



**West
Yorkshire
Policing
& Crime**

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Brabin
Mayor of
West Yorkshire**



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Report to: Police and Crime Panel

Date: 10 November 2023

Subject: Medium Term Financial Forecast

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1. PURPOSE OF THE REPORT

- 1.1. To update Panel members on the position against the 2023/24 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 2023/24 financial position
 - II. An overview of the Medium Term Financial Forecast for 2024/25 and beyond for Revenue and Capital
 - III. A summary of the likely factors impacting police budgets in future years.

2. INFORMATION

2.1 Update on 2023/24 Financial Position.

- 2.1.1 Panel members will recall that in February a budget position was presented that showed a balanced budget for 2023/24 and 2024/25 following significant work on financial and operational management and resolving uncertainties around support for uplift and pay rises from central government.
- 2.1.2 Cost control measures including forward purchasing and fixing the price of electricity for 12 months and lower than expected transport fuel inflation supported the delivery of a balanced position, along with the increase in the precept considered by the Panel. At present the position for 2023/24 shows a small overspend against budget and this will be kept under review. An updated position will be provided to the Panel in February 2024..

3.0 **2024/25 update**

The Force continues to operate in an uncertain economic environment and is not immune to market forces and macro-economic factors. CPI peaked at 11.1% in October 2022 and despite falling steadily, inflation is at 6.7% as of September 2023. The continued uncertainty on inflation levels impacts across the MTFF as levels are not falling at the expected rate. Interest rates are expected to peak by the end of the calendar year. These external factors will continue to be monitored throughout the year and reflected in further updates.

3.1 **Revenue MTFF 2024/25**

3.1.1 This is the first iteration of the MTFF since February 2023 for 2024/25 and beyond and presents the additional pressures which have arisen since setting the budget in February 2023.

The updated deficits for each year are as follows:

2024/25	£ 5.171m
2025/26	£ 18.930m
2026/27	£ 28.534m

3.1.2 These are stated after the expected current savings impact of the Priority Based Budgeted (PBB) process (ongoing), of £1.2m and the application, as noted in the original budget position, in 2024/25 of £6.4m of reserves. Appendix A sets out the detailed breakdown of the MTFF across the next three years.

3.1.3 The most significant movements since February affecting the 2024/25 position are set out below, with the majority of the cost pressures relating to pay;

Officer Pay Award £14.6m

The February 2023 approved MTFF included the officer September 2023 pay award at 3%, however the actual Pay Award has been approved at 7%. The additional cost of the 4% over and above the original 3% is a recurring £14.6m.

Staff Pay Award £5.7m

The February 2023 approved MTFF included the staff September 2023 pay award at 3%, however the actual Pay Award has been approved at 7%. The additional cost of the 4% increase over and above the original 3% is a recurring £5.7m.

Regional Contributions £0.7m

With the approvals of the above Officer and Staff pay awards, this will have an impact on the increases to the Regional and NPAS contributions. An estimate based on current contributions has been calculated which could increase costs of £0.7m recurring. These are high level calculations and may differ pending grant approvals for roles currently contributed to.

Pay Updates due to Starters/Leavers/Increments £4.2m

The cost to WYP for new recruits is higher than previously reported in the MTFF as a result of the pay award announcement of 7%, and the removal of the first spinal point for Constables.

Although the cash figures for leavers have also gone up, the combinations of the reduction in leavers at the back end of 2022/23 and going forward, and the over recruitment of officers over a period of time, has reduced the budget savings associated with leavers and increased the incremental costs.

Reserve Adjustments £0.8m

£800k revenue contribution to the General Fund to maintain the Reserves Strategy level of above 2.5% of NRE (net revenue expenditure).

3.1.4 There are a number of funding assumptions relating to these pressures:

£515m Additional Grant Funding £21.9m WYP Share

Following the announcement of the 7% Police Officer pay award, of which a significant proportion was unexpected as most Forces' budget planning allowed for 3%, the Government announced assistance with £330m funding in 2023/24 and then £515m funding in 2024/25.

Despite it being confirmed what each force will receive in 2023/24 based on funding formula, the share of the 2024/25 funding remains uncertain.

At this stage of the MTFF we have assumed WYP will receive £21.9m, 4.26% formula funding share of the £515m and is assumed to be recurring.

There is, however, a risk that the 2024/25 £515m funding is split based on NRE (net revenue expenditure) which would be a significant reduction in funding to WYP, reducing it to approx. a 3.66% share, £18.8m a funding shortfall of £3.1m.

3.1.5 There are a number of other movements to take into account;

Pay Award 2024/25 £2.8m additional cost in 2024/25

As inflation remains high, the likelihood of a 2% pay award in 2024/25 are diminishing. In line with NPCC colleagues we have therefore changed our pay award assumption from 2% to 3%.

At this point it cannot be assumed funding will be received for the 3% award in 2024/25 or subsequent years.

Grey Roles Deferred for 1 Year Saving £1.7m

As part of setting a balanced budget, 49 FTEs were previously de-civilianised and were due to be reversed back into Staff posts in 2024/25. These would create an additional 49 Staff posts into the budget setting at a cost of £1.7m in 2024/25. These have been moved on a year into 2025/26 given the current vacancy levels the Force has and the ability to recruit to posts.

Kirklees DHQ Delays Saving £0.9m

The approved business case for the new Kirklees DHQ at Dewsbury that incorporated the new site at Huddersfield South had revenue costs due to be

built in from 2024/25 as it was expected to be operational during the year. This is no longer the case and the costs planned for 2024/25 have been moved on a year. These included premise related costs for rates and energy £725k, and the cost for the additional 5 Detention Officers due to the increased number of cells in custody £191k.

Minimum Revenue Provision (MRP) Savings £339k

From delays in the Capital Programme for the major Estates schemes.

ESN Revenue Saving £227k

Ongoing delays incurred from the non-delivery of the Emergency Services Network (ESN) project has led to the expected revenue costs to be moved on into future years of the MTFF saving £227k in 2024/25 revenue.

3.1.6 Budget assumptions

The MTFF has been refreshed with the following funding assumptions:

- £10 precept in 2024/25, and £5 thereafter (but noting that there is a possibility that this could be higher, as happened last year)
- The Council Tax base increase is assumed to be 1.0% as per the Councils' forecasts
- 3% pay award for 2024/25 dropping to 2% each year thereafter
- Vacancy Factor 5% 2024/25, 4% thereafter
- PCSO Vacancy Factor 10% throughout the MTFF
- Fuel increase by 2% per annum from 2023/24
- Gas reducing by 25% in 2024/25, and then 2% increase thereafter
- Electricity reducing by 19% in 2024/25, and then 2% increase thereafter
- General inflation applied to most areas of expenditure between 2% and 6% per annum.

3.1.7 There is the possibility that capital requirements, as yet unfunded, could put additional pressure on the revenue budgets across estates and digital policing of around £15.6m over the MTFF period for schemes as yet unapproved. This would put pressure on the revenue budgets in future, as the majority of capital is funded through revenue, the Force receives almost no direct capital funding.

3.1.8 The Priority Based Budgeting (PBB) Programme is the vehicle for supporting balancing the budget in the medium to long term. While the aspiration is to maximise this as much as possible through productivity savings, there will in the longer term, need to be consideration of service level changes. West Yorkshire Police continue to focus upon the implementation of changes from PBB's early phases which will increase the productivity within the organisation to address the budgetary pressures faced. Whilst this is the primary option, it forms part of a blended approach in which other financial mechanisms will also be explored including the vacancy factor adopted and how we structure and resource 'grey roles' (those which can be undertaken by either a member of police staff or a police officer). Decreasing opportunities and realisation of the implementation of productivity proposals will increase the requirement to

draw upon other mechanisms for retaining a balanced budget within the MTFF.

4.0 Capital MTFF

4.1 The capital programme is fully funded subject to the note above through revenue funding, borrowing and reserves. Appendix B sets out the detailed programme.

CAPITAL MEDIUM TERM FINANCIAL FORECAST 2023/24 TO 2026/27				
	ORIGINAL BUDGET 2023/24 £000	DRAFT BUDGET 2024/25 £000	FORECAST BUDGET 2025/26 £000	FORECAST BUDGET 2026/27 £000
Estates Projects	24,520	28,473	11,344	3,350
Information Technology Projects	6,379	7,107	3,503	3,306
Fleet, Equipment and National Projects	12,401	8,340	8,009	5,963
TOTAL BUDGET	43,300	43,920	22,856	12,619
Prudential Borrowing	24,120	28,473	11,344	3,350
PUP Reserve	950	2,000	2,000	590
Direct Revenue Support	9,226	9,076	5,447	5,671
Unapplied Grant	738	0	0	0
Capital Financing Reserve	7,365	0	1,984	0
Capital Receipts	902	4,371	2,081	3,008
TOTAL FINANCING	43,300	43,920	22,856	12,619

4.2 The capital programme shows the Force's commitment to invest in Estates, Fleet and Digital infrastructure. The planning assumptions for 2024/25 includes borrowing of £28.5m, use of reserves of £2.0m, capital receipts of £4.4m, and Direct Revenue Financing of £9.1m.

The revenue contribution to capital over the MTFF is £20.1m and this investment is reflected in the capital programme budget and the revenue MTFF.

5.0 Reserves

5.1 Appendix C sets out the position on reserves. Work is ongoing to review the use of reserves to ensure the most appropriate use to support the MTFF.

The force currently holds £14.551m in the General Fund Reserve which is above the 2.5% of Net Revenue Expenditure required to be in line with the Policing Reserves Strategy, however, the position falls below the 2.5% throughout the MTFF requiring an increase of £0.8m in 2024/25.

6.0 Other Impacts on Future Budgeting

6.1 At a recent APACE (Association of Police and Crime Chief Executives) conference, it was highlighted that work on revising the funding formula had stalled. We do not expect progress on this within the next budget cycle.

6.2 Priority Based Budgeting (PBB). It has previously been reported to panel that the Force is undergoing a PBB based review of budgets. Some of the benefits of this review have already been included in this MTFE and will be reflected in future budgets. The process is ongoing and we will continue to monitor progress and report to the Panel in due course.

6.3 We will continue to work with Force colleagues to look at options for closing the budget gap for 2024/25 and reducing that in subsequent years.

7.0 EQUALITY, DIVERSITY AND INCLUSION BENEFITS AND IMPLICATIONS

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.

8.0 LEGAL IMPLICATIONS

None arising directly from this report.

9.0 EXTERNAL CONSULTATION

Public consultation on the proposed precept will take place during December 2023 and January 2024, with the outcome to be considered by the Police and Crime Panel in February.

10. RECOMMENDATIONS

10.1. That Panel members consider the information provided on the position of the 2024/25 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 A – Medium-Term Financial Forecast 2024/25 to 2026/27

Appendix B – Medium-Term Financial Capital Forecast 2024/25 to 2026/27

Appendix C – Reserves Position