.
- 5.29 The average across policing was recently shown to be 54% - this is another example of the significant level of resources that the PFCC is providing to the Force.
- 5.30 **PCSOs** - To reflect the lower levels of PCSOs now employed by the Force, the budget for 2024/25 for PCSOs has been set at an average of 163 PCSOs, with an expectation within the financial plans that the Force will increase PCSO numbers to 208 FTEs by 2026/27.
- 5.31 As at the 31<sup>st</sup> December 2023 the Force report having 160 FTE PCSOs and a forecast that they will only have 147 FTEs by the end of 2023/24.
- 5.32 As with Staff this are of the budget is likely to start underspending from the beginning of the financial year and therefore it is important that the Force start the recruitment process for PCSOs as soon as possible otherwise this area of service delivery will continue to be under resourced relative to the finances available.
- 5.33 **As with the other areas of staffing it is vital, not just in terms of financial planning but perhaps more importantly in terms of service delivery and improvement, that the Force have clearly articulated plans on how they are going to resource their organisation to deliver against the challenges that they have and the Police and Crime Plan.**

## 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.

	<b>Actual Budget</b>	<b>Proposed Budget</b>			
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>Core Funding</b>	£000s	£000s	£000s	£000s	£000s
Government Grant	(83,766)	(88,770)	(90,546)	(92,357)	(94,204)
Council Tax Precept	(92,454)	(97,445)	(102,482)	(107,796)	(113,239)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(5,746)	(5,746)	(5,746)	(5,746)
<b>Funding for Net Budget Requirement</b>	<b>(184,118)</b>	<b>(194,113)</b>	<b>(200,925)</b>	<b>(208,051)</b>	<b>(215,341)</b>
%age Change in Net Budgetary Requirement	3.3%	5.4%	3.5%	3.5%	3.5%
<b>Other Funding</b>					
Specific Grants	(8,791)	(17,733)	(11,737)	(11,738)	(11,738)
Partnership Income/Fees and Charges	(8,465)	(9,166)	(8,499)	(8,376)	(8,336)
<b>Total Funding</b>	<b>(201,374)</b>	<b>(221,012)</b>	<b>(221,162)</b>	<b>(228,165)</b>	<b>(235,415)</b>
%age Change in Funding	5.2%	9.8%	0.1%	3.2%	3.2%
<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>1,435</b>	<b>1,520</b>	<b>1,590</b>	<b>1,630</b>	<b>1,665</b>
<b>Commissioned Services</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>6,131</b>	<b>7,500</b>	<b>5,050</b>	<b>5,015</b>	<b>5,040</b>
<b>Asset Management</b>	£000s	£000s	£000s	£000s	£000s
	<b>640</b>	<b>700</b>	<b>850</b>	<b>970</b>	<b>1,165</b>
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	96,951	106,717	107,990	110,004	111,367
Police Overtime	2,904	2,613	3,331	4,085	3,708
PCSO Pay (incl Overtime)	6,880	6,770	8,100	8,936	9,122
Staff Pay (incl Overtime)	44,875	47,390	48,518	49,481	50,512
<b>Pay Total</b>	<b>151,610</b>	<b>163,490</b>	<b>167,939</b>	<b>172,506</b>	<b>174,709</b>
<b>Non-Pay Budgets</b>					
Other Non Salary	2,390	4,731	2,576	2,559	2,555
Injury and Medical Police Pensions	4,051	4,475	4,514	4,505	4,505
Premises	5,722	5,561	5,674	5,787	5,900
Supplies and Services	23,779	26,079	25,908	26,280	27,394
Transport	3,523	3,114	3,159	3,198	3,262
<b>Non-Pay Total</b>	<b>39,465</b>	<b>43,960</b>	<b>41,831</b>	<b>42,329</b>	<b>43,616</b>
<b>Total Planned Force Expenditure</b>	<b>191,075</b>	<b>207,450</b>	<b>209,770</b>	<b>214,835</b>	<b>218,325</b>
%age Change in Expenditure	8.0%	8.6%	1.1%	2.4%	1.6%
<b>Total Expenditure Budgets</b>	<b>199,281</b>	<b>217,170</b>	<b>217,260</b>	<b>222,450</b>	<b>226,195</b>
<b>(Surplus)/Deficit before Reserves/Capital</b>	£000s	£000s	£000s	£000s	£000s
	<b>(2,093)</b>	<b>(3,842)</b>	<b>(3,902)</b>	<b>(5,715)</b>	<b>(9,220)</b>
Planned Transfers to/(from) General Fund	(1,000)				1,000
Contribution to Capital Programme	3,938	4,936	4,139	6,015	8,220
Planned Transfers to/(from) Earmarked Reserves	(845)	(1,094)	(237)	(300)	0
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>
<b>General Reserves</b>	£000s	£000s	£000s	£000s	£000s
General Fund Balance b/f	6,602	5,602	5,602	5,602	5,602
Proposed (Use of)/Contribution to General Fund	(1,000)	0	0	0	1,000
General Fund Balance c/f	<b>5,602</b>	<b>5,602</b>	<b>5,602</b>	<b>5,602</b>	<b>6,602</b>
<b>Average Employee Numbers</b>	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,645	1,660	1,645	1,645	1,645
PCSOs	177	163	192	208	208
Police Staff	1,142	1,203	1,191	1,189	1,189
<b>Assumptions</b>					
Staff Pay Increases	4.0%	2.5%	2.0%	2.0%	2.0%
Police Pay Increases	4.0%	2.5%	2.0%	2.0%	2.0%
Non Pay Inflation	calculated	calculated	2.0%	2.0%	2.0%
Precept Increases	5.0%	4.0%	3.9%	3.8%	3.6%
Government Grant Increases	0.3%	6.0%	2.0%	2.0%	2.0%

- 6.2 From an overall income perspective, the PFCC is now expected to receive £16.3m more income in 2024/25 than was being forecast just 12 months ago, and £19.6m more income than was budgeted to be received in 2023/24.
- 6.3 In any 'normal' year this would be fantastic news and would enable significant investment and growth of the organisation.
- 6.4 However this money needs to cover the following increases in pay and non-pay costs.

<b>Forecast additional Pay Costs</b>	<b>Forecasts 2024/25</b>
	<u>£000s</u>
Impact of 23/24 Pay Awards @ 7% in 24/25	4,730
Increase in Employer Pension Contributions rate to Office Pension Scheme	2,845
Assume 2.5% Pay Awards from Sept-24	2,390
Increase Police Officers to 1,660 FTEs in 24/25	830
Investment in Force Control Room	1,065
Combination of multiple changes	20
<b>Total Forecast Additional Pay Costs</b>	<b>11,880</b>
<b>Impact of Inflation, Specific additional income linked expenditure and Pressures on Non-pay Budgets:</b>	<b>Forecasts 2024/25</b>
	<u>£000s</u>
Other Non Salary	2,340
Injury and Medical Police Pensions	425
Estates	(160)
Supplies and Services	2,300
Transport	(410)
Commissioned Services Growth	1,370
Other Inflationary pressures	145
<b>Total Forecast Additional Inflationary Non-Pay Costs</b>	<b>6,010</b>
<b>Movement on Reserves and Capital</b>	<b>1,750</b>
<b>Potential Additional Costs</b>	<b>19,640</b>

- 6.5 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.
- 6.6 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.

## 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 The Force have put forward Capital plans for the 4 year period to 2027/28 that total just over £43m, with over £5.6m of this spend slipped from 2023/24.
- 7.3 The constant slippage and underspending on the Capital Programme has been highlighted for a number of years now and yet continues. The Force have now put in place a new Planning Process and have new people in a number of the key roles that oversee much of this area – it should therefore be expected that the performance in 2024/25 should be much better managed, forecast and reported from a financial perspective.
- 7.4 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.
- 7.5 The current Capital Plans, which will continue to be subject to review, development and refinement over the coming years, are set out below:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000s	£000s	£000s	£000s	£000s
<b>Capital Financing and Expenditure</b>					
<b>Earmarked Reserve/Funding b/f</b>	<b>17,103</b>	<b>13,985</b>	<b>10,660</b>	<b>6,181</b>	<b>6</b>
Capital Receipts - vehicles and PPE	500	525	550	550	550
Capital Receipts from Estates Strategy	465	0	350	1,090	0
Contributions (to)/from Revenue	4,909	4,936	4,139	6,015	8,220
Borrowing	1,911	4,387	2,759	639	1,042
<b>Projected in-year funding available</b>	<b>7,785</b>	<b>9,848</b>	<b>7,798</b>	<b>8,294</b>	<b>9,812</b>
<b>Capital and Project Plans</b>					
ICT	3,372	4,377	2,916	8,826	3,565
Fleet	4,099	2,810	4,418	3,195	3,997
Estates	1,911	4,387	1,484	639	1,042
Other Rolling Programmes and Schemes	617	368	338	302	392
Other Schemes	396	75	12	47	8
<b>Total Agreed Programme</b>	<b>10,395</b>	<b>12,017</b>	<b>9,169</b>	<b>13,009</b>	<b>9,004</b>
<b>Change Pipeline</b>	<b>508</b>	<b>1,155</b>	<b>3,109</b>	<b>1,460</b>	<b>211</b>
<b>Earmarked Reserve/Funding c/f</b>	<b>13,985</b>	<b>10,660</b>	<b>6,181</b>	<b>6</b>	<b>603</b>

- 7.6 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.
- 7.7 Change Pipeline
- 7.8 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.
- 7.9 This shows a total ask of:
- 2024/25 - £1,155k
  - 2025/26 - £3,109k
  - 2026/27 - £1,460k
- 7.10 A combined Capital Programme and Change Pipeline that totals almost £50m of spend across 4 years once again seems very ambitious and a significant challenge to deliver given the experiences of delivery in these areas over at least each of the last 9 years.
- 7.11 The continued reporting into Executive Board is a reflection of the continued need for additional oversight and governance of this.
- 7.12 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.
- 7.13 The funding for this investment is set to come from the following areas:
- £23.3m of contributions from Revenue over 4 years
  - £3.6m from new Capital Receipts
  - £13.4m out of Earmarked Capital Reserves and Capital Receipts Reserve across 4 years
  - £8.8m of additional borrowing to fund Estates across 4 years.
- 7.14 As highlighted last year 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 2022/23 the PFCC had Usable Reserves of £21.4m, plus £8m 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 - £12.4m
  - General contingency and risk Reserves - £1.4m
  - Capital Receipts Reserve - £8.0m
- 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 reduce in every year of the financial plan from almost £30m at the start of 2023/24 to around £12m by the end of 2027/28.
- 8.4 This will only happen if the Capital Programme is delivered in line with the plan set out within this report.
- 8.5 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 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	Tranfers In 2026/27 £000	Tranfers Out 2026/27 £000	Balance at 31 March 2027 £000	Tranfers In 2027/28 £000	Tranfers Out 2027/28 £000	Balance at 31 March 2028 £000
<b>Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.</b>																
PFCC Reserve	471			471			471			471			471			471
Capital Reserve	9,051	4,909	(8,994)	4,966	4,936	(8,785)	1,117	4,139	(5,256)	0	6,015	(6,015)	(0)	8,220	(8,173)	47
Firearms Licence Reserve	539		(30)	509		(30)	479		(30)	449		(30)	419		(30)	389
Investments Reserve	219			219			219			219			219			219
Training Reserve	265		(173)	92		(19)	73			73			73			73
Council Tax Reserve	217	(79)	(7)	132		(80)	52		(80)	(28)			(28)			(28)
ESMCP	739			739			739			739			739			739
Commissioned Services Reserve	861		(243)	618		(54)	564		(57)	507		(10)	497		(10)	487
<b>Total Reserves within current MTFP</b>	<b>12,362</b>	<b>4,831</b>	<b>(9,446)</b>	<b>7,746</b>	<b>4,936</b>	<b>(8,968)</b>	<b>3,714</b>	<b>4,139</b>	<b>(5,423)</b>	<b>2,430</b>	<b>6,015</b>	<b>(6,055)</b>	<b>2,390</b>	<b>8,220</b>	<b>(8,213)</b>	<b>2,397</b>
<b>Funding for specific projects and programmes beyond the current planning period.</b>																
Confiscated Monies Reserve	565	154	(294)	425	140	(100)	465	140	(100)	505	140	(100)	545	140	(100)	585
Cost of Change Reserve	1,469		(1,223)	246		(170)	76			76			76			76
<b>Total Reserves beyond current MTFP</b>	<b>2,033</b>	<b>154</b>	<b>(1,517)</b>	<b>671</b>	<b>140</b>	<b>(270)</b>	<b>541</b>	<b>140</b>	<b>(100)</b>	<b>581</b>	<b>140</b>	<b>(100)</b>	<b>621</b>	<b>140</b>	<b>(100)</b>	<b>661</b>
<b>As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)</b>																
Insurance Reserve	0	555		555			555			555			555			555
Pay and Pensions Reserve	950	900		1,850		(781)	1,069		(110)	959		(300)	659			659
Major Incident Reserve	432			432			432			432			432			432
<b>Total General Contingency Reserves</b>	<b>1,383</b>	<b>1,455</b>	<b>0</b>	<b>2,838</b>	<b>0</b>	<b>(781)</b>	<b>2,057</b>	<b>0</b>	<b>(110)</b>	<b>1,947</b>	<b>0</b>	<b>(300)</b>	<b>1,647</b>	<b>0</b>	<b>0</b>	<b>1,647</b>
<b>Total Earmarked Reserves</b>	<b>15,779</b>	<b>6,440</b>	<b>(10,963)</b>	<b>11,255</b>	<b>5,076</b>	<b>(10,019)</b>	<b>6,312</b>	<b>4,279</b>	<b>(5,633)</b>	<b>4,958</b>	<b>6,155</b>	<b>(6,455)</b>	<b>4,658</b>	<b>8,360</b>	<b>(8,313)</b>	<b>4,705</b>
<b>General Reserves</b>	<b>5,602</b>			<b>5,602</b>			<b>5,602</b>			<b>5,602</b>			<b>5,602</b>	<b>1,000</b>		<b>6,602</b>
<b>Total Usable Reserves</b>	<b>21,381</b>	<b>6,440</b>	<b>(10,963)</b>	<b>16,858</b>	<b>5,076</b>	<b>(10,019)</b>	<b>11,915</b>	<b>4,279</b>	<b>(5,633)</b>	<b>10,561</b>	<b>6,155</b>	<b>(6,455)</b>	<b>10,260</b>	<b>9,360</b>	<b>(8,313)</b>	<b>11,307</b>
<b>Capital Receipts Reserve</b>	<b>8,053</b>	<b>965</b>		<b>9,018</b>	<b>525</b>		<b>9,543</b>	<b>900</b>	<b>(4,263)</b>	<b>6,180</b>	<b>1,640</b>	<b>(7,814)</b>	<b>6</b>	<b>550</b>		<b>556</b>
<b>Total Reserves</b>	<b>29,435</b>			<b>25,876</b>			<b>21,458</b>			<b>16,741</b>			<b>10,267</b>			<b>11,864</b>

## 9. Risks

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

- Pay Awards are higher than the assumptions within the plan
- The 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.
- 10.2 For the last 2 years I highlighted there were a number of areas of expenditure that would need to be closely managed and referred to the following:
- Staff Pay given the current levels of vacancies
  - Recruiting PCSO numbers back to Establishment levels
  - Ensuring Police Officer Targets are hit
  - Ensuring that Supplies and Service budgets are fully understood and managed.
  - Capital Programme
- 10.3 Other than the Police Officer Targets all of the above points have caused a concern within the Force's budget during 2023/24. These will all need to be actively managed to ensure that this doesn't occur again in 2024/25.
- 10.4 There are some risks in terms of higher than forecast spend that could potentially 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.
- 10.5 It will be vital to continue to improve the understanding of the finances within the Force, how they link to the plans in place and then closely monitor the financial position throughout 2024/25 to ensure that the finances support the delivery and achievement of the Police and Crime Plan objectives.
- 10.6 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.
- 10.7 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.
- 10.8 In overall terms the capacity to increase precept by more than previously planned continues to underpin a very well-resourced organisation. The Funding Formula review could however change this position significantly.

- 10.9 The MTFP forecasts that General Reserves will be maintained at £5.6m across the MTFP until 2027/28 when they will increase by £1m to maintain a General Reserve of 3.0% of the Net Budget Requirement. I believe this to be a reasonable level given the overall challenges and risks faced by the organisation.
- 10.10 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 2024/25 is sound and robust however there are a number of areas that I have highlighted that will need to be closely managed.

## 11 **Conclusion**

- 11.1 The Police Settlement for 2024/25 has provided the PFCC with an increase in Core Government Funding of £7,693k, or 6.6%.
- 11.2 Taking into account all of the other projected changes in income, including the agreed Precept increase, then the overall forecast increase in income is expected to be £18.6m.
- 11.3 Unfortunately much of this funding increase is either specifically linked to expenditure or linked to decisions already made nationally.
- 11.4 Reserves are currently forecast to reduce by around £17m (from £29m) during the life of the Medium Term Financial. This is predominantly to support the Capital programme, and therefore ultimately the Revenue budget, to focus as much funding on service delivery as possible during 2024/25 and beyond.
- 11.5 Based on the plans and assumption outlined within this report and some use of reserves, then the organisation can demonstrate a balanced budget for the next 4 years.
- 11.6 There are some areas within the plans that will need to be actively managed otherwise underspends are likely, especially in relation to Police Staff and PCSO pay budgets.
- 11.7 In addition to this the Capital Programme looks to be a challenge to deliver everything that has been set out within 2024/25, and will therefore need to be robustly managed.

## Appendix A

<b>Capital Financing and Expenditure</b>					
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Reserve/Funding b/f</b>	<b>17,103</b>	<b>13,985</b>	<b>10,660</b>	<b>6,181</b>	<b>6</b>
Capital Receipts - vehicles and PPE	500	525	550	550	550
Capital Receipts from Estates Strategy	465	0	350	1,090	0
Contributions (to)/from Revenue	4,909	4,936	4,139	6,015	8,220
Borrowing	1,911	4,387	2,759	639	1,042
<b>Projected in-year funding available</b>	<b>7,785</b>	<b>9,848</b>	<b>7,798</b>	<b>8,294</b>	<b>9,812</b>
<b>Capital and Project Plans</b>					
ICT	3,372	4,377	2,916	8,826	3,565
Fleet	4,099	2,810	4,418	3,195	3,997
Estates	1,911	4,387	1,484	639	1,042
Other Rolling Programmes and Schemes	617	368	338	302	392
Other Schemes	396	75	12	47	8
<b>Total Agreed Programme</b>	<b>10,395</b>	<b>12,017</b>	<b>9,169</b>	<b>13,009</b>	<b>9,004</b>
<b>Change Pipeline</b>	<b>508</b>	<b>1,155</b>	<b>3,109</b>	<b>1,460</b>	<b>211</b>
<b>Earmarked Reserve/Funding c/f</b>	<b>13,985</b>	<b>10,660</b>	<b>6,181</b>	<b>6</b>	<b>603</b>

## Appendix B

### Reserves Strategy

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

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

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

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

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

- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
- Funding for specific projects and programmes beyond the current planning period.
- As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).

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

## Reserves Forecast

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

	Balance at 31 March 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	Tranfers In 2026/27 £000	Tranfers Out 2026/27 £000	Balance at 31 March 2027 £000	Tranfers In 2027/28 £000	Tranfers Out 2027/28 £000	Balance at 31 March 2028 £000
<b>Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.</b>																
PFCC Reserve	471			471			471			471			471			471
Capital Reserve	9,051	4,909	(8,994)	4,966	4,936	(8,785)	1,117	4,139	(5,256)	0	6,015	(6,015)	(0)	8,220	(8,173)	47
Firearms Licence Reserve	539		(30)	509		(30)	479		(30)	449		(30)	419		(30)	389
Investments Reserve	219			219			219			219			219			219
Training Reserve	265		(173)	92		(19)	73			73			73			73
Council Tax Reserve	217	(79)	(7)	132		(80)	52		(80)	(28)			(28)			(28)
ESMCP	739			739			739			739			739			739
Commissioned Services Reserve	861		(243)	618		(54)	564		(57)	507		(10)	497		(10)	487
<b>Total Reserves within current MTFP</b>	<b>12,362</b>	<b>4,831</b>	<b>(9,446)</b>	<b>7,746</b>	<b>4,936</b>	<b>(8,968)</b>	<b>3,714</b>	<b>4,139</b>	<b>(5,423)</b>	<b>2,430</b>	<b>6,015</b>	<b>(6,055)</b>	<b>2,390</b>	<b>8,220</b>	<b>(8,213)</b>	<b>2,397</b>
<b>Funding for specific projects and programmes beyond the current planning period.</b>																
Confiscated Monies Reserve	565	154	(294)	425	140	(100)	465	140	(100)	505	140	(100)	545	140	(100)	585
Cost of Change Reserve	1,469		(1,223)	246		(170)	76			76			76			76
<b>Total Reserves beyond current MTFP</b>	<b>2,033</b>	<b>154</b>	<b>(1,517)</b>	<b>671</b>	<b>140</b>	<b>(270)</b>	<b>541</b>	<b>140</b>	<b>(100)</b>	<b>581</b>	<b>140</b>	<b>(100)</b>	<b>621</b>	<b>140</b>	<b>(100)</b>	<b>661</b>
<b>As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)</b>																
Insurance Reserve	0	555		555			555			555			555			555
Pay and Pensions Reserve	950	900		1,850		(781)	1,069		(110)	959		(300)	659			659
Major Incident Reserve	432			432			432			432			432			432
<b>Total General Contingency Reserves</b>	<b>1,383</b>	<b>1,455</b>	<b>0</b>	<b>2,838</b>	<b>0</b>	<b>(781)</b>	<b>2,057</b>	<b>0</b>	<b>(110)</b>	<b>1,947</b>	<b>0</b>	<b>(300)</b>	<b>1,647</b>	<b>0</b>	<b>0</b>	<b>1,647</b>
<b>Total Earmarked Reserves</b>	<b>15,779</b>	<b>6,440</b>	<b>(10,963)</b>	<b>11,255</b>	<b>5,076</b>	<b>(10,019)</b>	<b>6,312</b>	<b>4,279</b>	<b>(5,633)</b>	<b>4,958</b>	<b>6,155</b>	<b>(6,455)</b>	<b>4,658</b>	<b>8,360</b>	<b>(8,313)</b>	<b>4,705</b>
<b>General Reserves</b>	<b>5,602</b>			<b>5,602</b>			<b>5,602</b>			<b>5,602</b>			<b>5,602</b>	<b>1,000</b>		<b>6,602</b>
<b>Total Usable Reserves</b>	<b>21,381</b>	<b>6,440</b>	<b>(10,963)</b>	<b>16,858</b>	<b>5,076</b>	<b>(10,019)</b>	<b>11,915</b>	<b>4,279</b>	<b>(5,633)</b>	<b>10,561</b>	<b>6,155</b>	<b>(6,455)</b>	<b>10,260</b>	<b>9,360</b>	<b>(8,313)</b>	<b>11,307</b>
<b>Capital Receipts Reserve</b>	<b>8,053</b>	<b>965</b>		<b>9,018</b>	<b>525</b>		<b>9,543</b>	<b>900</b>	<b>(4,263)</b>	<b>6,180</b>	<b>1,640</b>	<b>(7,814)</b>	<b>6</b>	<b>550</b>		<b>556</b>
<b>Total Reserves</b>	<b>29,435</b>			<b>25,876</b>			<b>21,458</b>			<b>16,741</b>			<b>10,267</b>			<b>11,864</b>

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

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

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

The PFCC has established the reserve to support PFCC specific costs and initiatives. This reserve will support the transition to a Mayoral Combined Authority over the next 2 financial years.

#### **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.

#### **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.