



## NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

3 February 2022

### REPORT BY THE POLICE, FIRE AND CRIME COMMISSIONER (PFCC) AND THE CHIEF FINANCE OFFICER

#### PFCC PROPOSED POLICE PRECEPT 2022/23

##### Purpose of the Report

1. To propose the 2022/23 Police Precept Proposal.
2. The revenue budget, capital programme, reserves and medium term plan are included within the report to provide context for the precept proposal.

##### Recommendation

3. The Police Fire and Crime Panel is **RECOMMENDED** to endorse:

**The proposal to increase the 2022/23 Police Precept by £10 per annum (3.7%) for a Band D Council Tax to £278.04 (from £268.04 in 2021/22), 19 pence per week for policing purposes.**

4. Note the information presented in this report, including:
  - a. The statement of the Section 151, Chief Finance Officer as required by Section 25 of the Local Government Act 2003 regarding the robustness of the Budget, the Medium Term Financial Plan and the adequacy of financial reserves, together with the other associated statutory safeguards (Appendix C).
  - b. The total 2022/23 net budget requirement of **£160.364m**, including:
    - i. The intention of the PFCC to set a Council Tax Precept Requirement for 2022/23 of **£70.247m** (£66.852m in 2020/21).

- ii. The future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational mitigations and additional considerations identified.
- iii. That any changes required, either by Government grant alterations or through amended council tax base and surplus/deficit notifications received from the collecting authorities, may be balanced either through Force Efficiency Savings or through a transfer to or from Reserves.
- iv. The current MTFP and the anticipated savings required.
- v. The Capital Programme and the review of the ICT element within it.
- vi. The Reserves Strategy and proposed use of reserves.

### **Executive Summary**

- 5. This report and proposal, is the culmination of several months' work by the Office of the Police and Crime Commissioner (OPFCC), supported by Force colleagues, public and stakeholder consultation and key government announcements.
- 6. Following the announcement of the provisional Police Grant settlement, the PFCC has considered current and future funding levels, together with his Police, Fire and Crime Plan, the consultation, and the Spending Review (SR2021).
- 7. The PFCC has received briefings from the Minister and acknowledges the expectation that PFCCs will increase their precept locally by £10 (3.7%) in 2022/23 and the following two years.
- 8. In considering the budget for 2022/23 and the proposed level of Police precept, the PFCC has been informed by a consultation of 1,404 residents of Northamptonshire.
- 9. The budget for 2022/23 is the final year of the local and national increase for Police Officers. As such, **By 31 March 2023, the force is on target to have an establishment of 1500 Police Officers, an increase of 330 over the past six years.**
- 10. The PFCC has listened to the views of Northamptonshire residents and has worked with the Chief Constable to ensure a significant number of these officers have been allocated to neighbourhoods, supported by the local Beat Busses introduced in 2021//22, further increasing visibility.

11. Furthermore, following the responses from the public to the Police, Fire and Crime Plan and the priorities contained within it, in addition to his commitment to increase Police Officers to 1500, the PFCC has ring fenced funding from within the budget to target the following areas:
  - Prevention that keeps the County Safe
  - Effective and efficient response
  - Protect and support those who are vulnerable
  - Effective justice
  - Modern services that are fit for the future
  
12. The PFCC has ring fenced the following funding in the budget:
  - a. The sum of £1m for ongoing investment with future years costs funded from the base budget and the savings programme. The Chief Constable has prepared a range of proposals which support the priorities above which the PFCC is currently considering and will finalise any agreement at the February 2022 Accountability Board.
  
  - b. The sum of £1m from within the PFCC initiatives reserve in 2022/23 and in principle a similar amount for the following two years. He is currently finalising his considerations in the following areas:
    - Prevention and support for Violence against Women and Girls
    - Supporting victims of Domestic and Sexual Violence
    - Crime Prevention
    - Working together with partners to tackle and reduce knife crime
    - Increased investment in Youth and Early Intervention work
  
13. The PFCC has always endeavoured to ensure that the cost of staffing the OPFCC is around 1% of the Chief Constable's force budget. In 2022/23 OPFCC staffing remains at approximately 0.6% of the total force budget for the year.
  
14. Within the OPFCC Commissioning and Delivery Budget, the PFCC has provided additional investment into Early Intervention and Youth Work teams in 2022/23 and will continue to support and embed the investments made in previous years, which includes to:
  - Prioritise work to support victims and the vulnerable,
  - Take forward initiatives to reduce domestic violence,
  - Work with partners to take forward initiatives to reduce re-offending,
  - With increased investment to continue to prioritise Early Intervention and engagement work,
  - With the increased investment to continue to prioritise targeted Youth Intervention and engagement work, including increasing capacity in neighbourhoods
  - Continue to take forward work on crime prevention and

- Continue to take forward work with the Road Safety Alliance, including the conclusion of the roll out of automatic number plate recognition (ANPR) cameras and other initiatives.
15. The PFCC has reviewed the adequacy and level of reserves to ensure that funds are still available to support investment in innovative solutions and ensure the level is adequate to meet one off short term funding shortfalls from 2025/26 if savings and efficiencies are not identified.
  16. The policing budget and precept also takes forward the statutory duty to collaborate for the emergency services and means the services should be actively seeking opportunities to work together to deliver more efficient and effective public services. As such, both Fire and Police Budget agreements for 2022/23 will again demonstrate the PFCC commitment to collaboration, including greater integration between police and fire and rescue to reinvest in frontline services. It is the PFCC's expectation that, over time, the following areas will be delivered:
    - Shared Services
    - Shared Estates Strategy
    - Shared Prevention Approaches
    - Operational Interoperability
    - Control Room
  17. The PFCC has been briefed on the current and emerging operational and demand challenges and these have informed discussion on the budget allocation to the Force for 2022/23 and future years.
  18. The PFCC feels that Northamptonshire is not served well by the current grant funding formula; that the county is not fairly funded in comparison to both regional and national peers and that local residents should not pay more for their services than other counties. Every year the formula is not update, Northamptonshire is detrimentally affected. He has and will continue to make national representation in this regard.

**After careful consideration of the factors included within this report, the PFCC is very much aware of the financial impact on households in the current time. He is, therefore, proposing a precept increase of £10 a year (19 pence per week) for 2022/23 in order to continue to increase and invest in police officers, continue to build a sustainable base budget to maintain and safeguard policing services in Northamptonshire.**

### **Background**

19. In considering his precept proposal for 2022/23, the PFCC has reviewed a wide number of factors, including (but not limited to):
  - The significant population increase in Northamptonshire over the period 2002 to 2020. With the opportunities that an increase in population brings there is also an impact on demand for public services, especially the police.

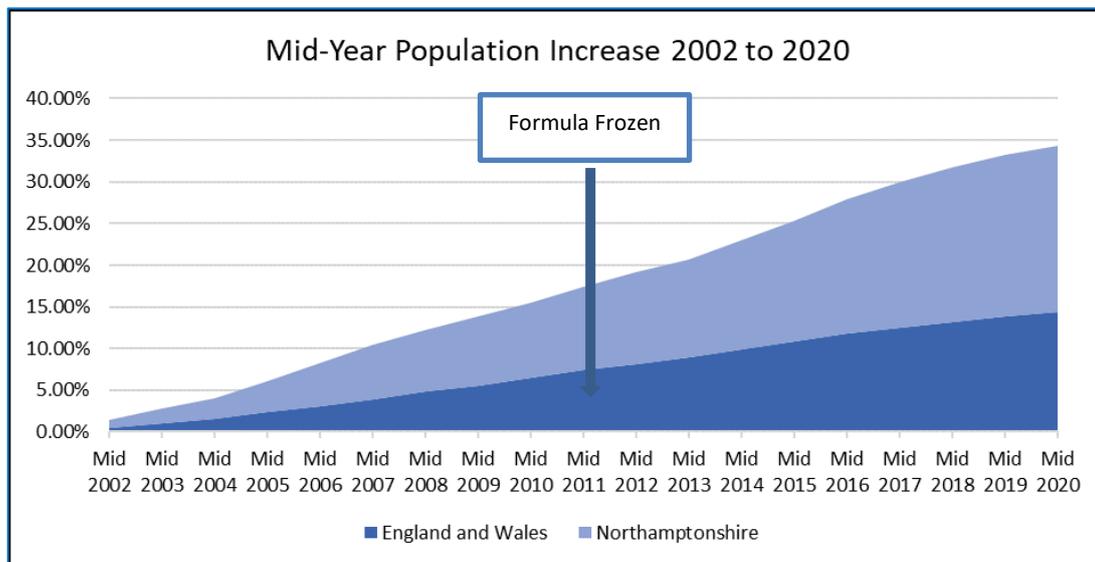
- The views of Northamptonshire residents.
- The spending review 2021; the provisional finance settlement for 2022/23 and indicative allocations for future years.
- The impact of the additional police officers on the base budget.
- The current financial climate and levels of inflation running at 5.4%.
- The level of reserves and balances held.

### **Funding Formula and Population**

20. The National Police Funding Formula which accounts for around 57% of Northamptonshire's funding includes population as a key factor in the allocations. However, the formula was "frozen" in 2011/12 and annual increases have been on the basis of inflation and additional officers since that time.
21. Work had been underway on a review of the formula with an initial view of implementation in 2018/19 and in his letter to PFCCs on the 19 December 2017 on the Provisional Police Grant Settlement for 2018/19, the then Minister advised:
 

***"In the context of changing demand and following my engagement with Police leaders, providing funding certainty for 2021/22 is my immediate priority. We will revisit the funding formula at the next spending review."***
22. Whilst the formula has not been reviewed in the current spending review (SR2021), work on the long awaited funding formula review is now underway and the PFCC, together with Bedfordshire and Lincolnshire PCC's have met with the Home Office lead to ensure the voice of Northamptonshire has been heard.
23. A significant part of the current formula is based on population. In 2002, Northamptonshire's population growth was 0.5% more than the national average.
24. By mid-2020, the gap between the county and the national average had increased to 5.64%.
25. At the time the formula was frozen, Northamptonshire's population had increased by 10%, compared to the national average increase of 7.4%, a gap of 2.6%. By 2020, whilst the gap has doubled, the funding formula population factor has remained static.

26. The graph below demonstrates this population increase for the period 2001 to 2020.



Source: Mid Year Population Office of National statistics

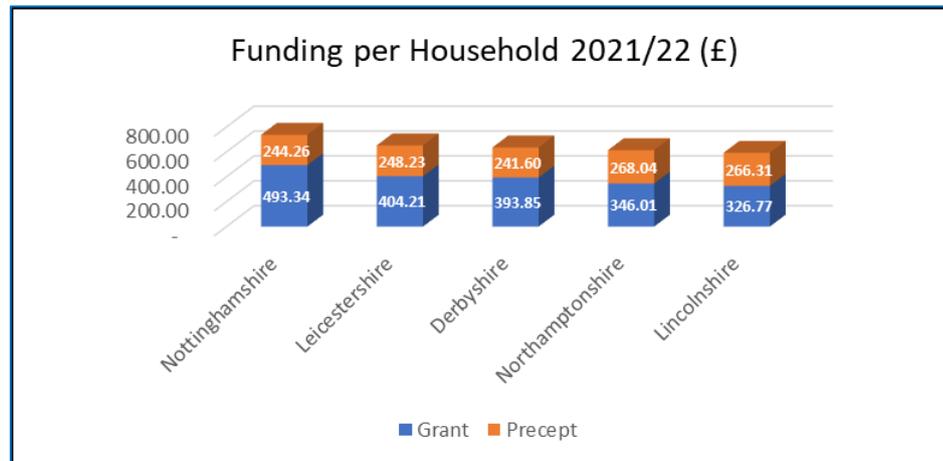
27. Police central funding has not kept pace with this population increase and whilst historical local council taxbase increases have contributed to total funding, central government grants, have not.
28. This means that 57% of Northamptonshire Police’s funding is allocated on the basis of a funding formula which has not been updated for over 10 years; therefore, does not reflect current demands; does not reflect modern policing and does not reflect the significant growth in the county.
29. The Joint Strategic Needs Assessment (JSNA) Demography Insight Pack 2019 outlines that Northamptonshire’s population has increased by 29.9% over the 30 years, compared with 17.7% across England. It also estimates this will increase by a further 14% by 2041.
30. Her Majesty’s Inspectorate of Policing and Fire and Rescue Services (HMICFRS) advised in 2021 that:

***“.....The force’s financial plans are set on realistic and conservative assumptions. ....”***

31. In 2019, the HMICFRS also highlighted:

***“ .....it has been subject to decades of underfunding.....”***

32. Recent analysis undertaken by the PFCC highlights the inequity of the current funding formula in the East Midlands Region and how taxpayers in the smaller forces of Northamptonshire and Lincolnshire are penalised by the lower government grants per household than their regional peers, as follows:



33. For illustrative purposes, the PFCC has calculated that if Northamptonshire received government grant at a similar level to Nottinghamshire, the county would receive an additional £36.7m per annum. Furthermore, Nottinghamshire has 29% more residents yet receives 84% more grant funding.
34. Band D Council Tax levels vary significantly for Police and Crime Commissioners across the country and the PFCC strongly believes that the current funding formula does not best serve the residents of Northamptonshire, meaning that local residents are required to fund a higher level of the policing bill than they would in other areas.
35. He will continue to engage on the review and lobby to seek a fairer funding settlement on behalf of the residents of Northamptonshire.

### **Budget Strategy**

36. Since being elected into office, the PFCC has sought to maximise the allocation provided to the Chief Constable from within his funding envelope.
37. This is balanced with maintaining sufficient resources to fund the capital programme, maintain the PFCC office and provide over £4m in commissioning and delivery activities for the public of Northamptonshire.
38. In 2022/23, before investments, the PFCC will allocate 93.6% of funding available to the Chief Constable, this is an increase of 0.7% on the allocation in 2021/22 and 2.5% since 2016/17.
39. In 2022/23, the Chief Constable's budget (before investments) will increase by £7.1m on the previous year. A cash increase of £38.6m since 2016/17.

## **Police Grant Settlement – Precept and Police Officer Uplift (PUP) Expectations**

40. Due to the recency and detail of local government finance settlements at the 2021 Spending Review (SR2021), the majority of the provisional settlement was already known. The Technical Support Team provided the headlines below.
41. The 2022/23 Police Provisional Settlement was announced on 16 December in a written statement by the Crime and Policing Minister, Kit Malthouse. Full details of the Settlement can be found on the Home Office office website.
42. The deadline for submissions to the provisional settlement is 14 January 2022. The PFCC has responded to the consultation.
43. This settlement follows the first three-year SR for several years. Despite the economic landscape improving, there are still significant difficulties within the economy. Inflation is of particular concern with the Bank of England’s prediction of a CPI figure of over 5% in 2022 coming to fruition.
44. Prior to the publication of settlement, the sector was expecting a continuation of additional Police Officer Uplift funding for the recruitment of 8,000 officers (towards the 20,000 total). In a follow up meeting, Kit Malthouse confirmed that policing would receive an extra £550m in 2022-23, £650m in 2023-24 and £800m by 2024-25. At the time of SR, how this money was to be distributed was unknown, however, it was suggested that as well as PUP funding this would also give forces enough resource to fund a pay rise, in line with the end of the public sector pay freeze.
45. The settlement also provided Police and Crime Commissioners (PCCs) in England with the flexibility and expectation to increase funding in each year of the SR21 period with a £10 council tax referendum limit. According to the SR, 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 HO forecasts.
46. Spending Review 21 Headlines included:
  - £10 Precept Flexibility for PCCs over the course of SR21.
  - GDP Forecasts up and Debt forecasts down compared with Spring Budget 2021.
  - 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
  - Public Sector Pay Freeze to end in 2022
  - An end to Capital Grant allocations – all funding is now provided in the funding envelope.
47. Core Funding, which is defined as the sum of Police Grant, Rule 1, the Welsh Grants and Ex-CLG funding has increased by 5.7%. The smallest increases in core funding were seen in City of London and Dorset with an increase of 4.8%, followed by Gloucestershire at 4.9%. In contrast, Northumbria and Gwent had the largest increase at 6.1%, followed by South Wales at 6%.

48. Reallocations (top slices) are taken from the grant before it is allocated to PCCs in line with the funding formula.
49. A table comparing 2021/22 and 2022/23 reallocations is below which shows the increase of £340m. Of this amount, £188m relates to the capital allocations no longer distributed with the settlement.

<b>Reallocations</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£m</b>	<b>£m</b>
Special Grant	54.8	62.4
PFI	71.6	71.6
Arms Length Bodies	70.5	68.7
Police Uplift Programme	14.5	12.0
Police Technology Programmes	484.7	606.5
National Operational Units	2.9	2.9
Bluelight Commercial	5.0	-
Precharge Bail	2.0	-
National Capability programmes	38.7	65.0
Forensics	25.6	25.6
Police Now	7.0	7.0
Serious Violence	38.9	50.1
Safer Streets Fund	20.0	-
Counter Terrorism programmes	32.5	32.5
Serious Organised Crime Strategy Implementation	146.3	-
Regional Organised Crime units (21/2 Top Up)	4.9	33.2
Science, Technology and Research	5.2	-
NPCc Programmes	3.2	10.6
International Crime Coordination Centre	5.0	-
Police and CJS performance	-	13.0
Crime Reduction programmes	-	45.8
Capital Reallocations	-	188.1
Drugs/County Lines	-	30.0
Rape Review	-	12.0
Crime Reduction Capabilities	-	13.5
Fraud	-	23.1
<b>Total Reallocations</b>	<b>1033.5</b>	<b>1373.5</b>

50. Whilst some reallocations can be readily compared between years, others may be new initiatives or replace previous initiatives such as the Safer Streets Fund. Details of these initiatives, such as Crime Reduction Programmes are awaited.
51. Currently PCCs have no influence on the scale or scope of national reallocations prior in informing the provisional settlement. It is important to highlight that these reallocations do impact at a local level as resources are being allocated to meet nationally determined priorities rather than based on local needs and requirements.

52. A summary of the final core settlement assuming that the maximum precept increase is to be levied, compared to the 2021/22 actual position is as follows:

Funding Source	2021/22	2022/23	2022/23
	Actual £m	Core Settlement £m	Actual £m
Police Grants and ex-DCLG funding	77.5	81.7	81.7
Ring fenced additional officer funding 2022/23	1.0	1.3	1.3
Legacy Council tax grants	6.6	6.6	6.6
Additional pension grant	1.3	1.3	1.3
Council Tax Grant	0.9	0	0.0
<b>Total Home office Revenue Allocations</b>	<b>87.3</b>	<b>90.9</b>	<b>90.9</b>
Council Tax (Core Settlement assumption £10)	66.9	70.1	70.2
Collection Fund Deficit	(0.6)	0.0	(0.7)
<b>Total 2020/21 Actual and 2021/22 Core Settlement</b>	<b>153.6</b>	<b>161.0</b>	<b>160.4</b>

*Note: The Core Settlement is based on the Home Office Council Tax assumptions, not the actual position*

53. The variation between core and actual spending power is based on the following:
- The core settlement is based on estimated council tax receipts which are at a lower level than actual levels
  - The collection fund deficit is not reflected in core spending power.
54. Therefore, Northamptonshire's actual funding is £0.6m lower than the published core spending power.
55. Consistent with 2021/22, a sum of £1.3m additional officer funding has been ring fenced and will only be paid on delivery of uplift officers.

#### **Police Officer Recruitment and Police Uplift Programme (PUP)**

56. In September 2019, the Government launched the national recruitment of 20,000 Police Officers, referred to as the Police Uplift Programme (PUP). This was in addition to the 83 officers already provided by the PFCC in that year and additional officers in previous years.
57. The PFCC listened to the views of Northamptonshire residents and has worked closely with the Chief Constable to increase Police Officers wherever possible and affordable. As such, The force has grown from 1,170 police officers and by March 2023 they are still on target to have 1,500. This is an increase of 330 officers (over 28%) and the most officers the county has ever had.

58. The force is on target to achieve the agreed 1,500 police officer establishment by March 2023. The remaining establishment profiles are as follows:

<b>Milestone</b>	<b>FTE</b>
March 2021	1,367
March 2022	1,460
March 2023	1,500

### **Council Taxbase and Council Tax Precept Income**

59. The Council Tax and the level of precept is a fundamental part of the local government finance settlement.
60. Income generated from the precept depends on both the level of the Band D precept and the tax base – the latter being effectively the number of properties who are required to pay Council Tax.
61. In Police, the precept accounts for over 43% of funding, therefore any variations can be a significant impact. Historically, the taxbase has increased year on year, however, due to the impact of COVID, in 2021/22 the taxbase reduced by 0.41%. due to COVID-19.
62. The North and West Unitary Councils have advised the PFCC of their proposed taxbases for 2022/23.
63. A comparison of the 2021/22 and 2022/23 figures reflects an average 1.3% taxbase increase as follows:

	<b>2021/22</b>	<b>2022/23</b>	<b>Change</b>	
	<b>(number)</b>	<b>(number)</b>	<b>(number)</b>	<b>%</b>
North	111,892.00	113,047.00	1,155.00	1.03%
West	137,520.22	139,604.04	2,083.82	1.52%
<b>Taxbase (Band D)</b>	<b>249,412.22</b>	<b>252,651.04</b>	<b>3,238.82</b>	<b>1.30%</b>
CSP DLUHC Estimate		253,333.74	3,921.52	<b>1.57%</b>
CSP Home Office Estimate		252,205.64	2,793.42	<b>1.12%</b>

64. As with previous years, the estimated taxbase in CSP Power estimated by DLUHC is significantly higher than the estimate used by the Home Office for Policing. It is interesting to note that the actual taxbase is between the two estimates.
65. Moving forwards, the MTFP assumes average increases which align with Unitary Councils taxbase assumptions.

66. The total precept funding is a combination of the taxbase increase and the precept increase as follows:

2021/22 £	Variation	2022/23 £
	<b>Impact from Taxbase Changes</b>	
244,328	- North	309,586
(335,084)	- West	558,547
<b>(90,756)</b>		<b>868,133</b>
	<b>Impact from Precept Increase £10</b>	
1,454,596	- North	1,130,470
1,787,763	- West	1,396,040
<b>3,242,359</b>		<b>2,526,510</b>
<b>3,151,603</b>	<b>Total Precept Change</b>	<b>3,394,644</b>

67. The 2022/23 proposed precept increase of £10, together with the increased taxbase will generate an additional £3.395m on the base budget.

#### Council Tax Collection Fund

68. Each year the billing authorities estimate how much of the total potential Council Tax income liability of taxpayers they will collect. They advise precepting authorities of any projected surplus or deficit on the "Collection Fund" in January of each year.
69. The PFCC is very appreciative of the hard work undertaken by the North and West Northamptonshire Unitary Authorities in providing the deficit information to enable their inclusion in his budget and precept considerations.
70. Despite high collection rates within Northamptonshire, COVID-19 impacted on this area. Collection fund positions vary significantly throughout the country with some Authorities achieving surpluses and many others having significantly worse deficit positions.
71. The Unitary Authorities have advised the PFCC of their collection fund deficit positions for 2022/23 for Police as follows:

	2021/22 £	2022/23 £
North	(312,674)	(531,502)
West	(317,492)	(175,988)
<b>Collection Fund Deficit</b>	<b>(630,166)</b>	<b>(707,490)</b>

72. To mitigate this future impact, given the uncertainty at the time of setting the 2021/22 precept, the first instalment of the Council Tax Income Guarantee Grant was intentionally not budgeted for in 2021/22 and was added to reserves. It will therefore be drawn from reserves in 2022/23. No further instalments have been budgeted for,

therefore, if any are received they will be added to reserves and considered alongside the position in 2023/24 and future years

73. The S151 Officer will work closely with the Unitary Authorities throughout the year to monitor and understand any impact on the collection fund deficit position for 2023/24 and future years.

#### **Public Consultation on the Level of the Precept**

74. For this year's precept, over the period 20 December 2021 to 16 January 2022, the PFCC undertook as wide a range of consultation as possible to obtain the views of Northamptonshire residents. The survey was sent out to more than 200,000 contacts and using many different approaches, the main ones are set out in Appendix A. This wide reach is set within the challenges of the limited timescale of the government funding settlement and the current COVID climate over the festive season.
75. As consultation has recently taken place on the Police, Fire and Crime Plan priorities, the online survey was targeted specifically in relation to the precept and communicated to as many stakeholders as possible, to enable any Northamptonshire resident to share their views on the level of the precept.
76. The online survey received a response from 1,404 for Policing which is classed as a statistically relevant sample size for the County with a 95% level of confidence.
77. Furthermore, the PFCC personally undertook the following specific targeted engagement:
  - An annual Parish Councillor Budget and Precept meeting was held on the 19 January 2022, 274 Parish Clerks were contacted and asked to disseminate to all their Parish Councillors. 14 Parish Councillors attended and received a briefing on the budget and precept considerations for both Fire and Policing. All councillors attending were also invited to undertake the summarised online survey. The PFCC has considered their responses and is grateful to those who attended the meeting and found their engagement extremely useful.
  - The PFCC held a Police Fire and Crime Panel workshop on the budget and precept considerations for 2022/23, which was attended by eight members. The annual workshops commenced in January 2021 and the PFCC has found this approach and member input invaluable. The PFCC is grateful to all panel members who attended, and subject to the views of the Panel wishes to continue to offer the budget workshop as an annual event for consideration.
  - The PFCC would like to give particular appreciation to the commitment and engagement of MPs, Members of the Police, Fire and Crime Panel and Parish Councillors; as he recognises they have been contacted multiple times during the survey period and asked to disseminate the survey amongst their local residents and contacts.

78. The PFCC has considered the results of the 1,404 responses, the results of which were:

**That around 50.3% of residents were prepared to pay £10 or more if they were able to for Police services. Around 45.3% were not prepared to pay any more than they do now and 4.4% said they did not know.**

79. Respondents were also given the opportunity to comment on the consultation, together with stating how good a job the Police and the Fire and Rescue Service did. 1,379 residents replied. **Approximately 42.9% of residents thought Police were doing a good or excellent role**, 21.8% of residents advising poor or very poor. 27.6% of residents thought they were doing a fair job and 7.7% did not know.

80. The PFCC will consider the narrative comments in and the report which will be published on the PFCC website in due course.

### **The Financial Challenge – Future Risks, Challenges and Uncertainties**

81. When modelled at the government's £10 precept expectation for three years, the MTFP shows that the PFCC has produced a balanced budget for 2022/23 a further two years.

82. The impact of a different inflation assumptions to that estimated in the MTFP are as follows:

- Every 1% reduction in grant equates to circa £0.9m per annum
- Every 1% in Council Tax equates to circa £0.7m per annum
- Every £1 in Council Tax equates to £0.3m per annum
- Every 1% in Pay equates to circa £1.3m in a full year
- Every 1% non-pay inflation equates to £0.3m per annum

83. Prudent forecasts have been included where information which has not yet been finalised. Any variations between the provisional and final local government settlements, business rates, council tax or the collection fund will be balanced with reserves.

84. Some further financial and operational risks and challenges are as follows:

- a. The unknown impact of the Funding Formula Review on Future Funding Settlements.
- b. There is a national and a regional move to consider the charging of costs in line with a Net Revenue Expenditure (NRE) rather than a funding formula methodology. This disproportionately affects forces such as Northamptonshire who have a lower than average grant allocation and bears no correlation to increasing population or households as can be seen earlier in the report. Any movement of regional or national charging to NRE will result in cost increases to Northamptonshire.

- c. The impact of a different core grant assumption to that estimated in the MTFP for the years after 2022/23.
- d. Some costs in relation to the Emergency Services Network (ESN) changes, have been assumed in the capital programme and MTFP, however, it is recognised that nationally these have not been finalised and may be subject to variation.
- e. The operational and financial impact of new, emerging and increasing areas of threat and demand, including, but not limited to, child sexual exploitation, adult and child sexual and domestic violent crimes and increasing cybercrime. It is anticipated that the additional officers will assist in the challenge of meeting such demands.
- f. It is anticipated that the impact of national grants reducing or ceasing for regional developments and activities would have a significant impact.
- g. The capital programme requirements and the investment required to take any business as usual, innovative or collaborative work forward in advance of the timings of savings. The reduction in capital grant since 2020/21 and now removed entirely has had an impact on the revenue costs of the capital programme and this is built into the MTFP.
- h. The impact of partners' spending decisions which may affect services provided by the Force or PFCC.

#### **Other Financial Risks and Uncertainties - Pensions**

85. The Government introduced reforms to public service pensions in 2015 which resulted in most public sector workers being moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members gave rise to unlawful discrimination on the basis of age. In July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.
86. It is expected that the on-going cost of higher pension benefits will arise from two main areas:
  - Costs arising from the above case, and;
  - The as yet unknown results of the next actuarial valuations for unfunded schemes such as Firefighters and Police which will be built into the scheme valuation process and reflected in the 2024/25 employer and employee contribution rates.

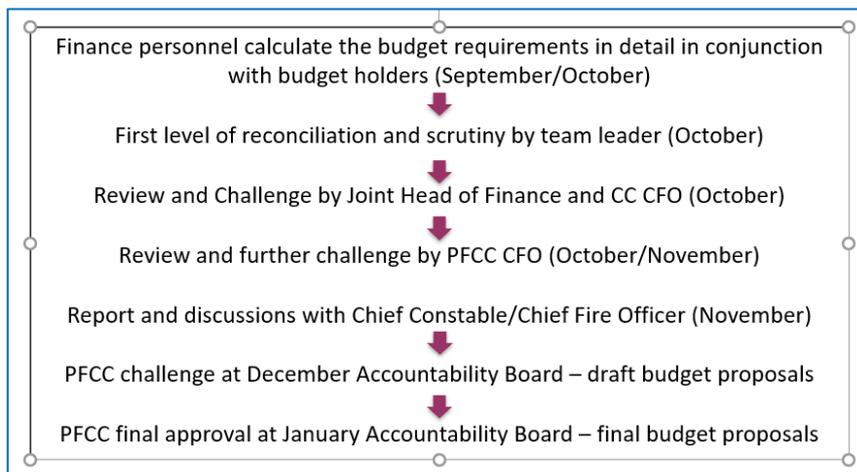
These issues could lead to employer contribution rates increasing by up to 10.0% from 2024/25. Such an increase could equate to £6.4m per annum.

87. The government has provided additional grant funding for pension increases in the past for both Fire and Police but there is a risk that authorities may need to meet some or all of this increase.
88. Whilst assumptions vary between 0% and 30% impact, a potential impact is modelled as scenario in the MTFP assuming a 10% increase and also with a modelling assumption that 75% of that cost would be funded by Home Office grant.
89. Whilst this was not addressed in the SR2021; in January 2022, James Cartlidge MP , Parliamentary Under Secretary for State (Ministry of Justice) and Assistant Government Whip stated that cost of remedy for the above when legislation is in place would fall on the Exchequer (source: Hansard). Whilst this indication is welcome, no details are currently available and this would only contribute to part of the additional costs. However, the Home Office are alive to this issue and are already in discussions with the Treasury.
90. The PFCC will continue to make representation and seek updates and assurances from the Home Office in this regard. The MTFP will continue to be updated as discussions continue. At this time, it is highlighted as a potential risk and modelled in both the Police and Fire MTFPs.

#### **2022/23 – Base Budget preparation, approach and scrutiny**

91. The budget is the second budget prepared under the recently established joint Finance team and has brought an approach which has provided consistency across Fire and Police. This has enabled comparability of assumptions and principles, together with best practice, resilience and a more efficient approach applied to budgeting for all services.
92. The budget has been prepared on a zero-base where possible, in full consultation with budget holders, aligned to the Police, Fire and Rescue Plan and tested against the MTFP.
93. The zero based approach ensures that efficiencies are taken from this process where possible that only approved increases, inflation and unavoidable pressures are built in. Detailed workings are prepared and the format of the budget models are consistent and have built in checks and balances to ensure the correct information is fed through. This approach also enables resilience within the finance team.
94. Following the preparation of the Budget Strategy and approach in September, briefing sessions took place with all budget holders and it the strategy was shared with the Joint Independent Audit Committee (JIAC) for further scrutiny and review.
95. The table below sets out the preparation and scrutiny elements which culminated in the December Accountability Board where the Chief Constable presented his initial budget proposals which were scrutinised and challenged by the PFCC.

96. The budget has been prepared on a zero-base where possible, in full consultation with budget holders, aligned to the Police, Fire and Crime Plan and FP25 Policing Priorities and tested against the MTFP.
97. Efficiencies are taken from this process where possible and it ensures that only approved increases, inflation and unavoidable pressures are built in. Detailed workings are prepared, the format of the budget models is consistent and has built in checks and balances to ensure the correct information is fed through. This approach also enables resilience within the team.
98. Following the preparation of the Budget Strategy and approach in September, briefing sessions took place with all budget holders and the Strategy was shared with the Joint Independent Audit Committee (JIAC) for further scrutiny and review.
99. The table below sets out the preparation and scrutiny elements which culminated in the December and January Accountability Boards where the Chief Constable set out his budget proposals, and were scrutinised and challenged by the PFCC.



100. At the December Accountability Board the PFCC asked for the budget work to be extended and provide an additional budget proposal for a provisional three year balanced budget for policing (excluding potential pension uncertainties), based on £10 precept across the first three years in line with government expectation.
101. A provisional three year balanced budget has been produced, which includes a proposed savings programme and includes an agreed capital programme. This will enable a level of planning and continuity. After further scrutiny and challenge, the PFCC considered the Chief Constable's budget proposal at the January 2022 Accountability Board and ring fenced the sum of £1m for investment in line with Police, Fire and Crime Plan priorities.

102. These elements have resulted in the PFCC setting the following budget for policing:

2021/22 £m	Budget Breakdown	2022/23 £m
119.494	Force	125.363
23.187	Enabling Services	24.448
<b>142.681</b>	<b>Indicative Force Budget</b>	<b>149.811</b>
1.120	OPFCC (Office)	1.154
4.749	Commissioning and Delivery (OPFCC)	4.463
<b>5.869</b>	<b>Budgets Managed By PFCC</b>	<b>5.617</b>
4.663	Capital Financing Costs	3.849
(0.141)	Transfers to (from) reserves	0.438
1.000	Investment	1.025
(0.540)	Savings already Identified	-
-	Savings to be identified	(0.376)
<b>153.532</b>	<b>Total Budget</b>	<b>160.364</b>

103. The budget summary above reflects the following joint working with Fire:

Joint support service arrangements for the Assistant Chief Officer, HR, Finance, estates, fleet and digital arrangements and are now delivered by Police employed staff rather than in house or from LGSS. Included in this area are:

- Shared services costs between Fire and Police £2.22m most of which relate to staffing transferred from Fire to Police employ under TUPE and some have been the result of previous LGSS charge reductions.
- The OPFCC charge to Fire for governance and strategic support has reduced from £232K to £209K.
- The Fire element of the Joint Communications Team with the PFCC is £170K. It also reflects services which were previously undertaken internally within Fire or by the Police.

#### **2022/23 Budget Consented to the Chief Constable**

104. Key Headlines are as follows:

- a. The budget for 2022/23 takes account of the impact in recruiting the final tranche of police officers and achieving an establishment of 1500 by March 2023.
- b. The police officer budget requested by the Chief Constable follows a zero based review and reflects the planned retirement and recruitment profile.
- c. The additional cost of the NI levy has been built into the budget.

- d. Enabling Services Costs include the £2.2m charge to Fire and the cost of taking in-house from April 2022 services which were previously undertaken by the Multi-Force Shared Services (e.g. Finance, HR, Payroll) and included within Third Party/Collaborative arrangements.
- e. Other non-Pay costs cover equipment, uniforms and forensic and pathology costs. Increased costs for 2022/23 include:
- Increased gas and electricity pressures
  - Increased fuel pressures
  - Increased Insurance costs
- f. Furthermore, within other non-pay is a contingency of £1.2m set aside within the revenue budget to meet any above inflation increases or operational pressures which cannot be met within budgeted provision.
105. There has been a significant amount of scrutiny and challenge on the Force budget for 2022/23, and as part of these discussions and negotiations, the PFCC has sought and received assurances on how the assumptions and budgets have been calculated. The budget for the force for 2022/23 is £149.811m, an increase of £7.13m on 2021/22 and is broken down as follows:

2021/22 £m	Budget Breakdown	2022/23 £m
77.686	Police Officers	81.792
26.229	Police Staff	27.385
3.739	PCSOs	3.842
0.835	Other Pension Costs	0.958
0.489	Other Employee Expenses	0.500
1.196	National ICT Charges	1.306
9.313	Third Party Collaborative Arrangements	9.303
6.685	Other non-pay	7.669
(6.678)	Income	(7.392)
<b>119.494</b>		<b>125.363</b>
23.187	Enabling Services	24.448
<b>142.681</b>	<b>Total Budget</b>	<b>149.811</b>

### 2022/23 Police, Fire and Crime Commissioner – Office Budget

106. The PFCC manages two separate budget areas:
- The cost of running his office, the OPFCC, and
  - Commissioning and Delivery areas - which directly provide services to Northamptonshire residents and/or with other services.

107. Total OPFCC managed budgets have reduced by £252K from 2021/22 as set out further below:

### OPFCC Office

108. The office budget for 2022/23, has an increase of £34K which mainly reflects the reduced charging to Fire for joint posts and services as follows:

OPFCC Office Budget						
2021/22				2022/23		
OPFCC £m	NCFRA £m	Total £m		OPFCC £m	NCFRA £m	Total £m
0.874	0.210	1.084	Staff Costs	0.905	0.191	1.096
0.246	0.022	0.268	Other Office Costs	0.249	0.018	0.267
<b>1.120</b>	<b>0.232</b>	<b>1.352</b>	<b>Total OPFCC Office</b>	<b>1.154</b>	<b>0.209</b>	<b>1.363</b>

Key: NCFRA: Northamptonshire Commissioner Fire and Rescue Authority

109. Staff costs have increased overall due to the cost of annual increments, no additional posts have been added to the structure. Furthermore, the recharge to Fire has reduced to reflect the anticipated reduced time spent on Fire Governance after the three year stability period and is now reflecting a business as usual level.

110. Whilst non-pay office costs have increased by £3K overall, this is a combination of increased external audit fees and cost of subscriptions (£23K), offset by £20K reductions in mileage and other staff costs, recognising the reduced costs of office based costs from different ways of working during the pandemic.

111. The PFCC has always endeavoured to ensure that the cost of staffing his office is less than 1% of the Chief Constable's force budget. His 2022/23 budget continues with that commitment and OPFCC staffing equates to approximately 0.6% of the total force budget for 2022/23.

112. The OPFCC provides statutory governance services (for example the Monitoring Officer, PFCC and S151 officer) to NCFRA. In keeping with the updated Home Office Financial Management Code of Practice; where Fire costs can be reasonably estimated, they have been; otherwise, a pro-rata funding allocation has been used, to ensure integrity and transparency of both Fire and policing funds in line with the Treasury's "Managing Public Money" requirements.

### 2022/23 Police, Fire and Crime Commissioner – Commissioning and Delivery Budgets

113. The OPFCC undertake a wide range of delivery activities, providing services directly to residents of Northamptonshire.

114. Furthermore, the OPFCC commission services from partners and other organisations. This includes Voice for Victims who deliver services directly to victims.

115. Excluding Fire elements, Commissioning and Delivery budgets have reduced by a net £286K as follows:

Commissioning and Delivery Budgets						
2021/22				2022/23		
OPFCC	NCFRA	TOTAL		OPFCC	NCFRA	TOTAL
£m	£m	£m		£m	£m	£m
0.737		<b>0.737</b>	Commissioning incl Victims Support Services	0.752		<b>0.752</b>
0.619		<b>0.619</b>	PADS, YOS and Safeguarding	0.043		<b>0.043</b>
1.027		<b>1.027</b>	Early Intervention and Domestic Abuse Initiatives	1.388		<b>1.388</b>
0.250		<b>0.250</b>	Crime Prevention	0.250		<b>0.250</b>
0.125		<b>0.125</b>	Customer Services - Complaints	0.161		<b>0.161</b>
0.124		<b>0.124</b>	Delivery and Accountability	0.114		<b>0.114</b>
0.240		<b>0.240</b>	EI Counselling Support	0.200		<b>0.200</b>
0.015		<b>0.015</b>	ICT and Digital	0.015		<b>0.015</b>
0.166	0.129	<b>0.295</b>	Joint Communications Team with Fire	0.118	0.170	<b>0.288</b>
0.250		<b>0.250</b>	Police, Fire and Crime Plan Delivery Fund	0.250		<b>0.250</b>
0.665		<b>0.665</b>	Reducing Reoffending	0.350		<b>0.350</b>
0.531		<b>0.531</b>	Youth Work Provision	0.822		<b>0.822</b>
<b>4.749</b>	<b>0.129</b>	<b>4.878</b>	<b>Total Commissioning and Delivery</b>	<b>4.463</b>	<b>0.170</b>	<b>4.633</b>

116. The main variations are as follows:

- The Increase in Commissioning reflects that the MOJ Grant allocations for 2022/23 are not yet known, therefore no grant increase has been assumed to offset the additional inflationary costs in Voice and other commissioning.
- Funding transferred to Voice is based on existing partner allocations for Sunflower. However, these contributions are lower than the cost of Sunflower and any shortfall met from the Sunflower ring fenced element of the victims reserve which will be fully utilised in 2022/23.
- Further to discussions with the Children's Trust in 2021/22, no budgets have been provided for the YOS or the Youth Grant Work (PADS).
- Additional investment has been made to increase the number of Youth Workers and additional Early Intervention officers to support delivery in local neighbourhoods.
- The PFCC is in discussion with the Children's Trust regarding future investments in Youth and Early Intervention services in 2022/23. Whilst these discussions have not yet been finalised, any transitional support costs if provided by the PFCC, will be met as a one off from the PFCC initiatives reserve.
- A Joint Communications Team is shared between OPFCC and Fire as part of the Enabling Services approach, ensuring a comprehensive support to both organisations, linking in closely with the force Communications and ensuring consistency. Fire's contribution to the team has increased in 2022/23 to reflect the scope and coverage they wish to have in the coming year.

- Customer Services relates to the team set up in early 2020 to meet the legislative changes that give the Commissioner a greater role in police complaints, strengthening the independence of the process and increasing public confidence. Resources have been increased to reflect the volume of work in the team.
- Crime Prevention investments will continue and it is anticipated this will continue to increase the initiatives in Northamptonshire initially implemented as part of the national Safer Streets work. This area will also continue to build on the initiatives put in place during the year in response to fly tipping.
- Reducing Reoffending reflects the joint work with partners to take forward initiatives to reduce offending. The Ministry of Justice have directly funded a number of initiatives being taken forward by Probation, which the PFCC had originally intended to support, therefore, this budget has been reduced in 2022/23.
- Within the Police, Fire and Crime plan Delivery Fund, the PFCC supports initiatives which are in the early stages of planning or which arise during the year, which have not been included within 2022/23 budgets. After launching his initiative in 2018/19, he has decided to continue to ring fence the sum of £0.250m and with the grant schemes currently in place.

### **Medium Term Financial Plan (MTFP)**

117. The Medium Term Financial Plan has been updated to 2026/27 to provide a longer term view which will enable informed decision making to take place for the period of the plan. This is not without its challenges, given that the current economic climate, and that it is anticipated there will be a future funding formula after this time.
118. The MTFP is attached in more detail at Appendix B and key assumptions that have been included in seeking to outline the financial challenge for the medium term are:
- Precept will increase by £10 in 2022/23 to , 2023/24 and 2024/25 and thereafter on a 1.99% increase thereafter. (source: Police Provisional settlement assumptions).
  - Prudent funding assumptions have been made in respect of government funding, taxbase levels, and council tax deficits (source: professional assumptions).
  - Prudent Pay increase estimates are assumed at an average of 2% (source: National professional assumptions).
  - Investment requirements can be prioritised and met from within the revenue budget or capital programme.
  - Further borrowing beyond the capital programme is not required.
  - Funding for regional collaborations will remain consistent.

119. The MTFP based on key assumptions detailed below, is attached at Appendix B and summarised as follows:

2021/22 £'000		2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
154,072	Expenditure	160,740	166,108	171,687	179,831	183,909
(540)	Savings identified	0	0	0	0	0
0	Savings requirement	(376)	(736)	(736)	(736)	(736)
<b>153,532</b>		<b>160,364</b>	<b>165,372</b>	<b>170,951</b>	<b>179,095</b>	<b>183,173</b>
153,532	Funding	160,364	165,372	170,951	175,166	179,510
<b>0</b>	<b>(Shortfall)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,929)</b>	<b>(3,663)</b>

120. The plan demonstrates that with the additional £1.025m investment built into the base budget, based on current assumptions, within current plans, and excluding potential pension implications, the budget can be balanced until 2025/26.

121. This timescale exceeds the current external audit value for money assessment which considers the ability of an organisation to balance its budget over a three year period.

122. The Chief Constable has established a savings programme with the intention of identifying savings needed to balance the 2025/26 and 2026/27 budgets.

123. Whilst the MTFP currently assumes that no additional unfunded priorities or responsibilities are given to the PFCC, this will be reviewed on the conclusion of the national PCC review.

124. As set out earlier in the report, the MTFP also models a potential impact of increased pension contributions and if some grant were provided.

#### **Capital Programme 2022/23 to 2022/23**

125. A Capital Programme has been approved as part of the budget setting process, which has identified significant requirements across Fleet, Estates, ICT and Operational equipment.

126. The approved Capital Programme is as follows:

Programme	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Estates	4.4	5.7	6.7	5.3	2.9
ICT & Digital	11.5	10.7	5.3	7.2	4.5
Vehicles & Operational Equipment	1.9	1.5	1.8	1.3	1.4
<b>Total</b>	<b>17.8</b>	<b>17.9</b>	<b>13.8</b>	<b>13.8</b>	<b>8.8</b>

127. A Joint Estates Strategy is in place which promotes joint sharing of buildings and progress has already been made with the enabling developments of the shared administration and joint fleet workshops which will enable further changes to the estate. This will realise efficiencies over time when disposals are realised and over time there it is envisaged will reduce running costs for both Fire and Police.

128. Costs are often incurred ahead of any efficiencies being released, therefore, the PFCC will continue to push to ensure that any disposals are made in a timely and efficient manner to ensure the full benefits can be realised.
129. The S151 Officer will continue to work with the Chief Constable's S151 Officer and will advise the PFCC as to the most effective way to fund capital expenditure and minimise cost on the revenue budget moving forwards. This includes considering the appropriate use of earmarked reserves, revenue contributions and unapplied grants.
130. Furthermore, all opportunities to seek and apply for other grants are taken.
131. The Commissioner is required to approve a "Treasury Management Strategy" each year, setting out the detail of his policy and approach to managing investments, borrowing and cash management.
132. This is required by the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Prudential Code to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice.
133. The Treasury Management Strategy will be considered at the February 2022 Accountability Board and where possible will be available on the PFCC website by April 2021 as it is usual practice for the Joint Independent Audit Committee (JIAC) to consider this key document at their March meeting prior to being placed on the website.

#### **Use of Reserves**

134. In considering the budget, the MTFP and level of precept options, it is important to look closely at the size, level and type of reserves held by the PFCC to ensure that they are adequate to cover the purposes for which they are held and to provide some safeguards against the future risks identified within the budget.
135. There is also a need to ensure they are not excessive. In 2018 the Home Office announced the intention to review reserves and provide greater transparency for the public. In meeting this requirement, the updated Reserves Strategy is attached at Appendix D, and will be published on the PFCC's website for transparency.

136. Two types of Reserve are held. These, together with estimated balances are:

### **General Reserve**

137. There is a General Reserve which is estimated at 31/3/22 at £5m. This represents over 3% of total funding for 2022/23 and is in keeping with the PFCC's guideline level. On current forecasts the General Reserve will remain within guideline levels until 2024/25, when it is on or above minimum levels. It is prudent to have such a reserve at this level to enable the organisation to withstand unexpected events which may have financial implications.

### **Earmarked Reserves**

138. As at the 31/3/2022 it is estimated that the PFCC will hold **£10.441m** in Earmarked Reserves. These are detailed in the Strategy.

139. Within the Earmarked reserves, the PFCC established a PFCC initiatives reserve with an expected balance as at 31/3/22 of £3.871m. It is the PFCC intention to ring fence the sum of £1m from within this reserve in 2022/23 and in principle a similar amount for the following two years. He is currently finalising his considerations in the following areas:

- Prevention and support for Violence against Women and Girls
- Supporting victims of Domestic and Sexual Violence
- Crime Prevention
- Working together with partners to tackle and reduce knife crime
- Increased investment in Youth and Early Intervention work

140. As a number of projects will be delivered in the next few years, the PFCC will continue to review the reserves held and determine whether they are still required.

### **Precept proposal**

141. After careful consideration of the factors included within this report, the PFCC is proposing a precept increase of £10 (3.7%) for the 2022/23 financial year in order to continue to increase and invest in police officers, build a sustainable base budget to maintain and safeguard policing services across the force area, together with additional investment into essential and evolving demand areas for policing.

142. The PFCC appreciates is the impact on households at this time and recognises that in 2021/22 he was able to set a precept at £13 and not the £15 that was expected by the government.

143. Whilst this is a pressure on households, it is a lower increase than current inflation levels and he needs to ensure that Policing has the increase it needs to meet the current and future spending challenges, but also reflects the current financial climate and the views of those who took part in the precept surveys.

144. The PFCC is grateful to all those who took part in the consultation and their willingness to pay more in order to safeguard and develop policing in the county and he will continue to push the government for a fairer funding position for Northamptonshire.

#### **Robustness of the Budget –Statement of the S151 Chief Finance Officer**

145. Section 25 of the Local Government Act 2003, places a duty on the S151 to make a report to the authority on:

- The robustness of the estimates included within the budget
- The adequacy of the reserves and balances

146. The PFCC must have regard to this when considering the budget and the report must be shared with the Police, Fire and Crime Panel.

147. In her considerations, the S151 Officer is mindful of other associated statutory safeguards designed to support the authority:

- Section 151 of the Local Government Act 1972 which requires the authority to make arrangements for the proper administration of its financial affairs and that the chief financial officer has personal responsibility for such administration.
- Sections 32, 43 & 93 of the Local Government Finance Act 1992 which requires the authority to set a balanced budget
- The Prudential Code introduced as part of the Local Government Act 2003 which sets out the framework within which the authority must manage its investments, including adequate planning and budget estimates
- The external auditor's duty to assess the adequacy of the authority's proper arrangements to secure economy, efficiency and effectiveness ('value for money')

148. To reinforce these obligations, Section 114 of the Local Government Finance Act 1988 requires the S151 Officer to report in consultation with the Monitoring Officer; if there is or is likely to be unlawful expenditure or an unbalanced budget.

149. This report has set out the detailed budget setting process that has taken place and the work undertaken to ensure the budget is as realistic, deliverable and achievable as possible.

150. The Chief Constable's Section 151 Officer has worked closely with the Chief Constable's Executive team, budget holders and the finance team to deliver the draft budget and savings plan, ensuring that effective scrutiny and challenge has taken place throughout. The PFCC's 151 officer has worked closely with the Chief Constable's S151 Officer throughout. The PFCC has undertaken scrutiny and strategic review of the proposals on

two occasions and has been updated regularly throughout the budget cycle as appropriate.

151. The estimates and assumptions are based on the best information available at the time of formulating the budget in line with the fundamental accounting concepts and are reasonable and prudent.
152. The Section 25 Statement of the S151 Chief Finance Officer for Northamptonshire Police, Fire and Crime Commissioner is included at Appendix C.

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<b>EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS</b>	The budget and proposed precept provide the resources for the delivery of the Police, Fire and Crime Plan. Additionally, the survey is comprised of a representative sample of Northamptonshire residents.
<b>HUMAN RESOURCES IMPLICATIONS</b>	
<b>ENVIRONMENTAL IMPLICATIONS</b>	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	Risks and mitigations have been highlighted in the report.
<b>LEGAL IMPLICATIONS</b>	The PFCC is required to notify a precept to the billing authorities by the 1 <sup>st</sup> March each year. In doing so, he must set a realistic revenue budget, informed by the report of the Chief Finance Officer

### **List of Appendices**

Appendix A - Consultation on the Precept  
Appendix B - Medium Term Financial Plan  
Appendix C - Section 25 Report of the Section 151 Chief Finance Officer  
Appendix D - Reserves Strategy

### **Background Papers**

Police Grant Report – 16 December 2021

### **Persons to Contact**

Mrs H King, Chief Finance Officer,  
Office of the Police, Fire and Crime Commissioner