



## **WEST YORKSHIRE POLICE AND CRIME PANEL**

**8 November 2019**

### **Medium Term Financial Forecast**

#### **1. Purpose**

1.1. To update Panel members on the position against the 2019/20 budget, the current planning for the Medium Term Financial Forecast and provide a brief summary of matters that may impact on police funding for West Yorkshire.

1.2. For this briefing, the Panel are presented with the following information:

- i. An update on the current position relating to the 2019/20 budget
- ii. A brief update on police funding
- iii. An update on the latest announcement on the officer uplift
- iv. An update regarding planning for the medium term

#### **2. Update on the 2019/20 budget position**

2.1. The approved overall revenue 19/20 budget is £445.476m. The approved revenue force budget for 2019/20 excluding OPCC and Shared Services is £438.351m. As at the 30<sup>th</sup> of September there is a forecast overspend of £8.65m. This represents 2% of the total West Yorkshire Police budget.

2.2. This forecast overspend is made up predominantly of a forecast £6.1m additional spend on police officer pay. This forecast is based on being 202 FTEs over profile by March 2020. The forecast also takes account of the 2.5% pay award which differs from the assumed 2% increase.

2.3. In order to fulfil the targets for the national uplift, for which the target for West Yorkshire was advised on the 10<sup>th</sup> of October, there has been a significant drive to over recruit and ensure that communities of West Yorkshire can benefit from the additional officers as soon as possible.

2.4. On the 4<sup>th</sup> of October I wrote to the Home Secretary advising her that West Yorkshire Police are working towards recruiting an additional 185 Officers during the current Financial Year 2019/20 on top of the ones already budgeted for through the police precept increase (264 officer equivalents), to aid fulfilling a potential share of the 20,000 additional officers by maximising the use of recruitment through Initial Police Learning and Development Programme (IPLDP). I advised

that the cost of these additional officers will result in a significant increase in spend against the Police Pay budget of over £5m in the 2019/20 financial year, and the limited scope to balance the additional costs with savings due to the significant savings that have been made since 2010.

2.5. I await a response to the letter and we are currently maintaining a position of continued recruitment with a mitigation if required, of short term reserve funding. Though clearly this would be with reluctance, it is important to maintain the opportunity to recruit and would appear nonsensical to freeze recruitment at a time when we know we are likely to have recruitment targets for the next three years.

2.6. At this stage it is also unclear what impact the new Police Education Qualifications Framework (PEQF) scheme will have on applications and therefore it is important to continue recruiting as many officers as possible now.

### **3. Update on Police Funding**

3.1. The Spending Round 2019 announcement on the 4<sup>th</sup> September and subsequent national discussions provided little detail other than assurance around the Police Pension Grant for 2020/21. It is currently anticipated that the detail will be provided, as in previous years, in the draft settlement announcements in December.

3.2. It is unclear from the detail provided whether or not the settlement will be flat cash or the originally assumed real terms increase.

3.3. A national cashable efficiency target of £120m was announced but at this point it is not clear how this will impact PCC allocations.

3.4. As previously advised, despite criticism from the National Audit Office, the Public Accounts Committee and the Home Affairs Select Committee reports of the current method of funding the police service there remain no indication from the Home Office of a timeframe for any review.

3.5. As and when this work does commence, I will take an active role in responding to the consultation and fighting for a fairer funding allocation for West Yorkshire.

3.6. I will discuss the draft proposals once announced as part of the consultation with the Panel and other partners across West Yorkshire to gain support in representing the needs of West Yorkshire.

3.7. I anticipate that the 2020/21 provisional settlement will be announced in December. The detailed 2020/21 budget and the further revised medium term financial forecast will be presented to the Panel in late January.

### **4. Home Office National Uplift Programme**

4.1. An extra £750 million for policing has been committed to start the process of recruiting an additional 20,000 additional officers by 2023. This £750 million *does not* include capital grant, however some of this money will be spent on capital items

relating to the recruitment of Police Officers, such as cars and uniforms. The government has set a target of *up to* 6,000 new officers by the end of 2020/21.

4.2. £45 million will be made available to start the immediate recruitment of 2,000 officers by March 2020. Initial indications are that of the £45 million for 2019/20, £17 million will be for central Home Office costs with £28 million distributed to PCCs. While we know the target for year one for West Yorkshire is 256, at this point in time we do not know how the funding will be allocated to fund the officers.

4.3. £55 million of additional funding has been allocated to the Ministry of Justice (MoJ) as well as £80 million for the Crown Prosecution Service to support the additional 20,000 new officers within the criminal justice system. I will be discussing this at the Local Criminal Justice Board to ensure we work together effectively to maximise the benefit of any additional funding collectively.

## **5. Update on the planning for 2020/21 budget and the medium term**

5.1. The assumptions used for the Medium Term Financial Forecast presented in February 2019 have been updated to reflect the latest information provided by the Home Office. The key changes are shown in Appendix 1 and reflect a more challenging financial position.

5.2. Two scenarios are shown with differing assumptions over whether or not the police grant settlement for West Yorkshire for 2020/21 will be in real terms or flat cash. This shows the forecast position to be between a deficit of £7m and a deficit of £14.5m. Work is underway to mitigate the impact of the projected deficits, however it is proving extremely challenging.

5.3. Key changes of note are:

- The change in inflation represents the pay increase being 2.5% rather than the assumed 2%
- The removal of GDP on assumed grant funding reflects that the assumption following the spending review announcement is that the grant will be flat cash
- Over £3m per year included for Estates and Digital schemes that had previously been funded through the capital programme have transferred to revenue funding. The schemes have to happen to maintain business as usual and are therefore transferring to revenue as the capital grant is still at an unmanageably low level, and reserves are already allocated. In previous years this has been funded through a combination of direct revenue funding into the capital programme and use of reserves
- In previous years savings had been made through taking a more stringent approach on the calculation of standard costs for police officers. This is a complex calculation based on a large number of variables and assumptions that can fluctuate in year. During 2019/20 the forecast has been revised to reduce £3.2m of the saving on the standard rate calculation for future years.

5.4. Since 2015/16 I have sought to rebuild the front line and reverse the impact of the reductions that have had to be made to officer numbers due to the reduction of over £140m in government funding. With significant increases in officer numbers

each year from 2016/17 to 2019/20 which has required precept increases, substantial efficiency savings and use of reserves.

- 5.5. During that same period there have been significant cost pressures that have required absorbing within the budget such as officer and staff pay inflation and general inflation which alone have accounted for over £25m between 2016/17 and 2019/20. Increased employer National Insurance Contributions of £9.4m due to legislative changes in 2016/17 also had a significant impact on the budget. Changes to the calculation of pension costs for both police officers (£11.7m) and staff (£4m) have also had a significant impact on the budget since 2015/16.
- 5.6. Contingency plans for ensuring a balanced budget can be set have always had to centre on officer and staff numbers however I am hopeful that further efficiency savings can be identified as part of the current West Yorkshire Police savings review in order to mitigate the impact of any required reduction.
- 5.7. This report demonstrates that there are still very significant pressures on police funding in West Yorkshire partly through an ambition to rebuild police officer numbers to help mitigate the impact of increasing demand on West Yorkshire Police and partly through the significant additional unavoidable costs that have had to be absorbed at a time when funding has been cut significantly.

## Appendix 1

|  | 20/21         | 21/22         | 22/23         |
|--|---------------|---------------|---------------|
|  | £000          | £000          | £000          |
| <b>Shortfall as at February 2019 Approved Budget</b>                             | <b>385</b>    | <b>2,068</b>  | <b>188</b>    |
| Updates to Inflation   | 109           | 44            | (24)          |
| 0.5% Additional Pay Award for Sept 19/20   | 2,143         | 2,186         | 2,230         |
| GDP Changes and Change to Flat Grant in 20/21                                    | 5,809         | 5,572         | 5,216         |
| Starters and Leavers   | (796)         | (2,203)       | (3,007)       |
| Apprentices Updates  | (343)         | 286           | (300)         |
| Estates and Digital Policing Compliance Programmes                               | 3,085         | 4,995         | 7,163         |
| Minimum Revenue Provision Update   | (755)         | 98            | (1,403)       |
| National Enabling Systems, Chronicle and Emergency Service Network (ESN) Updates | 19            | 243           | 187           |
| Fusion Update  | (931)         | 183           | 353           |
| Fusion Commercial Savings Target   | 1,331         | 1,358         | 1,385         |
| 50 Growth Posts Removals   | (808)         | (2,359)       | (3,973)       |
| Standard Rates for Police Officer Pay  | 3,201         | 3,167         | 3,133         |
| Update to Increments for Police Officer Pay                                      | 1,627         | 2,469         | 3,960         |
| Regional Contributions   | 487           | 20            | 172           |
| Spending Pressures   | 199           | 203           | 5             |
| Zero Based Budget Scrutiny Savings   | (305)         | (312)         | (316)         |
| <b>Worst Case shortfall as at October 2019 MTF Update</b>                        | <b>14,457</b> | <b>18,018</b> | <b>14,969</b> |
| Non Pay Inflation  | (1,342)       | (1,342)       | (1,342)       |
| GDP  | (5,666)       | (5,776)       | (5,889)       |
| <b>Likely shortfall as at October 2019 MTF Update</b>                            | <b>7,449</b>  | <b>10,900</b> | <b>7,738</b>  |