



## **NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL**

**8 SEPTEMBER 2022**

### **NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY**

#### **POLICE - FINANCIAL UPDATE AS AT JUNE 2022**

##### **REPORT BY THE CHIEF FINANCE OFFICER**

#### **Purpose and Context**

1. This report sets out at a high level:
  - a) a financial update on the 2021/22 provisional outturn;
  - b) the forecast financial outturn for the period 1 April 2022 to 31 March 2023 and;
  - c) current and future challenges.

#### **2020/21 Statement of Accounts**

2. Work commenced on the Police external audits in Northamptonshire in January 2022. However, despite representation by the S151 Officers, external audit resourcing challenges mean the audits have not yet been concluded. As at July 2022, no external audit opinions have been issued for 2020/21 for the accounts for any of the Police and Crime Commissioners or Chief Constables in the East Midlands Region.
3. The delays have been experienced every year since the contract was awarded in 2018/19 and the S151 Officer has set out an intention to write to the Home Office on behalf of all regional Police and Crime Commissioner (PCC) and Chief Constable (CC) Chief Finance Officers; expressing concern about the delays, and seeking their support to conclude the audits in a more timely manner and agree audit timescales for 2021/22.

4. Procurement for most of the local authority, Police and Fire external audit contracts is undertaken and contracts monitored nationally. The next national contracts will run from 2023/24 are currently under procurement and due to be announced shortly.

#### **2021/22 Provisional Outturn and Assurance**

5. The draft PFCC and CC Statement of Accounts for 2021/22 were published on the PFCC website before the statutory deadline in July 2022. However, due to the resourcing challenges the external auditors continue to experience, they have not yet provided dates for the 2021/22 external audit to take place. The external audit of Police accounts has been significantly impacted by audit delays since the commencement of the current contract in 2018/19.
6. At year end, the PFCC budgets underspent by £1.011M after transferring £750K to support the revenue costs of financing the capital programme. As reported throughout the year, the underspend arose mainly due to timing of staff and some activities which were due to be implemented in 2021/22 slipping into 2022/23. The balance was transferred to ring fenced reserves and some of this will be drawn down in 2022/23.
7. At year end, after the agreed use of reserves to support the new financial system and other initiatives, the Chief Constable Budgets underspent by £50K.
8. The ring fenced investment funding of £1M has been transferred to reserves to support operational investments which will be draw down as part of the 2022/23 budget.
9. After these reserve transfers, and taking into account capital financing and additional funding; there was a total net underspend at year end of £142K. The PFCC has approved this amount as carry forwards for the Chief Constable to utilise to support one off implementation costs of operational software and an additional contribution to the equipment reserve to mitigate the cost of body armour following national changes to the replacement frequency.
10. As at 31 March 2022 reserves had increased from £17.951M to £19.350M, of which all but £5M (the general reserve) are earmarked for specific purposes.

#### **Forecast Summary Revenue Outturn as at 31 March 2023**

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

12. At this early stage in the year, there is a forecast overspend of £705K. The forecast is attached in detail as an Appendix and summarised below as follows:

Budget Heading	Budget £'000	Outturn £'000	Variance £'000
Budgets Consented to the Chief Constable	149,811	150,574	763
Managed by the Police Fire and Crime Commissioner			
- PFCC Staff and Office Costs	1,154	1,147	(7)
- Commissioning and Delivery Services	4,463	4,468	5
Capital Financing Costs	3,849	3,849	0
Investment and Savings	649	649	0
Budgeted Transfer to Reserves	438	438	0
Additional Funding	0	(56)	(56)
<b>Total Policing Outturn</b>	<b>160,364</b>	<b>161,069</b>	<b>705</b>

13. Key highlights:

#### Chief Constable Budgets

- i. At the end of June the Police Pay budget is broadly on target. The budget assumed a 2% pay award (with a further 1% in a contingency), however, in July 2022, the national Pay Review Body awarded a £1,900 (average of 5%) increase to all Police officers effective from 1 September. Some Home Office Grant will be provided to mitigate the cost, but there is a potential unbudgeted pressure of £180K in 2022/23 and £520K in a full year. This will be included in future monitoring reports.
- ii. Given the timing of PCSO intakes, the PFCC has agreed with the Chief Constable that any PCSO underspends in the year will be transferred to reserves in order that funding can be ring fenced and utilised in the future towards that purpose.
- ii. The Force Control Room underspend is due to timing of staff vacancies.
- iii. The most significant variance relates to Enabling Services with an overspend after transfers from reserves of £818K. The majority of this relates to the transport department and in particular the significant inflation increases on fuel and the supply chain where contractors and manufacturers are passing on their increased costs by price increases in parts and labour. Whilst efforts will

continue to be made to bring these budgets back in line, it is envisaged they will remain under pressure during the year.

- iv. Central Budgets are forecast to overspend mainly due to the pressure of staff pay award which was budgeted at 2% from September but was agreed nationally at 2.1% and backdated to 1 April. This may increase further as negotiations have been reopened following the agreement of the police officer award.

#### **PFCC Office and Delivery Budgets**

- v. The pressures in the PFCC Staffing, Complaints and Communications budgets relate to the higher than anticipated pay award set out above. However, underspends in the office budget such as travel and subsistence and printing have mitigated these costs.
- vi. It is envisaged the Police, Fire and Crime Plan Delivery Fund will be fully spent in the year. The PFCC has commissioned work on community engagement and consultation, with a particular focus on women's views to get a broader understanding of what would make them feel safer in Northamptonshire. This funding was ring fenced in reserves at the end of 2021/22 and will be drawn down as required.
- vii. The OPFCC delivery budgets are underspent in the area of early intervention, and Youth provision due to staff vacancies.
- viii. The Commissioning budget is forecast to underspend due to the potential extension of the Operation Alloy scheme in the Force Control Room. The funding for this was ring fenced in reserves at the end of 2021/22 and will be drawn down as required.

#### **Funding**

- ix. The actual funding allocations for 2022/23 when received are slightly higher than when the budget was set.
14. 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.
  15. 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.
  16. 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 options available include but are not

limited to: efficiencies could be sought, funding from reserves could be provided and/or any overspend could be taken from the following year's budget allocation.

17. The PFCC scrutinises the budget monitoring throughout the year and receives regular updates at the Accountability Board.

### **Future Challenges and Uncertainties**

18. There are a number of uncertainties associated with the forecast, some of the key ones are as follows:

- a) There is uncertainty about the cost or impact of additional staff pay negotiations for 2022 as national negotiations with the unions have reopened following the Police Pay awards.

- b) The additional impact of the Police and Staff pay awards on the Medium Term Financial Plan will be incorporated into the next update of the plan as these are additional unbudgeted pressures.

- c) The rate of inflation and supply chain costs particularly for fuel, vehicle parts and utilities are challenging in the current financial year and this uncertainty will continue in the future.

- c) It is uncertain what impact the cost of living will have on council tax and business rate receipts, the S151 officer will continue to link in with the North and West authorities to gain updates as appropriate.

19. Reserves are currently sufficient and provision is available for the PFCC to take forward Police, Fire and Crime Plan and other opportunities with the Chief Constable. However, if pressures cannot be contained within the annual budget envelope and reserves are utilised, the ability to take forward such opportunities could be impacted.

20. Work has already started on the 2023/24 budget and Medium Term Financial Plan, this includes considering future assumptions of costs and funding.

21. As the budget work continues, whilst planning assumptions are based on the Home Office expectation of £10 precept increases over the next two years, the PFCC is mindful of the impact that inflation and the cost of living is having on the residents of Northamptonshire. This PFCC will continue to update the Panel in his regular reports.

### **Recommendation**

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

## Northamptonshire Police – Forecast Outturn as at 30 June 2022 (Quarter 1)

Budget Heading	Budget £'000	Outturn £'000	Variance £'000
<b>Budgets Managed by the Chief Constable</b>			
<b>Non Devolved Budgets</b>			
Police Pay and Oncosts	77,192	77,185	(7)
Police Community Support Officers (PCSOs)	3,396	3,396	0
Other Pensions Costs	902	902	0
	<b>81,490</b>	<b>81,483</b>	<b>(7)</b>
<b>Devolved Budgets</b>			
Devolved Operational Budgets	20,144	20,153	9
Control Room	6,435	6,217	(218)
Enabling Departments	25,442	26,260	818
Corporate Services	3,433	3,343	(90)
Central Budgets	5,690	6,090	400
Collaboration Units	7,177	7,028	(149)
	<b>68,321</b>	<b>69,091</b>	<b>770</b>
<b>Budgets consented to the Chief Constable</b>	<b>149,811</b>	<b>150,574</b>	<b>763</b>
<b>Budgets Managed by the PFCC</b>			
<b>PFCC Office Budget</b>			
Staff and Office Costs	1,363	1,356	(7)
Contribution to Governance Costs from Fire	(209)	(209)	0
	<b>1,154</b>	<b>1,147</b>	<b>(7)</b>
<b>Commissioning and Delivery Budgets</b>			
Commissioning	328	404	76
Victims and Witnesses Services (net of grant)	425	425	0
Crime Prevention and Safer Streets Support	250	250	0
Customer Services - Complaints	161	163	2
Delivery, Accountability and Digital	129	129	0
Domestic and Sexual Abuse Provision	429	429	0
Early Intervention & EI DA support	1,201	1,123	(78)
Joint Communications Team With Fire (net)	118	124	6
Reducing Reoffending	350	350	0
Youth Work, Safeguarding and Youth Offending	822	821	(1)
Police and Crime Plan Delivery Fund	250	250	0
	<b>4,463</b>	<b>4,468</b>	<b>5</b>
<b>Total Budgets Managed by the PFCC</b>	<b>5,617</b>	<b>5,615</b>	<b>(2)</b>
Capital Financing Costs	3,849	3,849	0
Investment and Savings	649	649	0
Budgeted Transfer to Reserves	438	438	0
Additional Funding	0	(56)	(56)
<b>Total Policing</b>	<b>160,364</b>	<b>161,069</b>	<b>705</b>