



**NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL**

**16 DECEMBER 2021**

**NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER**

**POLICE - FINANCIAL UPDATE AND 2021/22 FORECAST OUTTURN**

**AS AT SEPTEMBER 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 forecast financial outturn for the period 1 April 2021 to 31 March 2022 and sets out future financial considerations and challenges.

**2. Forecast Summary Revenue Outturn as at 31 March 2022**

2.1 The forecast outturn is based on six 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.

2.2 At this early stage in the year, there is a forecast underspend of £733K. This is made up of a forecast £768K underspend on PFCC managed budgets and a forecast overspend of £35K for the Force.

2.3 If there is an underspend at year end, the PFCC will consider the options available to him – this may include increasing revenue contributions to capital costs, thus reducing capital financing costs, or supporting investment or one off budget pressures in future years.

2.4 The forecast outturn is attached in detail as an Appendix and summarised below as follows:

Budget Heading	Budget £'000	Forecast Outturn £'000	Variance £'000
Budgets Consented to the Chief Constable	142,671	142,706	35
Managed by the Police Fire and Crime Commissioner			
- PFCC Staff and Office Costs	1,120	1,062	(58)
- Commissioning and Delivery Services	4,749	4,039	(710)
Capital Financing Costs	4,133	4,133	0
Budgeted Transfer to Reserves	(141)	(141)	0
Investment Ring Fenced	1,000	1,000	0
<b>Total Policing Outturn</b>	<b>153,532</b>	<b>152,799</b>	<b>(733)</b>

2.5 Key highlights:

- i. Based on latest forecasts, Police pay and oncosts are in line with budget, however, this forms a significant element of the Chief Constable's budget and is impacted when starters and leavers vary from those estimated.
- ii. The underspend in PCSOs reflects current forecast attrition levels.
- iii. Enabling services overspends reflect the additional investment made to support Office 365 implementation and funding of the future systems project to replace current MFSS services in 2022/23, as well as ICT and other pressures. Contributions from reserves already mitigate this as the PFCC has already agreed to meet a large portion of these one off costs from reserves.
- 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 together with higher than estimated overtime costs. The PFCC has asked the Chief Constable for further updates on the control room variances as the year progresses.
- 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. As set out in the September monitoring report, underspends are now being released in these areas as follows:

- Reducing reoffending – the majority of the investment planned in this area is now being funded by the Ministry of Justice.
- The Early Intervention and Youth team underspends relate to timing of recruitment which is now envisaged will be completed by the end of the year. As such, one off underspends are released in these areas.
- Due to the impact of COVID – there is a forecast underspend on the Police and Crime Plan Delivery Fund. It is likely that any underspends in this area will be allocated and ring fenced in reserves to support future initiatives.

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. When received, these proposals will be considered and timescales for any approved proposals updated. At this stage in the year, it is assumed this will be spent, but this will be kept under review alongside the provisional funding settlement.

2.6 Whilst a minor overspend is now forecast for the Force (Chief Constable) budgets, it is important to highlight that this is based on prudent estimates and assumptions and six 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.

2.7 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.

2.8 The PFCC scrutinises the budget monitoring throughout the year and receives regular updates and seeks additional information and further clarifications at the Accountability Board.

### **3. Spending Review October 2021**

3.1 The Police and Crime Commissioner's Treasurer's Society (PACCTS) Technical Support Team have considered the spending review and have highlighted some of the key elements relevant for Policing:

*"On 27 October 2021, Chancellor of the Exchequer, Rishi Sunak MP announced the outcome of the 2021 comprehensive spending review (SR2021) alongside his Autumn Budget 2021 (AB21). Sometimes referred to as the 'Spending Round' or the 'SR', the SR21 sets out public spending totals for the financial years 2022-23 to 2024-25. This was the Chancellor's second SR and his third Budget.*

Alongside the SR21 and AB21, the Office for Budget Responsibility released its Economic and Fiscal Outlook.

**Inflation** – As stated in the 2021 Spring Budget, CPI inflation fell to just 0.9% in 2020, compared to a pre-Brexit target of around 2% and a pre-pandemic forecast of 1.4%. As the economy has ramped up, forecasts for CPI have risen in the short term to a 2022 peak of 4.0% but are expected to settle to around 2% (the government's target) by 2024.

**Home Office Funding** – The Home Office settlement provides £4.2 billion over the Parliament, increasing from £12.3bn in 2019-20, (14.6bn in 2021-22) to £16.5bn in 2024-25. This is equivalent to a real-terms growth rate of 1.9% a year on average over the SR21 period.

**Police Uplift Programme Commitment** – An additional sum of £540m will be given to police to complete the recruitment of the final 8,000 officers, bringing the total to 148,000 officers by 2023.

**Crime Reduction and Drug Misuse** – An additional £42 million will be given to the police for new programmes that reduce crime and drugs misuse. According to the release, this is on top of £108m for existing programmes such as the Safer Street Fund and more enforcement to tackle drug misuse through the County Lines Programme and Project ADDER.

**Money Laundering and Fraud** – An additional £18m in 2022-23 and £12m for 2023-24 and 2024-25 will be given to police to tackle money laundering and fraud. This is in addition to the Economic Crime Levy which will provide additional funding from 2023-24. ESN – The SR will provide £125 million resource funding in 2022-23 and a saving of £17m by 2024-25 as well as £121m capital funding for the Emergency Service Mobile Communications Programme of the SR21 period.

**Council Tax Referendum Limits** – The settlement provides Police and Crime Commissioners (PCCs) in England with the flexibility to increase funding in each year of the SR21 period with a £10 council tax referendum limit. If all PCCs in England and Wales were to take full advantage of this flexibility, this would raise up to an additional £774m by 2024-25 based on current forecasts.

- 3.2 Furthermore, increases were announced to the Ministry of Justice Funding including additional funding Victims support services (of which a significant sum is passed to PCCs to deliver or commission services locally) and extended Justice capacity. PCCs have asked the Minister to seek permanent funding increases in the PCC allocations rather than the one year grants which are currently being provided. Recognising this as a priority area, the PFCC currently spends significantly more than the MOJ funding allocations on supporting Victims in Northamptonshire.
- 3.3 Members are advised that due to the current funding arrangements in policing, a flat precept increase of £10 in Northamptonshire would equate to 3.7%, but in Essex would be a 5% increase.
- 3.4 It is likely that the detail of these announcements will not be available until the provisional settlements are published and the impacts are worked through.
- 3.5 From the information available, initial assessment is that excluding the uncertainty on grant for additional officers, any potential increases of up to 3.7% of precept and 1.9% of grant would equate to an average increase of under 3%. It is possible that even if maximum increases are made, they would not fully meet the additional costs forecast.
- 3.6 Whilst the spending review considers a three year period, it does not address the potential impact of pension actuarial reviews on the Fire and Police unfunded Pension Schemes from 2024/25. Members will be updated further as part of the Medium Term Plan considerations which will support the PFCC's precept proposal in February 2022.

- 3.7 The PFCC will consider the outcome of the budget negotiations with the Chief Constable, the detail provisional settlement anticipated in December 2020 and the views of Northamptonshire residents to inform his budget and precept proposals. The proposals will be made to the Panel in February 2022.
- 3.8 It is the intention of the PFCC to offer a budget and precept workshop with members in January 2022 to inform his precept proposals.

#### **4. Funding Formula Review**

- 4.1 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.
- 4.2 Ministerial commitment has been given towards a funding formula review for policing and governance forums have been established to enable the work to commence.
- 4.3 At the PCC's meeting with the Minister on the 28<sup>th</sup> October 2021, they were advised that commitment has been undertaken to review the formula in this parliament. However, the Minister advised that whilst the review is planned to take place during 2022, it is unlikely as to whether it will be implemented before the next Parliament in 2024.
- 4.4 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.