



NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

9 SEPTEMBER 2021

NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

POLICE - FINANCIAL UPDATE AND 2021/22 FORECAST OUTTURN

AS AT JUNE 2021

REPORT BY THE CHIEF FINANCE OFFICER

1. Purpose and Context

1.1 This report sets out at a high level, a financial update on the 2020/21 provisional outturn, the forecast financial outturn for the period 1 April 2021 to 31 March 2022 and future challenges.

2. 2020/21 Provisional Outturn

2.1 The PFCC and CC 2019/20 statement of accounts were certified as unqualified in June 2021 and the 2020/21 draft statement of accounts were published in July 2021 in line with statutory timescales. Both are available on the OPFCC website. With the exception of Northamptonshire Fire, in line with other Regional Policing and Fire organisations, the PFCC and CC 2020/21 external audits are scheduled for early 2022.

2.2 In 2020/21 the PFCC and Force budgets underspent by year end by £2.339m. An underspend had been forecast throughout the year mainly due to savings arising from recruitment delays, expenditure lower in some areas due to the impact of COVID, together with additional central funding provided to meet COVID pressures.

2.3 Throughout the year, the PFCC had advised that any underspends during the year would be used to support the Medium Term Financial Plan by increasing revenue contributions to capital and reduce future revenue costs of financing the capital programme. As such an additional £1.5m was used for this purpose and the balance transferred to reserves, as follows:

Budget Heading	Budget £'000	Outturn £'000	Variance £'000
Budgets Managed by the Chief Constable	136,162	135,579	(583)
Budgets Managed by the PFCC	6,773	5,017	(1,756)
Capital Financing Costs	3,736	5,189	1,453
Transfer to Reserves	100	986	886
	146,771	146,771	0

2.4 Since his election in office, the PFCC has worked towards creating a stable financial position for Policing; investing in additional police officers and other operational and delivery areas, and establishing affordable plans over the period of the MTFP, together with holding a sufficient level of reserves.

2.5 The PFCC is of the view that Policing reserves are now at a sufficient level and there are plans to utilise some of the earmarked reserves in line with the Reserves Strategy.

2.6 As at 31 March 2021, the PFCC held the following usable Policing reserves:

- £5m in General Reserves held to meet risk and unforeseen events
- £11.967m in Earmarked Revenue, Regional and Capital Reserves to support targeted investment, planned initiatives and the Capital Programme

3. Forecast Summary Revenue Outturn as at 31 March 2022

3.1 The forecast outturn is based on nine months of estimated data and, therefore is subject to change during the year. It will be updated and refined to reflect latest information as the year progresses.

3.2 At this early stage in the year, there is a forecast overspend of £146K. This is made up of a forecast £96K underspend on PFCC managed budgets and a forecast overspend of £242K for the Force.

3.3 The forecast outturn is attached in detail as an Appendix and summarised over the page as follows:

Budget Heading	Budget £'000	Outturn £'000	Variance £'000
Budgets Consented to the Chief Constable	142,671	142,913	242
Managed by the Police Fire and Crime Commissioner			
- PFCC Staff and Office Costs	1,120	1,067	(53)
- Commissioning and Delivery Services	4,749	4,706	(43)
Capital Financing Costs	4,133	4,133	0
Budgeted Transfer to Reserves	(141)	(141)	0
Investment Ring Fenced	1,000	1,000	0
Total Policing Outturn	153,532	153,678	146

3.4 Key highlights:

- i. The forecast overspend on Police pay and oncosts is based on latest attrition forecasts offset by additional pressures in unsocial hours, national insurance and overtime.
- ii. The underspend in PCSOs reflects current forecast attrition levels.
- iii. After anticipated transfers from reserves to support Office 365 implementation and funding of the future systems project to replace current MFSS services in 2022/23, Enabling Services Budgets are forecast to overspend £362K mainly from ICT pressures and the impact of the new structure. Contributions from reserves may mitigate this further over the year as the PFCC has agreed to meet the additional initial costs from the joint Fire/Police Digital Team restructure.
- iv. Collaboration Budgets are anticipated to underspend mainly due to the underspend in the regional Emergency Services network (ESN) team.
- v. The Control Room is currently forecast to overspend mainly due to lower than anticipated attrition levels.

- vi. There is a vacancy in the OPFCC office which is being covered by agency staff supporting the Safer Streets initiative.
 - vii. The OPFCC delivery budgets are underspent in the areas of early intervention, youth team and reducing reoffending, due to staff vacancies.
 - viii. It is anticipated that the PFCC delivery underspend will increase in these areas over the year due to timing of recruitment and investment in reducing reoffending areas, some of which are being funded from other government funding streams.
 - vix. The PFCC has tasked the Chief Constable to provide investment proposals in areas to support prevention and/or investment in technology that can sustainably reduce demand in the long term.
- 3.5 Whilst an overspend is currently forecast for the Force (Chief Constable) budgets, it is important to highlight that this is based on prudent estimates and assumptions and nine months of estimated data. It is, therefore, likely to change during the year. The Force budget is consented to the Chief Constable to manage and the conditions of this are set out in a formal budget letter from the PFCC to the Chief Constable each year.
- 3.6 This letter sets out a number of requirements and expectations, including that the Chief Constable will manage the resources within his delegated budget and that any overspends would be discussed with the PFCC and could be taken from the following year's budget allocation.
- 3.7 The PFCC scrutinises the budget monitoring throughout the year and receives regular updates at the Accountability Board.

4. Future Financial Challenges and Funding Formula Review

- 4.1 The February 2021 precept report set out the future MTFP position for Police which showed some shortfalls anticipated in future years. As a result, the PFCC set the Chief Constable a challenge to identify 1% of efficiency savings each year which can be reinvested back into the service and/or support any future year shortfalls.
- 4.2 However, the MTFP is based on a range of prudent assumptions, including that sustainable core funding is provided for the Uplift programme to support additional officers recruited to date and new officers planned for 2022/23. Any reductions in the assumptions made could significantly affect the MTFP.
- 4.3 At this stage, the MTFP does not include the potential impact of additional pension contributions which are assumed from the next treasury review. This affects both Fire and Policing unfunded pension schemes. Conservative estimates for Police highlight a 5% increase would result in a financial pressure of £2.8m per annum increasing to £5.6m per annum at 10% from 2024/25. National discussions have highlighted the possibility that the potential impact could be even higher.

- 4.4 The 2019/20 HMICFRS Value for Money profiles show that Northamptonshire receive the 27th lowest grant funding per head of population across all forces. As the Northamptonshire population continues to grow at a faster rate than the national average, the gap will continue to increase if the formula is not changed.
- 4.5 The Police funding formula was partially implemented in 2014/2015 and has not been updated since that time. If the 2015 formula had been fully implemented, Northamptonshire Police would receive additional funding each year.
- 4.6 Ministerial commitment has been given towards a funding formula review for policing – however, whilst the Home Office anticipate work commencing in the Autumn, it is unlikely that this will be concluded in time for the 2022/23 Police Funding Settlement.
- 4.7 At this stage, the outcome of the Comprehensive Spending Review in the autumn and the impact on public finances of COVID-19 is still unknown at this time.
- 4.8 As such, it remains the view of the PFCC that Northamptonshire Police are not served well by the current funding formula and the PFCC and CC will continue to take every opportunity to seek a fairer funding formula on behalf of the residents of Northamptonshire.

5. Recommendation

- 5.1 That the Police, Fire and Crime Panel considers the financial update and forecast outturn.