



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

**1 DECEMBER 2022**

**NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER**

**POLICE - FINANCIAL UPDATE AS AT PERIOD 6 - SEPTEMBER 2022**

**REPORT BY THE CHIEF FINANCE OFFICER**

### **Purpose and Context**

1. This report sets out at a high level:
  - a) the forecast financial outturn for the period 1 April 2022 to 31 March 2023;
  - b) current and future challenges;
  - c) pre-budget settlement engagement; and
  - d) an update on the 2020/21 Statement of Accounts;

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

2. The current forecast outturn includes all nationally agreed pay awards which have now been finalised for operational and non-operational staff.
3. The forecast is based on six months of estimated data, which, alongside high inflation levels, means it is subject to change and in line with usual practice. It will continue to be updated to reflect latest information as the year progresses.
4. At this half way point in the year, there is a forecast overspend of £802k which is an increase of £97k on quarter 1.
5. As a prudent approach and to inform planning for the Medium Term Financial Plan and Reserves Strategy, it is currently assumed that the overspend resulting from inflation will be drawn down from reserves at year end.

6. The forecast is attached in detail as an Appendix and is summarised below:

Budget Heading	Budget £'000	Outturn £'000	Variance £'000
<b>Budgets Consented to the Chief Constable</b>	149,811	150,911	1100
Force Investments and Savings	649	486	(163)
	<b>150,460</b>	<b>151,397</b>	<b>937</b>
<b>Managed by the Police Fire and Crime Commissioner</b>			
- PFCC Staff and Office Costs	1,154	1,168	14
- Commissioning and Delivery Services	5,462	5,685	223
- Victims and Witnesses Grants and Other Income	(999)	(1,371)	(372)
	<b>5,617</b>	<b>5,482</b>	<b>(135)</b>
Capital Financing Costs	3,849	3,849	0
Budgeted Transfer to Reserves	438	438	0
<b>Total Policing Forecast</b>	<b>160,364</b>	<b>161,166</b>	<b>802</b>
Anticipated Year end drawdown from Reserves		(802)	(802)
<b>Anticipated Outturn</b>	<b>160,364</b>	<b>160,364</b>	<b>0</b>

7. The summary above reflects a projected Force overspend of £937k which is offset in part by a £135k underspend in the budgets managed by the PFCC.
8. The majority of the Policing budget is comprised of the Force budget which is consented to the Chief Constable to manage. The conditions of this allocation are set out in a formal strategic outcomes letter from the PFCC to the Chief Constable each year. 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 for extenuating circumstances and/or any overspend could be taken from the following year's budget allocation.
9. Whilst the Chief Constable will work hard to manage the Force expenditure within the financial envelope at year end, as the overspend is specifically as a result of inflationary pressures, the treatment of it will be discussed with the PFCC at year end when the final position is known.

## Chief Constable Budgets

10. The variations to the Chief Constable's budget have mainly arisen from inflation and the impact of the re-opened staff pay award negotiations which have now been finalised. The pay negotiations have been settled to match the national Police award of £1900.
11. As such, there is an impact of £1.1m over budgeted levels for 2022/23 and an additional £1.6m in a full year. Unlike the Police Officer award, there is no additional funding provided by the Home Office, therefore all the pressure falls locally. These support staff budgets are held in Enabling Services, Devolved Operational Teams, Central budgets and Contingencies.
12. Key highlights are as follows:
  - i. The Police Pay budget is broadly on target. Even when accounting for the additional September Bank holiday, and the additional unfunded inflation pressure not met by Home Office Grant, the budget is forecasting a minor underspend .
  - ii. Given the timing of PCSO intakes, the PFCC had 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 for neighbourhoods. It is currently anticipated that £599k will be transferred for this purpose and is built into the forecast.
  - iii. The Force Control Room slightly underspent due to timing of staff vacancies.
  - iv. The most significant variance relates to Enabling Services with an overspend after transfers from reserves of £599k.
  - v. Whilst additional staff pay inflation costs are offset by savings in vacancies, there are significant inflation increases on fuel and the transport supply chain costs based 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.
  - vi. Central Budgets are forecast to overspend mainly due to the pressure of staff pay award as set out earlier.

## PFCC Office and Delivery Budgets

13. The PFCC budgets are also subject to the impact of the pay award, which adds an unbudgeted pressure of £40k. However, timings of recruitment mean that this can be absorbed within the overall envelope.
14. In 2021/22, the PFCC ring fenced the sum of £207k to be placed in reserves and used to meet the costs of priorities in the office and delivery areas which were not completed within that year and were moved to a 2022/23 implementation.
15. Mindful of the future financial climate, the PFCC is now planning to meet these costs from within the overall 2022/23 Office and Delivery team budgets and not draw this funding down from reserves.
16. Key headlines are:
  - i. The pressures in the PFCC Staffing, Complaints and Communications budgets mainly relate to the higher than anticipated pay award. Underspends in the office budget such as travel and subsistence and printing have mitigated these costs.
  - ii. 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.
  - iii. The OPFCC delivery budgets are underspent in the area of Early Intervention, and Youth Provision due to staff vacancies. It is possible this will increase further during the second half of the year.
  - iv. The Victims and Witnesses costs and the income received mainly from MOJ are now detailed separately, rather than netted off in previous reports to clearly reflect this level of investment.

During the year additional funding was made available from the Ministry of Justice (MOJ) for two years to provide grants to local organisations supporting victims and additional funding provided by the MOJ for Voice ensuring that additional costs are met by additional grant income.
  - v. The Commissioning budget is forecast to overspend due to the extension of the Operation Alloy scheme which supports Mental Health provision in the Force Control Room.

- vi. Savings have been released in Reducing Reoffending and Crime Prevention budgets to reflect the priority of delivering Safer Streets initiatives and contributions to the Female Offender Strategy and Integrated Offender Management are lower than originally envisaged. It is possible that further underspends will be released in this area in the coming months.
17. The PFCC scrutinises the budget monitoring regularly throughout the year and receives regular detailed updates on Force performance at the Accountability Board.

### **Future Challenges and Uncertainties**

18. Reserves are currently sufficient and provision is available for the PFCC to take forward the 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.
19. Work has already started on the 2023/24 budget and Medium Term Financial Plan. In respect of funding, we continue to link in with West and North Northamptonshire colleagues throughout the year to use consistent estimates of the Police's share of the taxbase and council tax fund.
20. Planning assumptions are based on the Home Office expectation from the Autumn 2021 statement of £10 precept increases over the next two years. As the 2022 statement did not include any further information, professional planning assumptions by the Police and Crime Commissioners Treasurer's Society (PACCTS) remain unchanged at this time.
21. On behalf of the Police, Fire and Crime Commissioners, the Technical Support Team analysed the impact on Police of the Autumn Statement on the 17 November 2022 for Policing and advised:

#### **POLICING, CRIME & JUSTICE**

**Police Funding** – Policing was not mentioned during the Autumn statement, nor in the accompanying documents. However, the Home Office RDEL (excluding depreciation), is set to rise from £14.4bn in 2021-22, to £14.6bn in 2022-23, £15.4bn in 2023-24 and £15.5bn in 2024-25.

22. These Resource Department Expenditure Limits (RDEL) are consistent with the 2021 Autumn Statement and consistent with Medium Term Financial Plan (MTFP) assumptions. However, the detail of how this will be allocated to Forces and the value of any top-sliced elements (reallocations) will not be available until the provisional settlement which is currently anticipated in December.

23. The Panel will be aware that for many years the PFCC has lobbied continuously to secure a Funding Formula review for Police; as the current formula is very out of date and does not reflect the higher than national increase in population within the county. National work on a new formula has been underway for the past year, however, it is disappointing that the Autumn Statement did not include any information in this regard. The PFCC will continue to seek this review in order to ensure a fairer settlement for residents of Northamptonshire.

#### **Budget and Precept Engagement**

24. Each year following the provisional settlement, the PFCC undertakes a precept consultation with residents of Northamptonshire to gather their views which help to inform his precept intentions.
25. The PFCC is mindful of the impact that inflation and the cost of living is having on the residents of Northamptonshire. As such, for 2023/24, and ahead of his precept consultation in December, the PFCC is undertaking further engagement to inform his considerations.

Of note are the following:

- i. The PFCC, Chief Fire Officer and Chief Constable attended a meeting with Northamptonshire MPs, briefing them on the current financial position for Police and Fire and outlining the current financial context for both services.
- ii. The PFCC and the Chief Finance Officer are attending local meetings with representative groups to have conversations around the current financial position and hear their thoughts on the levels of precept, budget challenges and services. A number of these meetings have already taken place and the PFCC is already finding the conversations and discussions invaluable.
- iii. A meeting with local representatives was held in November, with attendance by the PFCC, Chief Fire Officer, Chief Constable and Chief Finance Officer. Discussions included an update on the financial context, key priorities, efficiencies progressed and examples of the inflation pressures for both organisations. A second meeting is scheduled in January 2023 which has become an established annual date in the calendar for attendees views to inform his precept intentions.

- iv. The PFCC is delighted to invite Police, Fire and Crime Panel members to the Police and Fire budget and precept workshop in January 2023. This workshop has become a key event in the PFCC's budget and precept timetable. The 2023/24 budget and precept will be the third year of holding this workshop which is specifically timed before the precept consultation concludes in order to help inform his intentions.

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

26. Work has recommenced on the 2020/21 PFCC and CC external audit of the Statement of Accounts following the last Police, Fire and Crime Panel meeting and officers and auditors are working effectively and collaboratively to progress the audit.
27. The PFCC is appreciative to the Panel for writing to the Policing Minister and highlighting that the national challenges are also impacting on Northamptonshire.
28. As highlighted at the previous meeting, the Chief Finance Officer has also written to the Home Office updating on the current position.
29. Procurement for the next external audit contracts from Police and Fire external audit is undertaken nationally. The next national contracts will run from 2023/24 and proposed auditors for Northamptonshire are currently under procurement and due to be announced shortly.

### **Recommendation**

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

## Appendix A - Northamptonshire Police – Forecast Outturn as at 30 September 2022 (Q2)

Budget Heading	Budget	Outturn	Variance
	£'000	£'000	£'000
<b>Budgets Managed by the Chief Constable</b>			
<b>Non Devolved Budgets</b>			
Police Pay and Oncosts	76,591	76,552	(39)
Police Community Support Officers (PCSOs)	3,285	3,285	0
Other Pensions Costs	1,047	1,047	0
	<b>80,923</b>	<b>80,884</b>	<b>(39)</b>
<b>Devolved Budgets</b>			
Devolved Operational Budgets	19,639	20,037	398
Control Room	6,215	6,058	(157)
Enabling Departments	25,747	26,346	599
Corporate Services	3,276	3,171	(105)
Central Budgets	6,778	7,298	520
Collaboration Units	7,233	7,117	(116)
	<b>68,888</b>	<b>70,027</b>	<b>1,139</b>
<b>Budgets consented to the Chief Constable</b>	<b>149,811</b>	<b>150,911</b>	<b>1,100</b>
Investment and Savings	649	486	(163)
<b>Chief Constable</b>	<b>150,460</b>	<b>151,397</b>	<b>937</b>
<b>Budgets Managed by the PFCC</b>			
<b>PFCC Office Budget</b>			
Staff and Office Costs	1,363	1,377	14
Contribution to Governance Costs from Fire	(209)	(209)	0
	<b>1,154</b>	<b>1,168</b>	<b>14</b>
<b>Commissioning and Delivery Budgets</b>			
Victims and Witnesses Services			
- Costs	1,518	1,951	433
- MOJ Grants and transfer from reserves	(949)	(1,371)	(422)
	<b>569</b>	<b>580</b>	<b>11</b>
Commissioning	425	501	76
Crime Prevention and Safer Streets Support	250	200	(50)
Customer Services - Complaints	161	165	4
Delivery, Accountability and Digital	129	129	0
Domestic and Sexual Abuse Provision	160	160	0
Early Intervention & EI DA support	1,201	1,144	(57)
Joint Communications Team With Fire (net)	118	124	6
Reducing Reoffending	378	318	(60)
Youth Work, Safeguarding and Youth Offending	822	743	(79)
Police and Crime Plan Delivery Fund	250	250	0
	<b>5,032</b>	<b>4,894</b>	<b>(138)</b>
<b>Total Budgets Managed by the PFCC</b>	<b>5,617</b>	<b>5,482</b>	<b>(135)</b>
Capital Financing Costs	3,849	3,849	0
Budgeted Transfer to Reserves	438	438	0
<b>Total Policing forecast</b>	<b>160,364</b>	<b>161,166</b>	<b>802</b>
Anticipated Year end drawdown from Reserves		(802)	(802)
<b>Anticipated Outturn</b>	<b>160,364</b>	<b>160,364</b>	<b>0</b>