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**Report to:** Police and Crime Panel

**Date:** 17 December 2021

**Subject:** Mid Term Financial Forecast

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**Report of:** Tracy Brabin, Mayor of West Yorkshire

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## **1. PURPOSE OF THE REPORT**

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- 1.1. To update Panel members on the position against the 2021/22 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 2021/22 budget
  - ii. A brief update on police funding from the Spending Review 2021
  - iii. An update regarding planning for the medium term
  - iv. An update on reserves planning
  - v. A note on other factors likely to impact on future funding

## **2. INFORMATION**

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### **2. Update on the 2021/22 budget position**

- 2.1. The approved overall Revenue 2021/22 budget was £501.289m, including the former OPCC team, now the West Yorkshire Combined Authority Police and Crime team. Of this £494.388m is under the day-to-day direction and control of the Chief Constable and at 31 October 2021 there is an under spend of £0.939m, representing 0.2% of the total West Yorkshire Police budget. The Police and Crime team element of the budget is currently recording only minor variations from the approved budget.
- 2.2. The key variances within the overall balance are:

Budget Line	Variance	Explanation
Police Officer Pay	£1.526m overspend	Officer numbers have been consistently over-profile
Police Staff Pay	£0.242m underspend	Police staff numbers are under budget profile
PCSO Pay	£0.183m underspend	PCSOs are 17 FTE under budget profile however there are plans in place to be up to full establishment by the financial year end
Police Officer Overtime	£0.319m overspend	Operational pressures have necessitated additional overtime
Buildings Maintenance	£0.217m underspend	Largely due to the timing of payments with the main repairs and maintenance contractors
Energy	£0.455m underspend	Largely due to temporary reductions in consumption
Vehicle Fleet	£0.230m underspend	This is largely due to anticipated fuel price increases taking effect later in the year than forecast
Travel and Subsistence	£0.391m underspend	Largely due to continuing reductions in travel and subsistence as a consequence of Covid19

2.3. The forecast year end position is a £0.3m underspend.

### 3. Update on Police Funding from the Spending Review 2021

- 3.1. On 27 October 2021, the Chancellor of the Exchequer announced the outcome of the 2021 spending review (SR2021). The SR2021 sets out public spending totals for the financial years 2022/23 to 2024/25. This is at departmental level. Local level funding will be announced in the Police Settlement, and it is envisaged that this will be a one year settlement but will have a strong indication of two further years of funding beyond 2022/23.
- 3.2. Alongside the SR2021 and the Autumn Budget Statement, the Office for Budget Responsibility (OBR) released its economic and fiscal outlook.
- 3.3. Ahead of the 2022/23 Police Settlement expected in December, the Chancellor announced that Police and Crime Commissioners and Mayors will be able to raise their council tax precepts by up to £10 (for Band D) over each of the next three years. In West Yorkshire for 2022/23 this would represent a 4.73% increase on the policing element of Council Tax in West Yorkshire based on a £10 Band D increase.
- 3.4. No further clarity has been provided on the funding of Council Tax deficits arising in 2021/22 and we are awaiting updates from Local Authority colleagues to see the scale of any potential final shortfalls in West Yorkshire.

- 3.5. The 2019 Spending Review included the government's plan to recruit 20,000 additional officers nationally by 2023. SR2021 confirms that the government remains committed to its target with a further 8,000 to be recruited nationally in 2022/23.
- 3.6. A national cashable efficiency target of £100m was announced but at this point it is not clear how this will impact local level allocations.

#### **4. Medium Term Financial Forecast Planning**

- 4.1. Following the October 27 Spending Review announcements, the Medium Term Financial Forecast (MTFF) has been revised and further work is now being undertaken for the next budget meeting later in December, at which point it is anticipated that government will have announced the local level settlement figures. 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 in February 2021. 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 2022/23 are:
- A £9.36m positive change in the assumption around the level of Police Uplift Programme (PUP) funding and usage of the non-pay element following discussions with NPCC Finance colleagues
  - An £8.86m change in the assumptions around the timing of the costs for the purchase of addition devices that are compatible for the new Emergency Services Network (ESN) now that the programme has been significantly delayed
  - The cost of the Microsoft licences for Office 365 were lower than had been anticipated nationally when the additional costs were built in, in part due to the work of the West Yorkshire Digital Supply Team, allowing a reduction of £1m
  - £0.83m additional savings delivered since February 2021
  - A reduction of the new Digital Forensics Unit (DFU) hub and spoke model from six spokes to five saving £0.58m
  - An additional cost of £2.7m to reflect the reductions in leavers and early recruitment in order to meet the 2022/23 uplift target
  - A £1m additional cost to meet inflationary pressures forecast within 2022/23
  - An addition £1.178m built in for changing the pay increase assumption from September 2022 to 2.5% (and increase in 0.5%)
  - A £2.2m increase due to changes within both 2021/22 and 2022/23 of the mix of new officers between degree holders and apprentices
- 4.3. The MTFF continues to show clear challenges for police funding in West Yorkshire and significant work will continue over the coming months regarding savings and prioritisation.

## 5. Reserves Planning

- 5.1. The opening Reserve position at 1st April 2021 totaled £72.5m, £13.1m of which are Regional and National Reserves, leaving £59.4m as Usable Reserves.
- 5.2. The planned use of the Usable Reserves over the MTF period 2021/22 to 2024/25 can be categorised as follows:

	£m
Support Revenue Budget (21/22 and 23/24)	(8.3)
Support PCSO funding (21/22 to 22/23)	(1.1)
Support funding Capital Programmes (21/22 to 24/25)	(19.0)
Community Safety Fund and Partnership Executive Group spend	(2.3)
Local Council Tax Support Grant (21/22 to 24/25)	(1.2)
Use of PFI Reserve (21/22 to 25/26)	(0.7)
<b>Use of Usable Reserves 21/22 to 25/26</b>	<b>(32.7)</b>

- 5.3. The remaining reserves position as at 31 March 2026 is £26.8m Usable Reserves, and £4.3m Regional/National, giving a total balance sheet position of £31.1m.

<b>Reserve Position at 31 March 2026</b>	<b>£m</b>
General Fund	2.9
General Fund Risk Matrix	10.9
PFI Reserve	12.5
Dilapidations Reserve	0.5
Regional/National Reserves	4.3
	<b>31.1</b>

- 5.4. The total General Fund including the risk matrix represents 2.74% of the total revenue expenditure at the point the 2021/22 budget was set which is in line with the reserves strategy. However if there is nothing further added then reserves will drop below this level by March 2026.
- 5.5. As part of the precept commitments Panel Members requested that the PCC provides ongoing assurance about the resilience of the reserves position going forward and that where possible additional savings are considered towards building up future reserves. I can confirm that as part of the closure of the 2020/21 accounts £3.1m was transferred into a revenue pressures reserve rather than allowing funding bids in order to provide further resilience. A £2.4m Uplift Reserve was also created to smooth the impact of non-pay uplift costs rather than using all the uplift funding in year as originally planned.
- 5.6. The PFI Reserve will be utilised over the life of the PFI contract to 2038/39 when the balance will be nil.

5.7. The Dilapidation Reserve is in relation to Ploughlands House.

## **6. Other Factors Impacting on Future Funding**

6.1. The Home Office has recently announced that they are commencing work on the Police Funding Formula. While it is not clear at this point when this will be implemented, we will ensure we are represented at various sector groups to make the case for West Yorkshire.

6.2. As part of the December settlement announcements we anticipate that we will receive more detailed information on various funding streams and their continuation such as the Violence Reduction Unit and the Ministry of Justice Victims and Witnesses grant.

## **7. EQUALITY, DIVERSITY AND INCLUSION BENEFITS AND IMPLICATIONS**

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7.1. West Yorkshire Police has a clearly stated commitment to diversity, equality and inclusion in all aspects of its operations, including those funded through the budget considered in this paper.

## **8. LEGAL IMPLICATIONS**

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8.1. None arising directly from this report.

## **9. EXTERNAL CONSULTATION**

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9.1. Public consultation on the proposed precept will take place after the local settlement is confirmed.

## **10. RECOMMENDATIONS**

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10.1. That Panel members consider the information provided on the position of the 2021/22 budget, the current planning for the Medium Term Financial Forecast and other matters that are likely to impact on police funding for West Yorkshire.

## BACKGROUND PAPERS AND APPENDICES

### Appendix 1

	2022/23	2023/24	2024/25
	£000'	£000'	£000'
<b>Shortfall as February 2021 MTFF</b>	<b>16,565</b>	<b>20,599</b>	<b>23,984</b>
Updates to Uplift Assumptions	(9,362)	(4,478)	(4,435)
Emergency Services Network (ESN) National Costing Update	(8,798)	(3,683)	7,176
Microsoft Licensing Saving	(1,051)	(715)	182
Budget Review Savings Initiatives	(832)	(849)	(866)
Reduction of Digital Forensics Unit (DFU) from 6 spokes to 5	(580)	(698)	(852)
Debt Charges Updates	(343)	(338)	(181)
Further Scoping' Savings - Estates and People Directorates	(340)	(390)	(397)
Direct Revenue Funding related to Capital Refiling	(264)	(2,158)	(3,629)
Various Small Pressures	107	54	55
Reduction in Special Police Service (SPS) Income due to rate change	150	151	153
Tasers Refresh	189	171	174
Impact of Roles Through Hay Panels	304	614	928
Various Small Pressures and Savings	331	(133)	370
Increase in Increments	625	637	650
2021/22 PCDA/DHEP Mix Change	869	892	709
Adjusted for Reduced Leavers, Early Recruiting and Transferees In	2,720	2,036	1,748
Inflation Adjustments	1,000	1,012	1,026
0.5% Increase to Sept 22 Pay Award Assumption to 2.5%	1,177	2,054	2,095
2022/23 PCDA/DHEP Mix Change	1,420	2,278	1,027
Infrastructure Pressures	1,842	2,174	279
Operational Pressures	1,868	1,843	1,835
<b>MTFF November Deficit Position Including Additional Pressures</b>	<b>7,598</b>	<b>21,072</b>	<b>32,031</b>

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