



WEST YORKSHIRE POLICE AND CRIME PANEL

11 December 2020

Medium Term Financial Forecast

1. Purpose

1.1. To update Panel members on the position against the 2020/21 budget, the current planning for the Medium Term Financial Forecast and provide a brief summary of matters that are likely to 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 2020/21 budget
- ii. A brief update on police funding from the Spending Review
- iii. An update regarding planning for the medium term
- iv. An update on reserves planning
- v. An update on the savings programme

2. Update on the 2020/21 budget position

2.1. The approved overall Revenue 2020/21 budget was £475.9m, excluding OPCC and Shared Services, £468.8m is under the day to day direction and control of the Chief Constable. As at the 31st October there is an over spend of £1.3m. This represents 0.3% of the total West Yorkshire Police budget.

2.2. The current overspend is made up predominantly of £1.3m additional spend on police officer pay, £410k on PCSO pay and £310k on police staff. This in the main, is due to officer numbers being over profile by 89 FTE, the number of PCSOs being over profile and additional pressures on police officer and staff overtime due to COVID19. It is anticipated that officers will continue to be over profile into the new financial year with a forecast year end position on pay of £3.8m overspend. This is largely driven by the significant reduction in officers leaving the organisation.

2.3. Most of the over spend within pay and overtime is offset by savings within non-pay budget lines such as building maintenance £549k, Energy £461k and Travel and subsistence £579k.

2.4. Additional cost pressures have arisen as a consequence of COVID19 such as Personal Protective Equipment (PPE) and investment in agile working equipment including computers and workstations. There has also been a loss of income.

These areas are subject to frequent returns to the Home Office to capture additional pressures and make the case for central funding. The latest return shows cost pressures of £3.1m from April to the end of October 20 and income loss of £1.1m to the end of July 20. There were also additional pressures of £1m in March 20. To date we have been provided with funding for £0.69m (Medical Grade PPE) and anticipate further funding of £0.67m (Income Loss and Non-Medical Grade PPE) up to July 20.

2.5. Additional surge funding has been provided through a separate grant for additional enforcement activity. A grant of £1.28m has been provided.

3. Update on Police Funding from the Spending Review 2020

3.1. On 25 November 2020, the Chancellor of the Exchequer announced the outcome of the 2020 spending review (SR2020). The SR2020 sets out public spending totals for the financial year 2021/22 only, as opposed to what was originally expected to be a 3yr settlement.

3.2. Ahead of the 2021/22 Police Settlement expected in December the Chancellor announced that Police and Crime Commissioners will be able to raise their council tax precepts by up to £15 (for Band D); this equates to between the lowest 5.5% (Surrey PCC) and highest 10.9% (Northumbria PCC) and is estimated to total £320m in additional council tax revenue compared with 2020/21. In West Yorkshire, this would represent 7.64% based on a £15 Band D increase.

3.3. The Chancellor has announced that 75% of Council Tax collection fund deficits at January 2021 will be funded by government. The remaining deficits will be spread over three years and we are still awaiting to see what the final shortfalls in West Yorkshire will be.

3.4. The 2019 Spending Review included the government's plan to recruit 20,000 additional officers nationally by 2023, with up to 6,000 of these recruited by March 2021. SR2020 confirms that the government remains committed to its target with a further 6,000 to be recruited in 2021/22 paid by a £400m grant, however, this is revised down from an anticipated 8,000 by March 2022.

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

3.6. It is anticipated that the 2021/22 provisional settlement will be announced in December, however, this could be delayed until January 2021. The detailed 2021/22 budget and the further revised medium term financial forecast will be presented to the Panel in early February.

4. Medium Term Financial Forecast Planning

4.1. Following the November 25th Spending Review announcements, the Medium Term Financial Forecast (MTFF) is currently being revised for the next PCC/CC budget planning meeting on the 8th of December, however, the most recent MTFF from the November budget planning meeting is provided at Appendix 1. This shows the change in assumptions and cost pressures since the MTFF was presented in the

Police and Crime Panel meeting at the end of January 2020. It shows the deficit figures for each year on the top line and then shows the movements through each year to show the current forecast deficit for each year on the bottom row.

4.2. The major changes for 2021/22 are:

- A £6.4m pressure from the removal of GDP on assumed grant funding (this has largely been confirmed in the spending review announcements).
- A £2.4m pressure from an assumed collection fund deficit based on early predictions from Local Authority colleagues (spread over three years). The impact of this will reduce following the spending review announcements.
- A £2.5m pressure from a change in pay assumptions. This will again be impacted by the spending review announcements regarding a public sector pay freeze.
- Additional cost pressures of £1m for the West Yorkshire SARC and for national ICT charges

4.3. The MTFP continues to show clear challenges for police funding in West Yorkshire

4.4. Prior to the national Police Uplift Programme in 2019, additional officers were recruited in West Yorkshire from 2016/17 onwards despite real term reductions to Home Office funding in order to bring additional officers in for the communities of West Yorkshire and to bring West Yorkshire closer to comparator areas like Greater Manchester and West Midlands. The strategy was to use in year savings, local precept increases and reserves to fund the increase in cost and then fund in future years through savings from efficiencies and organisational change programmes. Due to additional cost pressures through changes to pensions calculations, national insurance contributions and national programmes, the savings from the efficiencies and change programmes have had to bridge the resulting shortfall in funding thereby creating a structural deficit.

4.5. The new uplift funding methodology from Government gives a target number of police officers to be recruited and therefore makes it impossible to reverse this deficit and absorb additional cost pressures without significantly impacting police staff roles and affecting front line service delivery.

4.6. Demands on policing are not reducing and with more pressure on Local Authority budgets, it is likely that further early intervention and prevention initiatives will be cut around youth and community safety initiatives, leading to more demand pressures on policing now and in the longer term.

5. Reserves Planning

5.1. The opening Reserve position at 1st April 2020 held within the Accounts of the PCC for West Yorkshire totalled £57.8m, £6.8m of which are ring-fenced Regional and National Reserves, leaving £50.9m as Usable Reserves.

5.2. The planned phased use of the Reserves over the MTFP period 20/21 to 24/25 can be categorised as follows:

	£m
Support Revenue Budget (20/21 and 21/22)	(3.5)
Support PCSO funding (20/21 to 22/23)	(2.1)
Support funding Capital Programmes (20/21 to 22/23)	(17.9)
Community Safety Fund and Partnership Executive Group sper	(2.8)
Contribution to PFI Reserve from Revenue (20/21 to 24/25)	2.7
Movement in PCCs Reserves 20/21 to 24/25	(23.6)

5.3. The remaining Reserves position as at 31 March 2025 is £27.3m Usable Reserves, and £3.6m Regional/National, giving a total Balance Sheet position of £31.0m representing a risk assessed position.

Reserve Position at 31st March 2025	£m
General Fund	0.9
General Fund Risk Matrix	10.9
PFI Reserve	15.1
Dilapidations Reserve	0.5
Regional/National Reserves	3.6
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5.4. The total General Fund Reserves are 2.1% of the forecast revenue expenditure built into The MTFF for 2024/25.

5.5. The PFI Reserve will be utilised over the life of the PFI contract to 2038/39 when the balance will be nil.

5.6. The Dilapidation Reserve is in relation to specific leased assets.

5.7. The external auditors, Grant Thornton, recently identified that West Yorkshire is well below the average of PCCs/Forces for its Usable Revenue Reserves as a % of Gross Expenditure at 6.64% compared to the average of 9%. This is even with holding PFI reserves which fund the newer build facilities at Carr Gate, Elland Road and Havertop Lane.

5.8. As part of the budget setting process, the reserves profile will be further reviewed to consider the plan to rebuild reserves in future years, however, it is not anticipated that we will be in a position to do so over the next few years given the current pressures highlighted above.

6. Savings Programme

6.1. In recognition of the financial pressures facing West Yorkshire Police, in addition to the ongoing Programme of Change work already underway, early work commenced in the summer to identify savings options to reduce the budget deficit.

6.2. Savings options are currently being worked through by West Yorkshire Police and are presented at a high level to the monthly PCC/CC budget meetings, with a view

to more detailed discussions and considerations following confirmation the financial settlement for policing in December or January.

- 6.3. As you can see from Appendix 1 there are significant pressures on the budget and difficult decisions will be required for consideration prior to the budget setting meeting in February 2021. Many of the options being worked through are subject to consultation which is ongoing at the moment. All the options are being assessed in matrix planning exercises with operational, workforce and community impact all being key aspects and considerations.
- 6.4. A further PCC/CC budget meeting is being held on the 8th of December where the options will be presented in more detail.

Appendix 1

	21/22	22/23	23/24	24/25
	£000'	£000'	£000'	£000'
Feb 20 Approved MTFF	15,170	14,074	9,924	9,924
2024/25 added Funding, Inflation, Increments and Bank holidays			421	3,094
GDP Grant removed as assuming flat grant	6,421	12,977	19,515	26,317
Collection Fund Deficit at 5% spread over 3 years	2,483	5,149	3,849	315
Additional 0.5% Pay award assumed.	2,246	2,635	3,029	3,075
Growth e.g. SARC, Casualty Reduction and MTA charges	1,077	1,309	1,226	1,356
Pension Auto Enrolment 135 Officers and 135 Staff	1,913	1,951	2,655	2,710
Starters and Leavers, Increments and Promotions	1,022	2,460	3,683	(2,484)
ESN Programme as per national model	905	8,731	4,601	1,159
PCSO Vacancy Factor due to loss of PCSO contracts	637	644	553	557
Supt's Oncall Allowance, Sgt's 1st SCP removal and TVP's	437	445	454	463
National Contributions - NPCC Operating Model and Biometrics	379	364	355	363
PPE addition for business as usual	200	204	208	212
Above 2% inflation for Spart Parts and Forensic Submissions	191	198	204	211
Apprentice Scheme updates	(197)	(1,353)	(1,914)	(1,331)
Police Uplift Programme Updates	(245)	(680)	(717)	(688)
Income- Temp CSE grant of £1m, loss of safer school contracts	(703)	300	303	306
Precept Assumptions £10 in 20/21 taxbase growth removed	(1,351)	736	2,952	4,585
Budget Review Savings	(1,026)	(1,236)	(1,360)	(1,473)
Stop Dedicated Procurement Resource	(178)	(182)	(187)	(190)
November 20 Deficit	29,380	48,725	49,755	48,482