



## NORTHAMPTONSHIRE POLICE, FIRE & CRIME PANEL

3 February 2021

### REPORT BY THE POLICE, FIRE AND CRIME COMMISSIONER (PFCC) AND THE CHIEF FINANCE OFFICER

#### PFCC PROPOSED POLICE PRECEPT

#### REVENUE BUDGET 2021/22, CAPITAL PROGRAMME AND MEDIUM TERM FINANCIAL PLAN

#### 1. Purpose of the Report

- 1.1 To present the 2021/22 Police Precept Proposal and the additional considerations contained within it.

#### 2. Recommendation

- 2.1 The Police Fire and Crime Panel is **RECOMMENDED** to endorse:

- a. The proposal to increase the 2021/22 Police Precept by £13 per annum (5.1%) for a Band D Council Tax to **£268.04** (from £255.04 in 2020/21) for policing purposes.

- 2.2 Note the information presented in this report, including:

- a. The statement of the Chief Finance Officer as required by section 25 of the Local Government Act 2003 regarding the robustness of the Budget, the Medium Term Financial Plan and the adequacy of financial reserves, together with the other associated statutory safeguards.

- b. The total 2021/22 net budget requirement of **£153.532m**, including:

- i. The intention of the PFCC to set a Council Tax Precept Requirement for 2021/22 of **£66.852m** (£63.701m in 2020/21).
- ii. The future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational mitigations and additional considerations identified.
- iii. That any changes required, either by Government grant alterations or through amended council tax base and surplus/deficit notifications received from the

collecting authorities, may be balanced either through Force Efficiency Savings or through a transfer to or from Reserves.

- iv. The current MTFP and the anticipated savings required.
- v. The Capital Programme and the review of the ICT element within it.
- vi. The Reserves Strategy and proposed use of reserves.

### **3. Executive Summary**

- 3.1 This report and proposal, is the culmination of several months' work by the Office of the Police and Crime Commissioner (OPFCC), supported by Force colleagues, public and stakeholder consultation and key government announcements.
- 3.2 Following the announcement of the final Police Grant settlement, the PFCC has considered current and future funding levels, together with his Police and Crime Plan, the consultation, and the Spending Review (SR2020).
- 3.3 The PFCC has received briefings from the Minister and acknowledges the expectation that PFCCs will increase their precept locally by £15 (5.8%) in 2021/22.
- 3.4 In considering the budget for 2021/22 and the proposed level of precept, the PFCC has been informed by, a consultation of 2,689 residents of Northamptonshire.
- 3.5 The budget for 2021/22 includes 140 additional police officers recruited from local and national funding over the past two years and a further increase of 76 this year. The PFCC has listened to the views of Northamptonshire residents and has worked with the Chief Constable to increase police officers where possible and affordable.
- 3.6 The Medium Term Financial Plan (MTFP) assumes a further 57 officers added to the establishment in 2022/23, thereby increasing officers to 1500. Based on these predictions, police officer numbers in Northamptonshire are due to increase by over 28% (330 police officers) between the period March 2017 to March 2023.
- 3.7 Furthermore, the PFCC has ring fenced the sum of £1m in 2021/22 and 2022/23 and will work with the Chief Constable to support investment which will make a difference in local neighbourhoods. This will include:
  - To strengthen the new focus on neighbourhood policing, with dedicated, named teams in communities across the county;
  - Develop initiatives to tackle anti-social behaviour, street level drug dealing;
  - Other issues that people have identified as their local priorities;
  - Find new ways to prevent and reduce domestic violence
- 3.8 As work continues to bring together Policing and Fire Enabling Services teams, the PFCC has also realised efficiencies within his own office. He has restructured the OPFCC and reduced the ongoing cost by £286K (20%) per annum. This has enabled funding to be allocated to the Chief Constable to help maintain the recruitment of the additional police officers.
- 3.9 The PFCC has always endeavoured to ensure that the cost of staffing the OPFCC is around 1% of the Chief Constable's force budget. This restructure continues with that commitment and OPFCC staffing now equates to approximately 0.6% of the total force budget for 2021/22.

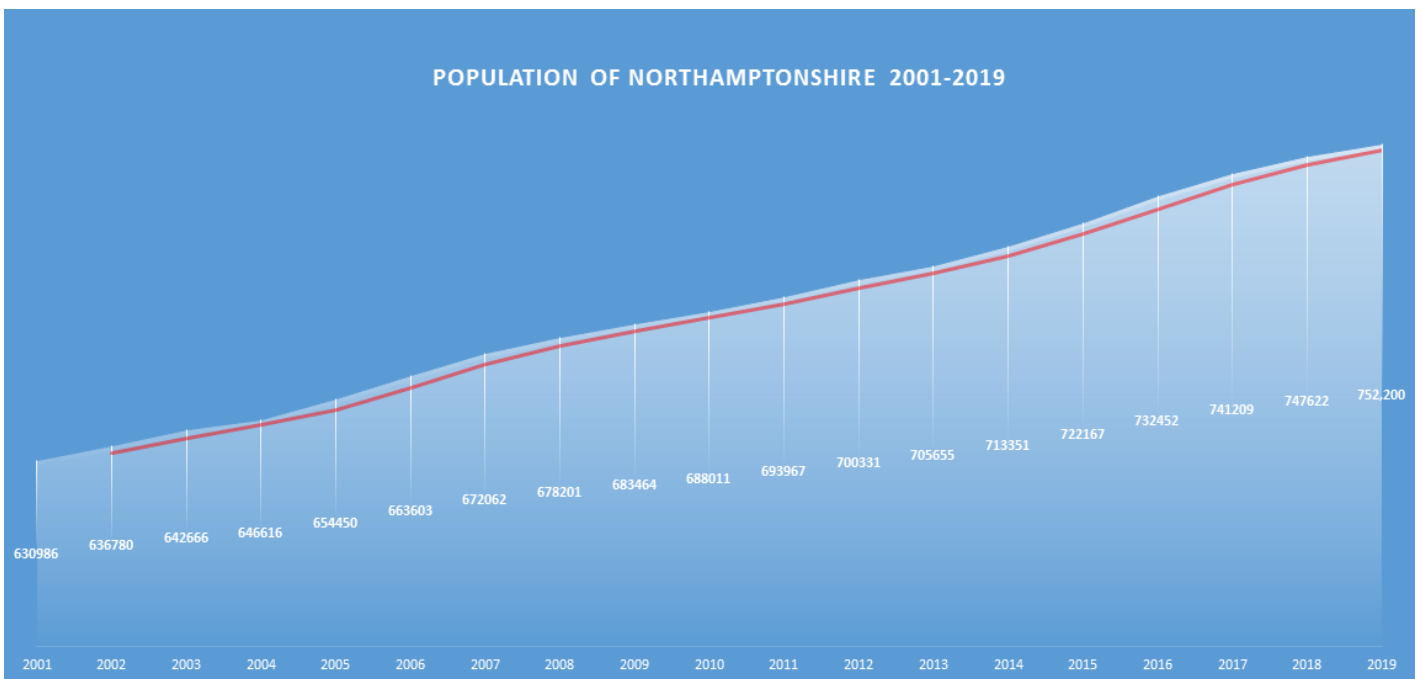
- 3.10 Within the OPFCC Commissioning and Delivery Budget, the PFCC will continue to support and embed the investments made in previous years, which includes to:
- Prioritise work to support victims and the vulnerable,
  - Take forward initiatives to reduce domestic violence,
  - Work with partners to take forward initiatives to reduce re-offending,
  - Continue to prioritise Early Intervention and engagement work,
  - Continue to prioritise Youth intervention and engagement work,
  - Continue to take forward work on crime prevention and
  - Continue to take forward work with the Road Safety Alliance, including the roll out of automatic number plate recognition (ANPR) cameras and other initiatives.
- 3.11 A Joint Communications Team has been established to work closely with the Force and provide a comprehensive and joined up approach on the work of the OPFCC, Commissioning and Delivery and Fire and Rescue.
- 3.12 The PFCC has reviewed the adequacy and level of reserves to ensure that funds are still available to support investment in innovative solutions and ensure the level is adequate to meet one off short term funding shortfalls from 2023/24 if savings and efficiencies are not identified.
- 3.13 The policing budget and precept also takes forward the statutory duty to collaborate for the three emergency services and means the services should be actively seeking opportunities to work together to deliver more efficient and effective public services. As such, both Fire and Police Budget agreements for 2021/22 will again demonstrate the PFCC commitment to collaboration, including greater integration between police and fire and rescue to reinvest in frontline services. It is the PFCC's expectation that, over time, the following areas will be delivered:
- Shared Services
  - Shared Estates Strategy
  - Shared Prevention Approaches
  - Operational Interoperability
- 3.14 The PFCC has been briefed on the current and emerging operational and demand challenges and these have informed discussion on the budget allocation to the Force for 2021/22 and future years.
- 3.15 The PFCC feels that Northamptonshire is not served well by the current grant funding formula; that the county is not fairly funded in comparison to both regional and national peers and that local residents should not pay more for their services than other counties.

**After careful consideration of the factors included within this report, the PFCC is very much aware of the financial impact on households in the current time. He is, therefore, proposing a precept increase of £13 a year (25 pence per week) for 2021/22 in order to continue to increase and invest in police officers, continue to build a sustainable base budget to maintain and safeguard policing services in Northamptonshire.**

**Furthermore, he will make additional investment of £1m for both 2021/22 and 2022/23. He has also set the Chief Constable an annual efficiency target of 1% (approx. £1.5m) to identify savings which can contribute towards future shortfalls and be reinvested into the changing demands of Policing.**

#### 4. Background

- 4.1 In considering his precept proposal for 2021/22, the PFCC has reviewed a wide number of factors, including the significant population increase in Northamptonshire over the period 2001 to 2019. With the opportunities that an increase in population brings there is also an impact on demand for public services, especially the police.
- 4.2 The Joint Strategic Needs Assessment (JSNA) Demography Insight Pack 2019 outlines that Northamptonshire's population has increased by 29.9% over the 30 years, compared with 17.7% across England. It also estimates this will increase by a further 14% by 2041.
- 4.3 The graph below demonstrates this population increase for the period 2001 to 2019.



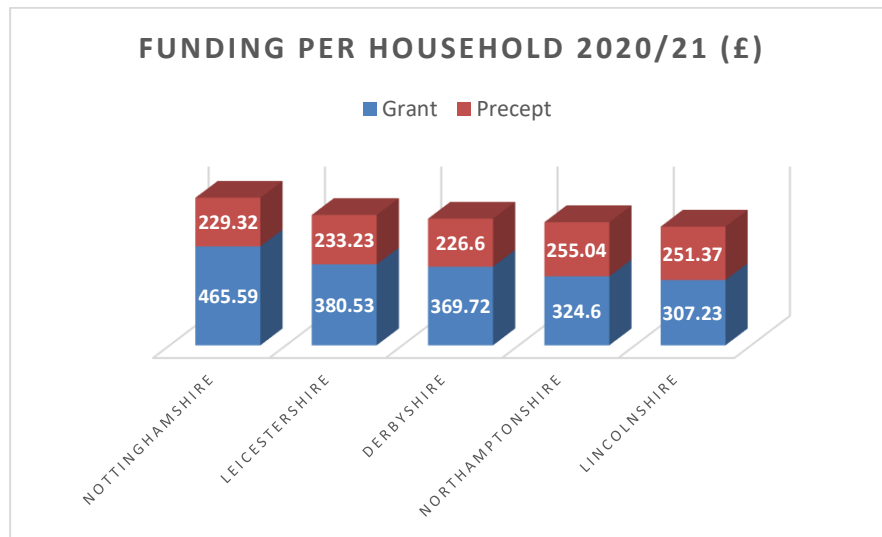
Source: ONS and JSNA

- 4.4 Police central funding has not kept pace with this population increase and whilst historical local council taxbase increases have contributed to total funding, central government grants, which form over 56% of local police funding, have not.
- 4.5 In 2021/22 and future years, the position is exacerbated by COVID-19 where it is forecast the population will increase, but the taxbase will not, and government grant which (apart from the additional officers funding) is frozen.
- 4.6 Her Majesty's Inspectorate of Policing and Fire and Rescue Services (HMICFRS) advised in 2019 that:

*".....Northamptonshire has sound financial plans and a more rigorous approach to budget setting....."*

But *".....it has been subject to decades of underfunding....."*

- 4.7 Recent analysis undertaken by the PFCC highlights the inequity of the current funding formula in the East Midlands Region and how taxpayers in the smaller Forces of Northamptonshire and Lincolnshire are penalised by the lower government grants per household than their regional peers, as follows:



- 4.8 For illustrative purposes, the PFCC has calculated that if Northamptonshire government grant was provided at a similar level to Nottinghamshire, Northamptonshire would receive an additional £35m per annum. Furthermore, Nottinghamshire has 28% more residents yet receives 83% more grant funding.
- 4.9 As the funding increases year on year from government grants for police uplift funding, the inequity of the formula also increases.
- 4.10 Band D Council Tax levels vary significantly for Police and Crime Commissioners across the country and the PFCC strongly believes that the current funding formula does not best serve the residents of Northamptonshire, meaning that local residents are required to fund a higher level of the policing bill than they would in other areas. He will continue to seek a fairer funding settlement on behalf of the residents of Northamptonshire.

## 5. Previous Precept Strategies

- 5.1 The precept proposal for 2021/22 is the fifth year of investing in Northamptonshire Police and over this period, the PFCC will have increased funding to the Chief Constable by approximately £31m (an increase of approximately 28%). He has also taken forward Commissioning and Delivery priorities over this period as follows:

### 2017/18

Investment in the Service Delivery Model, increasing over 50 frontline roles

### 2018/19

Investment in a further 22.5 posts across areas such as Serious and Organised Crime, Rape and Serious Sexual Offences, Missing persons. Police and Fire Interoperability and Inspection Assurance

## **2019/20**

Investing In:

- 83 extra police officers over two years to enable the introduction of a geographically based policing model with increased local accountability
- Investing in essential equipment and resources to support Investigation Teams
- Increased locally available specialist operational resources in Road Crime Team and Dog Section
- Early Intervention Delivery Team
- Youth Work Delivery Team
- Counselling Support to support Early Intervention
- Developing a Rural Crime Strategy towards tackling crime in rural areas
- Establishment of the Road Safety Alliance

## **2020/21**

Investing in:

- 83 extra police officers over two years to enable the introduction of a geographically based policing model with increased local accountability
- Together with the national uplift, investing in a further 57 police officers
- Continued operational growth and capability in Roads Policing and Dog Section
- Ring fencing the sum of £750K for operational priorities agreed with the Chief Constable (including Increase in rapid response Interceptor vehicles, increases in Police Dogs resources and Investigative support)
- Investing in Domestic Abuse support (for the estimated 16,000 victims per year)
- Supporting initiatives to reduce re-offending
- Supporting Crime Prevention Initiatives
- Continue the work of the Early Intervention Youth Grant, working with partners to provide targeted interventions to young people involved or at risk of becoming involved in serious violence
- Further resources have also been set aside to support Burglary and Serious and Organised Crime initiatives alongside expansion of the mental health triage scheme and a pilot scheme to support veterans coming into Police custody

## **2021/22**

Continuing to embed and take forward the work from previous years and:

- Embedding the 140 officers recruited over 2021/22 and 2022/23
- Increasing the establishment by a further 76 officers, of which 19 will be funded locally in the year by the PFCC
- Continue to take forward the investment in ANPR commenced in 2020/21
- Embed the work of the Safer Streets initiatives and actively bid for further opportunities in 2021/22 to support the residents of Northamptonshire
- Setting aside the sum of £1m in 2021/22 and 2022/23 to:
  - Strengthen the new focus on neighbourhood policing, with dedicated named teams in communities across the county
  - Develop initiatives to tackle anti-social behaviour, street level drug dealing
  - Other issues that people have identified as their local priorities
  - Find new ways to prevent and reduce domestic violence

## **6. The Spending Review 2021 (SR2020)**

- 6.1 On 25 November 2020, Chancellor of the Exchequer, Rishi Sunak MP announced the outcome of the 2020 spending review (SR2020). Sometimes referred to as the 'Spending Round' or the 'SR', the SR2020 sets out public spending totals for the financial year 2021-22.
- 6.2 Alongside the SR2020, the Office for Budget Responsibility released its Economic and Fiscal Outlook (EFO) at November 2020. The EFO highlights the significant effects that Covid-19 has had on the UK economy and the OBR's analysis suggests that spending on unprotected public services such as police, fire and local government is likely to be broadly flat in real per capita terms in 2022-23. During his speech, the Chancellor said that the SR2020 "*Delivers a once in a generation investment in infrastructure creating jobs,*" following the greatest economic decline in over 300 years.
- 6.3 SR2019 included the government's plan to recruit 20,000 additional officers by 2023, with up to 6,000 of these recruited by March 2021. SR2020 confirmed that the government remains committed to its target with a further 6,000 to be recruited in 2021-22; paid for by a £400m grant.
- 6.4 The national recruitment profile has been rephased and 2,000 officers will now be recruited to in 2022/23, rather than 2021/22 as originally planned.
- 6.5 The detail of the spending review and the implications for PCCs would be included in the Police Grant Settlement, anticipated at that time in December 2020.

## **7. Police Funding Formula**

- 7.1 Since 2014/15, policing bodies have received their formula funding solely from the Home Office which subsumed the former DCLG grants (including previous funding from Business Rates).
- 7.2 The current formula has severe implications for Northamptonshire as it takes no account of the increasing population or number of households in the county which are well above the national average.
- 7.3 Work had been underway on a review of the formula with an initial view of implementation in 2018/19 and in his letter to PFCC's on the 19 December 2017 on the Provisional Police Grant Settlement for 2018/19, the then Minister advised: "*In the context of changing demand and following my engagement with Police leaders, providing funding certainty for 2021/22 is my immediate priority. We will revisit the funding formula at the next spending review.*"
- 7.4 However, the funding formula review has not been covered within the Police Grant Settlement for 2021/22, therefore, timescales remain uncertain.
- 7.5 The PFCC still firmly believes that Northamptonshire is not served well by the current formula which does not reflect the challenges and demands of policing in the fast growing county. In October 2018, he wrote to MPs, requesting their support to review the formula. In 2019/20, the Police, Fire and Crime Panel also wrote to support such a review.

- 7.6 HMICFRS Value for Money profiles reflected that Northamptonshire received the 27<sup>th</sup> lowest grant funding per head of population across all forces. As the Northamptonshire population continues to grow at a faster rate than the national average, the gap will continue to increase if the formula is not changed.
- 7.7 The impact of this on smaller Forces such as Northamptonshire and Lincolnshire are highlighted earlier in this report.
- 7.8 The PFCC and CC will continue to take every opportunity to seek a fairer funding formula on behalf of the residents of Northamptonshire.

## **8. Police Grant Settlement – Precept and Police Officer Uplift Expectations**

- 8.1 The 2021/22 Referendum Principles for Policing were issued alongside the local government and police grant settlements on the 17 December 2020.
- 8.2 For 2021/22 the threshold for policing has been set at £15 (compared to £10 in 2020/21 and £24 in 2019/20) in line with the joint letter from the Home Secretary, the Rt Hon Priti Patel MP and the Minister of State for Crime and Policing, the Rt Hon Kit Malthouse MP.
- 8.3 The letter set out the context behind the increased funding envelope, and the assumption that PCCs will use their precept flexibility to the maximum. It also set out expectations and conditions for the increase as follows:

*“This settlement provides a total of up to £15.8 billion for policing in 2021/22, an increase of £636 million on the 2020/21 funding settlement. Available funding to Police and Crime Commissioners (PCCs) will increase by up to an additional £703 million in 2021/22, including local flexibility to increase council tax precept. This increase is broken down as follows:*

- *A £415 million increase in Government grant funding to PCCs. This additional funding will support year 2 of the Police Uplift Programme. £100 million of this funding will be ringfenced and allocated according to funding formula shares, and will be paid in line with progress on recruitment.*
- *Up to £288 million additional funding from council tax precept, if all PCCs maximise their precept flexibility. We are enabling PCCs to increase precept by up to £15 for a Band D equivalent property.*

- 8.4 The letter also set out the Police Officer Uplift expectations:

*“Delivering on our commitment to recruit 20,000 additional officers by March 2022/23 remains one of our top priorities. All forces have prioritised recruitment in year one and working in partnership with you we have already recruited almost 6,000 officers.*

*For year two of the Police Uplift Programme (PUP), we are expanding the scope of the programme to include recruitment of 300 officers into Regional Organised Crime Units (ROCUs), including the equivalent units in the Metropolitan and City of London Police, and 80 officers to bolster Counter Terrorism (CT) policing. Strengthening policing’s presence in ROCUs by 300 officers will help us meet our manifesto promise to counter the growth of serious and organised crime, including fraud, drug trafficking, child abuse and cyber-crime.”*

- 8.5 This means that rather than the 76 expected in Northamptonshire for 2021/22, the national allocation is 54 with a further 3 ring fenced as the force’s contribution to ROCU officers, thereby totalling 57 officers.
- 8.6 However, the PFCC and the CC feel it is important to continue to deliver the number of officers set out their plans and to maintain the momentum achieved from the recruitment programme. The PFCC will therefore fund the recruitment of the 19 officers in 2021/22.



## 9. The Police Grant Settlement 2021/22

9.1 The 2021-22 Provisional Settlement was announced on 17 December 2020 in a written statement by the Policing Minister, Kit Malthouse.

9.2 The following update was provided by the Technical Team:

*“Prior to the publication of settlement, the sector was expecting an additional £400m for the recruitment of 6,000 officers (towards the 20,000 total). Kit Malthouse confirmed that there would be an increase of £415m for PCCs to continue to recruit officers. The document goes on to state that “to ensure...progress in recruitment is maintained, and to track the use of this investment efficiently, the Government will continue to ringfence £100 million of the additional funding”. This ring-fenced grant will be akin to the previous settlement grant of £168m and will be split according to funding formula allocation. Part of this funding allocation is to go to the recruitment of ROCU officers through the same mechanism.*

*Additionally, the sector was expecting last year’s PUP funding (£700m) to be rolled into the baseline. However, the WMS stated that in total PCCs will get an increase of £703m assuming that the full precept flexibility is taken.*

*As confirmed in SR2020, the council tax referendum principles will be £15 per PCC, which, assuming every force maximised the increase, means an extra £288m for policing in 2021-22. Furthermore more, PCCs will receive a portion of the £670m additional grant funding announced for the local council tax support as part of SR2020. “*

9.3 Headlines from the settlement:

- Core Grant (including the Police Uplift Programme grant) increases from 7.8bn to 8.2bn, a difference of 413.6m an increase of 5.3%
- £15 precept flexibility for all PCCs, or equivalent
- 75% of council tax losses (due to Covid-19) to be compensated. Details awaited.
- £87.4m (8%) decrease in reallocations from £1.1bn in 2020/21 to 1.03bn 2021/22
- Flat cash pension grant allocations compared to 2020-21
- Capital grant remains cash flat for PCCs at £12.3m
- £52.3m capital funding for national priorities and infrastructure.

9.4 Reallocations (top slices) are taken from the grant before it is allocated to PCCs in line with the funding formula. For the past four years, reallocations have increased year on year, reducing the amount available for distribution. In 2021/22, there is, however, a small reduction. Of note is the intention to continue and double the Safer Streets allocation. This is welcome as the PFCC was allocated the sum of over £1.4m in 2021/22 and would be keen to continue with these initiatives.

9.5 A summary of the final core settlement assuming that the maximum precept increase is to be levied, compared to the 2020/21 actual position is as follows:

Funding Source	2020/21	2021/22	2021/22
	Actual £m	Core Settlement £m	Increase £m
Police Grants and ex-DCLG funding	72.9	77.5	4.6
Ring fenced additional officer funding 2021/22	1.6	1.0	-0.6
Legacy Council tax grants	6.6	6.6	0.0
Additional pension grant	1.3	1.3	0.0
<b>Total Home office Revenue Allocations</b>	<b>82.4</b>	<b>86.4</b>	<b>4.0</b>
Council Tax*	63.7	66.7	3.0
<b>Total 2020/21 Actual and 2021/22 Core Settlement</b>	<b>146.1</b>	<b>153.1</b>	<b>7.0</b>

Note: The Core Settlement is based on the Home Office Council Tax assumptions, not the actual position

- 9.6 With the exception of the 2020/21 and most of the 2021/22 Police officer uplift funding added to the base budget, there was no other increase to the main grant.
- 9.7 A sum of £1m additional officer funding has been ring fenced and dependent on recruitment profiles, in line with the current practice in 2020/21, but at a lower level.
- 9.8 Whilst the core settlement includes all Home Office revenue allocations, it is based on the Office of Budgetary Responsibility (OBR) forecast taxbase estimate rather than the actual taxbase advised locally. For Police this is not dissimilar to the actual precept levied. A different methodology is used for Fire in the local government finance settlement.
- 9.9 Similarly, the core spending allocation does not include the local council tax surplus or deficit and in 2021/22 does not include the additional local council tax support (LCTS) allocation of £900K or additional council tax deficit support.
- 9.10 Taking into account the actual council tax, the one off additional LCTS support and the actual council tax deficit, the actual year on year funding comparison between 2020/21 and 2021/22 (including a £13 precept) is as follows:

<b>Funding Source</b>	<b>2020/21 Actual £m</b>	<b>2021/22 Anticipated £m</b>	<b>2021/22 Increase £m</b>
Police Grants and ex-DCLG funding	72.9	77.5	4.6
Ring fenced additional officer funding 2021/22	1.6	1.0	-0.6
Legacy Council tax grants	6.6	6.6	0
Additional pension grant	1.3	1.3	0
<b>Total Home office Revenue Allocations</b>	<b>82.4</b>	<b>86.4</b>	<b>4</b>
Local Council Tax Support (provisional allocation)	0	0.9	0.9
Council Tax	63.7	66.8	3.1
Council Tax	0.7	-0.6	-1.3
<b>Total 2020/21 Actual and 2021/22 Settlement</b>	<b>146.8</b>	<b>153.5</b>	<b>6.7</b>

## 10. Police Officer Recruitment, Uplift Programme (PUP) and Funding

- 10.1 In September 2019, the Government launched the national recruitment of 20,000 Police Officers. The first 6,000 of which were to be allocated in accordance with the funding formula which in Northamptonshire this equated to 19 in 2019/20 and a further 38 in 20/21, resulting in an increase of 57 officers over the period.
- 10.2 For 2021/22, Northamptonshire had forecast a further 76 officers, in line with the previous profile. However, the national profile is for 2,000 less officers and Northamptonshire will receive 54 with 3 Ring fenced for the East Midlands ROCU (a total of 57). A reduction in officers assumed of 19 for the year which would be recruited to in 2022/23.
- 10.3 However, as set out earlier, both the PFCC and the Chief Constable wish to continue the commitment they given to residents and continue with the momentum achieved in police officer recruitment. As such, Northamptonshire will continue with their existing plans to increase the establishment by the full 76 officers as originally envisaged this year, with the PFCC underwriting the cost of 19.

- 10.4 The PFCC has listened to the views of Northamptonshire residents and has worked closely with the Chief Constable to increase Police Officers wherever possible and affordable. The force has grown from 1170 police officers and by March 2023 they are forecast to have 1500. This is an increase of over 28% and the most officers the county has ever had.
- 10.5 The force is on target to achieve the agreed 1,367 police officer establishment by March 2021. The national establishment profiles to March 2023 are as follows:

Date	Number	Increase
March 2021	1,367	
March 2022	1,424	57
March 2023	1,500	76

- 10.6 The Home Office funding methodology for the police officers was in line with the best case scenario forecast in 2020/21. Therefore, the MTFP assumes this methodology will continue for the final year of the uplift programme in 2022/23.

## 11. Council Taxbase and Council Tax Precept Income

- 11.1 The Council Tax and the level of precept is a fundamental part of the local government finance settlement.
- 11.2 Income generated from the precept depends on both the level of the Band D precept and the taxbase – the latter being effectively the number of properties who are required to pay Council Tax.
- 11.3 The previous MTFP forecast was based on this number increasing at a prudent level of 1.75%. However, taxbase forecasts for 2021/22 have reduced, placing further pressure on the funding position.
- 11.4 For Northamptonshire, the comparison of the 2020/21 and 2021/22 taxbase is as follows:

	2020/21 (number)	2021/22 (number)	Change	
			(number)	%
Taxbase (Band D)	249,768.07	249,412.22	-355.85	-0.14%

- 11.5 The 0.14% reduction in taxbase is significantly different to the 1.75% growth previously assumed. It also impacts on future MTFP assumptions which have also been revised.

- 11.6 The table below highlights how the reduced taxbase has affected council tax receipts. In 2020/21 a £10 precept increase levied an additional £3.570m in council tax receipts. Comparatively, in 2021/22, a £13 increase will raise £3.151m as follows:

	<b>2020/21 (at £10) £m</b>	<b>2021/22 (at £13) £m</b>
Council Taxbase Changes	1.072	-0.091
Precept Increase	2.498	3.242
	<b>3.570</b>	<b>3.151</b>

- 11.7 The government have announced a one year Local Council Tax Support Scheme and Police have a provisional allocation of £922K for 2021/22 to help mitigate this loss. However, this does not meet the full cost of the taxbase change which is nearer £1.2m.
- 11.8 Moving forwards, the MTFP assumes a 0.5% increase in 2022/23 and 1% thereafter. This will be kept under regular review in conjunction with North and West Northamptonshire Unitaries.

## **12. Council Tax Collection Fund**

- 12.1 Each year the billing authorities estimate how much of the total potential Council Tax income liability of taxpayers they will collect. They advise precepting authorities of any projected surplus or deficit on the "Collection Fund" in January of each year.
- 12.2 The PFCC is very appreciative of the hard work undertaken by the boroughs, districts and the North and West Northamptonshire Shadow Authorities who have provided regular updates throughout the year and who ensured the information was available to the PFCC for inclusion in his budget and precept considerations.
- 12.3 Despite high collection rates within Northamptonshire, COVID-19 has impacted on this area and the deficit for 2021/22 is forecast to be £630K, compared to a 2020/21 surplus of £675K, resulting in reduced funding of £1.305m.
- 12.4 Some grants will be provided to billing authorities and preceptors to mitigate this deficit over a three year period as set out in the consultation papers published at the time of the settlement.
- 12.5 However, the final process has not yet been issued and as support only relates to 2020/21 deficits (not earlier years) and will only be provided after the year end Council Tax Funds have been calculated, it is very difficult to provide an accurate forecast. Therefore, a prudent approach has been adopted and no additional Council Tax support has been assumed in this regard. If and when any is received, it will be additional funding in the year.

## **13. Public Consultation on the Level of the Precept**

- 13.1 The 2021/22 precept proposal will be the fifth precept proposed by Stephen Mold for Policing.

- 13.2 For this year's precept, the PFCC has undertaken as wide a range of consultation as possible to obtain the views of Northamptonshire residents. This has included:
- Commissioning an independent research organisation (Social and Market Strategic Research) to undertake a consultation of 1,102 residents who pay Council Tax in Northamptonshire about the precept level and priorities for Policing and the Fire & Rescue Service for 2021/22. This process used random quota sampling to ensure the sample was representative.
  - Undertaking an online survey communicated to as wide a range of stakeholders as possible, to enable any Northamptonshire resident to share their views on the level of the precept and their priorities. The online survey received 1,587 responses for Police.
  - A Parish Councillor meeting was held on the 18 January 2021, open to all Parish Councillors. 22 Councillors attended and received a briefing on the budget and precept considerations for both Fire and Policing, together with updates on investments made to date for both services. All councillors attending were invited to undertake a summarised online survey on the precept options and at the time of writing, 17 did so. The PFCC has considered their responses and would like to thank the Parish Councillors for their engagement.
  - Furthermore, the PFCC held a panel workshop on the budget process and precept considerations for 2021/22. The PFCC would like to thank the workshop attendees for their engagement and intends to offer the budget workshop to the Panel as an annual event for consideration.
- 13.3 The online and telephone surveys were completed separately and as such, will be separately analysed.
- 13.4 However, to assist with his precept deliberations, the PFCC has considered the results of the two responses together. The results of which were:
- That around 71% of residents were prepared to pay more for Police services, of whom 57% were prepared to pay £13 or more and 49% were prepared to pay £15 or more.**
- 13.5 Respondents were also given the opportunity to comment on the consultation, together with stating how good a job the Police and the Fire and Rescue Service. Approximately 61% of residents thought the Police were doing a good or excellent role, 12% of residents advising poor or very poor, 21% of residents thought they were doing a fair job and 6% did not know.
- 13.6 The PFCC will consider the narrative comments in detail when they have been collated. There will be included where possible in the reports and will be available on the PFCC website in due course.
- 14. The Financial Challenge – Future Risks, Challenges and Uncertainties**
- 14.1 The MTFP shows that the PFCC has produced a balanced budget for 2021/22 and 2022/23.

- 14.2 The consistent funding methodology for police officer uplift has been in line with the previously forecasted best case scenario. It is assumed to continue at that level in the MTFP for 2022/23.
- 14.3 Some further financial and operational risks and challenges are as follows:
- a. The unknown impact of the Funding Formula Review on Future Funding Settlements.
  - b. There is a national and a regional move to consider the charging of costs in line with a Net Revenue Expenditure (NRE) rather than a funding formula methodology. This disproportionately affects forces such as Northamptonshire who have a lower than average grant allocation and bears no correlation to increasing population or households as can be seen earlier in the report. Any movement of regional or national charging to NRE will result in cost increases to Northamptonshire.
  - c. The impact of a different core grant assumption to that estimated in the MTFP for the years after 2021/22. Of note, every 1% reduction in grant equates to circa £0.875m less available revenue per year.
  - d. The full impact of revenue and capital costs and funding arrangements for the new Emergency Services Network (ESN) are still uncertain.
  - e. The operational and financial impact of new, emerging and increasing areas of threat and demand, including, but not limited to, child sexual exploitation, adult and child sexual and domestic violent crimes and increasing cybercrime. It is anticipated that the additional officers will assist in the challenge of meeting such demands.
  - f. It is anticipated that the impact of national grants reducing or ceasing for regional developments and activities would have a significant impact.
  - g. The capital programme requirements and the investment required to take any business as usual, innovative or collaborative work forward in advance of the timings of savings. The reduction in capital grant in 2020/21 and future years has had an impact on the revenue costs of the capital programme and this is built into the MTFP.
  - h. The impact of partners' spending decisions which may affect services provided by the Force or PFCC.
  - i. The ongoing impact of the COVID-19 pandemic on Police costs, reduced income and funding levels lower than that assumed in the MTFP.
- 14.4 These risks, challenges and uncertainties are under regular review and the steps already in train to help mitigate these include:
- a. The PFCC has set an expectation with the Chief Constable to deliver 1% of efficiency savings based on his annual budget (circa £1.5m). The intention is to assist in meeting the shortfalls identified in the MTFP and to provide available funding for reinvestment in the changing demands of Policing.
  - b. PFCC and OPFCC oversight will continue to ensure rigour and commitment takes place in meetings and identifying savings and efficiencies, at a regional

and local level. This includes the regular Accountability Board, 1 to 1 meeting with the Chief Constable and attendance by the OPFCC at Force Boards to ensure scrutiny, challenge and full consideration of change and savings proposals.

- c. Taking forward the joint Estates Strategy with Fire, to maximise the opportunities for both services from sharing buildings.
- d. Regular review and scrutiny of the Capital Programme and the Treasury Management Strategy.
- e. Reviewing potential opportunities for Collaboration with other PFCCs and Chief Constables in the region.
- f. Regular review of the Reserves Strategy to ensure adequate reserves are in place and utilised appropriately to enable targeted investment and the smoothing of additional costs before longer term realisation of savings.

**15. 2021/22 – Base Budget preparation, approach and scrutiny**

- 15.1 The 2020/21 budget is the first budget prepared under the recently established joint Finance team and has brought an approach which has provided consistency across Fire and Police. This has enabled comparability of assumptions and principles, together with best practice, resilience and a more efficient approach applied to budgeting for all services.
- 15.2 The budget has been prepared on a zero-base where possible, in full consultation with budget holders, aligned to the Police and Crime Plan and FP25 Policing Priorities and tested against the MTFP. Efficiencies are taken from this process where possible and it ensures that only approved increases, inflation and unavoidable pressures are built in. Detailed workings are prepared, the format of the budget models is consistent and has built in checks and balances to ensure the correct information is fed through. This approach also enables resilience within the team.
- 15.3 Following the preparation of the Budget Strategy and approach in September, briefing sessions took place with all budget holders and the Strategy was shared with the Joint Independent Audit Committee (JIAC) for further scrutiny and review.
- 15.4 The table below sets out the preparation and scrutiny elements which culminated in the December and January Accountability Boards where the Chief Constable set out his budget proposals, and were scrutinised and challenged by the PFCC



15.5 For 2021/22, the budget scrutiny and challenge process has also included a Panel workshop, Parish Council and MP briefings. The PFCC is appreciative to all stakeholders who have contributed to this process, he has found their input invaluable.

## 16. Budget Allocations

16.1 The PFCC will be allocating the budgets for 2021/22 as follows:

2020/21 £m	Budget Breakdown	2021/22 £m
113.386	Force	119.494
21.951	Enabling Services	23.187
0.750	Ring fenced for Operational Priorities	0
<b>136.087</b>	<b>Indicative Force Budget</b>	<b>142.681</b>
1.406	OPFCC (Office)	1.120
5.452	Commissioning and Delivery (OPFCC)	4.749
3.726	Capital Financing Costs	4.663
0.100	Transfers to (from) reserves	-0.141
0	Investment	1.000
0	Savings already Identified	-0.540
<b>146.771</b>	<b>Total Budget</b>	<b>153.532</b>

16.2 The budget summary above reflects the following joint working with Fire:

- The Police budget reflects contributions from Fire for Shared Services of £866K.
- The OPFCC budget reflects a contribution of £232K (reduced from £329K in 2019/20) from Fire towards staff and office costs.
- The OPFCC budget reflects the sum of £129K from Fire towards the Joint Communications team, established in 2020.

### 2021/22 Budget to be delegated to the Chief Constable

16.3 The budget for 2021/22 takes account of the full year impact of the investment priorities, the additional 140 officers from local and national agreements in 2019/20 and 2020/21 and an additional 76 officers in 2021/22.

16.4 Over the past three years, the PFCC has issued a letter to the Chief Constable outlining the agreed conditions associated with the Force budget for the forthcoming year and has sought updates on their progress. This process has continued during 2020/21 and will be in place for 2021/22.

16.5 There has been a significant amount of scrutiny and challenge on the Force budget for 2021/22, and as part of these discussions and negotiations, the PFCC has sought and received assurances on how the assumptions and budgets have been calculated. With the significant financial increase in the force budget over the years, is intended to build on and develop these scrutiny arrangements further.



- 16.6 The Chief Constable has been working on the budget and assumptions since September 2020 and the negotiations with the PFCC commenced in December 2020, continued in January 2021 and have culminated in a number of far reaching and robust professional discussions on the budget requirement, the financial challenges, the precept options available, a review of the MTFP, assumptions and associated risks.
- 16.7 The proposed budget delegated to the Force for 2021/22 is £142.681m, an increase of £6.594m on 2020/21.

	£m	£m
<b>Force Budget and Cash Limit for 2020/21</b>		<b>136.087</b>
Anticipated full year costs of additional officers and pay and inflationary pressures and savings (net)	6.644	
<b>Provisional Cash Limit for 2021/22</b>		<b>142.731</b>
Removal of Pay Award assumptions	-1.560	
Transfers between PFCC and CC budgets for delivery of services	1.263	
Contractual and unavoidable pressures	0.618	
ICT Pressures	0.154	
ESN Delays	-0.563	
Staffing and Officer profile changes	-0.624	
Enabling Services Joint Posts	0.241	
Other additional pressures agreed with the PFCC	0.421	
<b>Force Budget and Cash Limit for 2021/22</b>		<b>142.681</b>

- 16.8 The following areas are highlighted:
- The full year cost of the additional officers and pay awards had already been built into the provisional cash limit for 2021/22.
  - Transfers between the PFCC and the CC mainly relate to the Custody Healthcare contract and other operational areas. Now it is established and operating well it is appropriate to reflect the costs in the organisation to which they relate.
  - In line with the spending review announcement, pay awards have only been included for staff receiving under £24K.
  - Unavoidable pressures include national and local costs, together with the costs of other regional systems.
  - ICT pressures include the costs for single online home and digital signatures.
  - ESN delays have enabled the costs to be slipped to future years, providing an in year saving.
  - Staffing and officer profile changes relate to the differences in pay and rank to the previous year and reflect less police officers in the pension scheme.

- h. Joint enabling services posts have been recruited to Head of HR, Head of Fleet and Head of ICT. The PFCC will meet the first year costs from reserves. Head of Finance and Estates roles are already built into both Fire and Police base budgets.
- i. Other demand pressures agreed with the PFCC mainly include fuel inflation and the estates costs of Darby House.

### 2021/22 Police, Fire and Crime Commissioner – Office Budget

- 16.9 The PFCC manages two budgets:
- The cost of running his office - the OPFCC and
  - Commissioning and Delivery areas - which directly provide services to Northamptonshire residents and/or with other services.
- 16.10 The office budget for 2021/22, has been reduced by a net £286K compared to 2020/21 and the contribution from NCFRA also reduced by £71K as follows:

OPFCC Office Budget						
2020/21				2021/22		
OPFCC	NCFRA	Total		OPFCC	NCFRA	Total
1,197	283	1,480	Staff Costs	874	210	1,084
209	20	229	Other Office Costs	246	22	268
<b>1,406</b>	<b>303</b>	<b>1,709</b>	<b>Total OPFCC Office</b>	<b>1,120</b>	<b>232</b>	<b>1,352</b>

Key: NCFRA: Northamptonshire Commissioner Fire and Rescue Authority

- 16.11 Staff costs have reduced as part of the PFCC's commitment to shared Enabling Services. This has reduced costs in the OPFCC for Finance and a Director post. Furthermore, there have been reductions in consultation and engagement, to ensure these are delivered in the most inclusive and cost-effective way possible.
- 16.12 In addition to general office and travel expenses, other office costs include internal and external audit fees, Joint Independent Audit Committee (JIAC) allowances and subscriptions to the APCC. External audit fee increases are anticipated to hit the Fire and Policing sectors significantly. Additionally, engagement and consultation costs, have transferred from the Public Consultation budget following the restructure.
- 16.13 The PFCC has always endeavoured to ensure that the cost of staffing his office is less than 1% of the Chief Constable's force budget. This restructure continues with that commitment and OPFCC staffing now equates to approximately 0.6% of the total force budget for 2021/22.
- 16.14 The OPFCC provides statutory and governance services (for example the Monitoring Officer, PFCC and S151) to NCFRA. In keeping with the updated Home Office Financial Management Code of Practice; where Fire costs can be reasonably estimated, they have been; otherwise, a pro-rata funding calculation has been used, to ensure integrity and transparency of both Fire and Policing Funds.

## 2021/22 Police, Fire and Crime Commissioner – Commissioning and Delivery Budgets

- 16.15 The OPFCC undertakes a wide range of commissioning and delivery activities, these are reported throughout the year to the Police, Fire and Crime Panel.
- 16.16 The OPFCC Commissioning and Delivery Budgets have reduced by a net £0.703m. and NCFRA's contributions increased by a net £103K - summarised as follows:

Commissioning and Delivery Budgets						
2020/21				2021/22		
OPFCC	NCFRA	TOTAL		OPFCC	NCFRA	TOTAL
1,952		1,952	Commissioning	737		737
464		464	Continuation of Early Intervention Youth Fund Work	418		418
250		250	Crime Prevention	250		250
137	6	143	Customer Services - Complaints	125		125
131		131	Delivery and Accountability	124		124
320		320	Domestic Abuse Initiatives	674		674
290		290	Early Intervention	353		353
240		240	EI Counselling Support	240		240
15		15	ICT and Digital	15		15
60	5	65	Joint Communications Team with Fire	166	129	295
250	10	260	Police and Crime Plan Delivery Fund	250		250
32	5	37	Public Involvement			
500		500	Reducing Reoffending	665		665
83		83	Research and Analysis	-		-
225		225	Youth Offending and Safeguarding Board	201		201
503		503	Youth Work Provision	531		531
<b>5,452</b>	<b>26</b>	<b>5,478</b>		<b>4,749</b>	<b>129</b>	<b>4,878</b>

- 16.17 The main variations to 2020/21 are as follows:

- Public Involvement budgets have transferred to the office and Research and Analysis transferred to the Force as part of the restructure considerations.
- The reduction in Commissioning relates to operational contracted Custody Healthcare and other services transferred to the Chief Constable budget to align budgetary and operational responsibility now the contracts are established and embedded. Additionally, the PFCC contribution to Sunflower services has been transferred to Domestic Violence Initiatives to better transparently reflect the investment in this area.
- Early Intervention (EI), Youth Work, Early Intervention Youth Work and EI Counselling, continue to be embedded in line with previous years arrangements.
- Domestic Abuse Initiatives cover the work across EI Domestic Abuse support as well as the transfer of Sunflower contributions to Voice (which were previously included within Commissioning).
- A Joint Communications Team between OPFCC and Fire has been established as part of the move towards Enabling Services, ensuring a comprehensive support to both organisations, linking in closely with the force Communications and ensuring consistency. Fire's contribution to the team is comparable to the costs set aside by Fire to pay to Police or met internally within Fire in 2020/21.

- Customer Services relates to the team set up in early 2020 to meet the legislative changes that give Commissioner a greater role in police complaints, strengthening the independence of the process and increasing public confidence.
- Crime Prevention Initiatives will continue in 2020/21 and it is anticipated this will continue driving forward the safer Streets Initiatives and will also look at concerns such as fly tipping.
- Reducing Reoffending reflects the joint work with partners to take forward initiatives to reduce offending. Due to COVID-19 this could not be taken forward in 2020/21 and it is anticipated initiatives will be developed and taken forward in 2021/22.
- The PFCC remains keen to support initiatives which are in the early stages of planning or which arise during the year, which have not been included within 2021/22 budgets. After launching his initiative in 2018/19, he has decided to continue to ring fence the sum of £0.250m and continue with the grant schemes currently in place.

## **17. Medium Term Financial Plan (MTFP)**

- 17.1 The Medium Term Financial Plan has been updated to 2025/26 to provide a longer term view which will enable informed decision making to take place for the period of the plan. This is not without its challenges, given that there is only a firm government announcement of funding for 2021/22 and a new spending review and funding formula is anticipated after this time.
- 17.2 The MTFP is attached in more detail at Appendix 1 and key assumptions that have been included in seeking to outline the financial challenge for the medium term are:
- The impact of COVID-19 has been forecast in the MTFP and prudent assumptions made in respect of taxbase levels, and council tax deficits.
  - That there will be no council tax surplus or deficits after 2021/22. (source: professional prudent estimate).
  - That the council taxbase grows at 0.5% in 2022/23 and 1% thereafter (source: professional prudent estimate).
  - Precept will increase by £13 in 2021/22 and thereafter on a 1.99% increase thereafter. (source: National professional assumptions).
  - There is no new council tax freeze grant from 2016/17 onwards and all existing council tax freeze grants continue (source: as detailed within the SR2015).
  - Government funding continues as existing levels, increased for officer uplift grant at 2021/22 levels. (source: PACCTS national professional assumptions).
  - Pay increases are assumed at 0% for 2021/22, 1.75% in 2022/23 and 2% thereafter (source: National professional assumptions).

- That the police officer uplift programme will continue to be allocated to provincial forces in line with the current methodology.
- No additional, unfunded responsibilities are given to the Force or the PFCC (the additional legislative responsibilities of Fire Governance and customer service complaints have been included within the budget)
- Funding for regional collaborations will remain consistent.
- Reserves can fund any invest to save projects
- Further borrowing beyond the capital programme is not required.

17.3 Taking into account the assumptions contained in this report, the MTFP has been reviewed and extended to 2025/26 as follows:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Group Expenditure	153,072	159,586	166,946	169,890	173,652
Investment	1,000	1,000	-	-	-
Total Expenditure	154,072	160,586	166,946	169,890	173,652
Total Funding	(153,532)	(159,721)	(162,961)	(166,613)	(170,091)
<b>Shortfall</b>	<b>540</b>	<b>865</b>	<b>3,985</b>	<b>3,277</b>	<b>3,561</b>
Savings already Identified	(540)	(865)	(1,145)	(1,038)	(853)
Savings to be Identified	-	-	(2,840)	(2,239)	(2,708)
<b>Shortfall remaining</b>	-	-	-	-	-

17.4 The MTFP shows that the budget is balanced in 2021/22 and 2022/23 and is still available to provide £1m investment in each year.

17.5 From 2023/24, there is a shortfall forecast on the MTFP of £3.985m (approximately 2% of the revenue budget). Whilst reserves are sufficient to meet the shortfall, they cannot be used in perpetuity and should only be used for one off requirements or to smooth the impact of pressures – therefore, savings will need to be made to meet the shortfall. The PFCC has already set the following in motion:

- A further review of the approved capital programme since the time budget was agreed has already identified over savings from rephasing, additional revenue contributions to capital and lower than budgeted interest rates.
- The PFCC has set an expectation with the Chief Constable to realise 1% of efficiencies in his budget each year (approx. £1.5m). These efficiencies will be used to meet any savings requirements and provide the opportunity to reinvest in changing demands in policing.
- Whilst the budget is balanced for 2021/22, the Chief Constable has already started work on savings and efficiencies for the year and it is anticipated these will be agreed by the PFCC and Chief Constable in the budget letter for the year. For prudence, those savings have not yet been assumed within the budget.

- The PFCC expects that over time some efficiencies will be realised from Joint Shared Services and the Joint Estates Strategy. Some efficiencies have already started to come to fruition from the Finance and Estates teams. However, it is essential that disposals are taken forward in a timely manner to ensure savings and efficiencies can be realised.

## 18. Other Financial Risks and Uncertainties - Pensions

- 18.1 The Government introduced reforms to public service pensions in 2015 which resulted in most public sector workers being moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members gave rise to unlawful discrimination on the basis of age.
- 18.2 In July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.
- 18.3 It is expected that the on-going cost of higher pension benefits arising from the case will be built into the scheme valuation process and reflected in the 2023/24 employer and employee contribution rates. These issues could lead to employer contribution rates increasing by up to 10.0% from 2023/24.
- 18.4 The government has provided additional grant funding for pension increases in the past for both Fire and Police, but there is a risk that authorities may need to meet some or all this increase. On police pensions alone, a 5% or 10% increase would result in a budget pressure of c. £2.8m or £5.6m respectively from 2023/24.
- 18.5 National discussions continue in this regard and the MTFP will be updated when there is a clearer understanding. At this point in time, given the potential magnitude, this is highlighted as a potential uncertainty.

## 19. Capital Programme 2021/22 to 2022/23

- 19.1 A Capital Programme has been approved as part of the budget setting process, which has identified significant requirements across Fleet, Estates, ICT and Operational equipment.
- 19.2 The approved Capital Programme is as follows:

Programme	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Estates	2.4	1.9	3.5	5.3
ICT & Digital	9.9	13	1.8	2.2
Vehicles & Operational Equipment	1.5	1.8	1.5	2.1
<b>Total</b>	<b>13.8</b>	<b>16.7</b>	<b>6.8</b>	<b>9.6</b>

- 19.3 The S151 Officer will continue to work with the Chief Constable's S151 Officer and will advise the PFCC as to the most effective way to fund capital expenditure and minimise cost on the revenue budget moving forwards. This includes considering the appropriate use of earmarked reserves, revenue contributions and unapplied grants.

- 19.4 Furthermore, all opportunities to seek and apply for other grants are taken. Most recently the PFCC has applied for decarbonisation grants which if successful, would assist in mitigating some of the Estates costs.
- 19.5 A Joint Estates Strategy is in place which promotes joint sharing of buildings and progress has already been made with the enabling developments of the shared administration and joint fleet workshops which will enable further changes to the estate. This will realise efficiencies over time when disposals are realised and over time there it is envisaged will reduce running costs for both Fire and Police.
- 19.6 Costs are often occurred ahead of any efficiencies being released, therefore, the PFCC will continue to push to ensure that any disposals are made in a timely an efficient manner to ensure the full benefits can be realised.
- 19.7 The Commissioner is required to approve a “Treasury Management Strategy” each year, setting out the detail of his policy and approach to managing investments, borrowing and cash management.
- 19.8 This is required by the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Prudential Code to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that decisions are taken in accordance with good professional practice.
- 19.9 The Treasury Management Strategy was approved at the January 2021 Accountability Board. Under established practice this will be shared with the Joint Independent Audit Committee (JIAC) for consideration prior to publication.

## **20. Use of Reserves**

- 20.1 In considering the budget, the MTFP and level of precept options, it is important to look closely at the size, level and type of reserves held by the PFCC to ensure that they are adequate to cover the purposes for which they are held and to provide some safeguards against the future risks identified within the budget.
- 20.2 There is also a need to ensure they are not excessive. In 2018 the Home Office announced the intention to review reserves and provide greater transparency for the public. In meeting this requirement, the updated Reserves Strategy is attached at Appendix 2, and will be published on the PFCCs website for transparency.
- 20.3 Two types of Reserve are held. These, together with estimated balances are:

### **General Reserve**

There is a General Reserve which is estimated at 31/3/21 and remains at £5m. This represents over 3% of total funding for 2021/22 and is in keeping with the PFCC’s guideline level. On current forecasts the General Reserve will remain within guideline levels until 2024/25, when it is on or above minimum levels. It is prudent to have such a reserve at this level to enable the organisation to withstand unexpected events which may have financial implications.

### **Earmarked Reserves**

As at the 31/3/2021 it is estimated that the PFCC will hold £10.165m in Earmarked Reserves. These are detailed in the Strategy.

20.4 As a number of projects will be delivered in the next few years, the PFCC will continue to review the reserves held and determine whether they are still required.

## **21. Precept proposal**

21.1 After careful consideration of the factors included within this report, the PFCC is proposing a precept increase of £13 (5.1%) for the 2021/22 financial year in order to continue to increase and invest in police officers, build a sustainable base budget to maintain and safeguard policing services across the force area, together with additional investment into essential and evolving demand areas for policing.

21.2 Whilst recognising the government's expectation that PCCs will increase the precept by £15, the PFCC is keen to ensure that Policing has the increase it needs to meet the current and future spending challenges, but also reflects the current financial climate and the views of those who took part in the precept surveys.

21.3 The PFCC is grateful to all those who took part in the consultation and their willingness to pay more in order to safeguard and develop policing in the county and he will continue to push the government for a fairer funding position for Northamptonshire.

## **22. Robustness of the Budget –Statement of the PFCC S151 Chief Finance Officer**

22.1 Section 25 of the Local Government Act 2003, places a duty on the Chief Finance Officer to make a report to the PFCC on:

- The robustness of the estimates included within the budget
- The adequacy of the reserves and balances

22.2 The PFCC must have regard to this when considering the budget and the report must be shared with the Police, Fire and Crime Panel.

22.3 In her considerations, the Chief Finance Officer is mindful of other associated statutory safeguards designed to support the authority

- Section 151 of the Local Government Act 1972 which requires the authority to make arrangements for the proper administration of its financial affairs and that the chief financial officer has personal responsibility for such administration
- Sections 32, 43 & 93 of the Local Government Finance Act 1992 which requires the authority to set a balanced budget
- The Prudential Code introduced as part of the Local Government Act 2003 which sets out the framework within which the authority must manage its investments, including adequate planning and budget estimates
- The external auditor's duty to assess the adequacy of the authority's proper arrangements to secure economy, efficiency and effectiveness ('value for money')

22.4 To reinforce these obligations, section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report in consultation with the Monitoring Officer, if there is or is likely to be unlawful expenditure or an unbalanced budget



- 22.5 This report has highlighted the detailed budget setting process that has taken place and also highlighted the assumptions included within the budget and the MTFP to ensure the budget is as realistic, deliverable and achievable as possible.
- 22.6 The Office of the Police, Fire and Crime Commissioner and the Chief Constable's executive team, budget holders and the finance team have worked closely, harmoniously and with professional scrutiny and challenge to deliver the draft budget proposals.
- 22.7 The estimates and assumptions are based on the best information available at the time of formulating the budget in line with the fundamental accounting concepts and are reasonable and prudent.

### **The Statement of the PFCC Chief Finance Officer**

*The PFCC's final precept intentions of £13 takes into account public consultation alongside prudent assumptions based on the best information available, the MTFP and the reserves position and still enables an element to be ring fenced for investment in both 2021/22 and 2022/23.*

*At the meetings with the Force in December 2020 and January 2021, I attended, together with the Force S151 Chief Finance Officer to provide assurance to the PFCC and the CC that these factors have been considered. The CC and his team have been fully involved in the budget discussions and they have discussed revenue and capital requirements for 2021/22 and future years with the PFCC.*

*At the meetings and since those dates, dialogue, scrutiny and challenge has continued where new factors or information have been highlighted and discussed.*

*Under the newly established Joint Finance Team, the process has progressed for the 2021/22 budget and I will continue to work with the Force and the PFCC during 2021/22 to ensure the process continues to be refined for future years. During the preparation of the budget I have been given full access to the budget model and have been consulted on the assumptions being made and methodologies and where possible aligned these with national PAACTS colleagues.*

*The budget for 2021/22 has been a zero-based budget approach and only previously agreed growth, contractual commitments or unavoidable pressures have been built in. It is a structured and consistent process and I have received responses to queries and/or points of clarification. Where I have sought changes, they have been incorporated.*

*I have worked with the PFCC to agree or require changes to base budget pressures proposed by the Force.*

*I will work with the PFCC and the Force to review and consider any set aside proposals for investment when they have been agreed and monitor the implementation and allocate resources to meet these costs when required.*

*In preparing the MTFP, working with the Force S151 Officer we modelled several best, mid and worst case scenarios across council taxbase assumptions and precept increases ranging from 1.99% to £15 to help inform the PFCC considerations in determining his precept proposal for 2021/22. As the information from the settlement and taxbase became clearer, we continued to review and refine the MTFP.*

*I am assured that the grant allocations for 2021/22 were in line with the assumptions made in the 2021/22 budget in respect of future police officer uplift numbers under our best case scenario. I therefore feel more assured than previously as to the national future funding methodology for the remaining police officer allocations in 2022/23.*

*At a £13 precept, there will be a revenue shortfall of just under £4m by 2023/24 on the total £153m budget (equating to approximately 2%), which includes the impact from the timing and implementation of the Emergency Services Network arrangements.*

*Reserves are sufficient to meet this shortfall and still remain above minimum levels required. Additionally, from 2021/22, the PFCC has set the CC a requirement to develop efficiency plans each year equivalent to approximately 1% of the Force budget (£1.5m). Once identified and realised, these efficiencies will either be used as savings towards this shortfall or used to enable reinvestment in the policing budget in other areas.*

*A further review of the approved capital programme since budget approval has already realised over £1m of the required savings from rephasing, additional RCCO contributions and lower than budgeted interest rates. If additional contributions to RCCO are made (from 221/22 and 2022/23 savings already identified), then the savings identified would increase further.*

*I am assured that the force budget for 2021/22 is forecast to come in on or close to budget and as such will not place any pressure on 2021/22 or future years.*

*However, the uncertainty challenges are mitigated in part by the PFCC's continued commitment to investing in technology that provides efficiencies and supporting the work of the enabling services programme.*

*I am supportive of the further developments in the finance area, with particular attention to the preparations required for leaving the Multi Force Shared Service in 2022 and the work involved with new system arrangements I am assured that this will be considered as part of the accountability process to ensure that any variations from budget are quickly identified to enable early action or decisions to be taken.*

*I am assured by the commitment to the collaboration and enabling services work and the Joint Estates Strategy which will assist in identifying future savings; but it is essential that estate disposals and activities are undertaken in a timely manner to enable benefits and savings to be realised.*

*I have reviewed the detailed calculations in arriving at the budget requirement and Council Tax precept and options and find these to be robust. I also have sought and received authorisations from billing authorities in relation to taxbase and Council Tax surplus/deficits and I am grateful to all partners for their support in doing so.*

*It has been possible for the PFCC to develop a budget that supports most of the Force operational pressures and demands, balances the views of the public from the consultation and gives the opportunity for further investment to support the delivery of the priorities set out in the Police and Crime Plan.*

*There is an operational contingency available to the Chief Constable, and sufficient general reserves available should operational demands require access to these. Earmarked reserves are in place for specific requirements and in his budget the PFCC has identified further priority areas for earmarked reserves, in line with the Police and Crime Plan 2017-21.*

*The sections in this report on “Future Risks, Challenges and Uncertainties”, “Pensions” and the “MTFP” highlight significant unknown issues moving forwards in the medium term. The continuing impact of COVID-19, the impact of a future funding formula and the CSR for 2022/23 are all unknown. Where possible forecasts and estimates are included within the MTFP and all opportunities for government funding are pursued to ensure any financial impact on Policing is minimised.*

*In coming to my conclusion on the robustness of the budget I have also reviewed the Capital Programme and Reserves Strategy.*

*The Capital Programme is regularly reviewed and all opportunities are taken to rephase the programme, seek external funding and apply for grants. All of these would assist in mitigating costs on the revenue budget.*

*During 2020/21, Policing reserves were increased further, enabling General Reserves to be built and held at £5m, above both the minimum and guideline levels. Additionally, as at the 1/4/21 it is estimated that there will be over £10m of revenue reserves available to support the budget and mitigate challenges if required.*

*Whilst a balanced budget is available for 2021/22 and 2022/23, after that time, the landscape is less certain and it is reasonable to assume that the operational and financial challenges will continue and these are reflected as best estimates in the MTFP. Funding certainty for both precepts and Government Grant is required to enable effective planning for the PFCC and the Chief Constable for the future.*

*I conclude, therefore, that the budget for 2021/22:*

- 1. Has been prepared on a robust basis, and*
- 2. Continues with the intention to recruit additional police officers in line with the national uplift, increasing to over 1500 by March 2023. However, long term funding certainty is essential to plan effectively.*
- 3. Includes investment to help manage demand and increase efficiency and/or capacity.*
- 4. The budget can be balanced for the next two financial years. Some savings have already been identified and work is already underway by the Chief Constable to identify the balance. Furthermore, reserves are adequate to mitigate the impact of the shortfalls in the MTFP over the five year period if savings are not forthcoming.*
- 5. The financial landscape after 2021/22 is less certain and the PFCC will continue to push for certainty. The MTFP will be under regular review as savings plans progress.*

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**EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS**

The budget and proposed precept provide the resources for the delivery of the Police and Crime Plan. Additionally, the survey is comprised of a representative sample of Northamptonshire residents.

**HUMAN RESOURCES IMPLICATIONS**

**ENVIRONMENTAL IMPLICATIONS**

None

**RISK MANAGEMENT IMPLICATIONS**

Risks and mitigations have been highlighted in the report.

**LEGAL IMPLICATIONS**

The PFCC is required to notify a precept to the billing authorities by the 1<sup>st</sup> March each year. In doing so, he must set a realistic revenue budget, informed by the report of the Chief Finance Officer

**List of Appendices**

Appendix 1 Medium Term Financial Plan  
Appendix 2 Reserves Strategy

**Background Papers**

Police Grant Report – 17 December 2020

**Persons to Contact**

Mrs H King, Chief Finance Officer, Office of the Police, Fire and Crime Commissioner

Medium Term Financial Plan 2021/22-2025/26

2020/21 £'000		£13 Precept Increase				
		2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
74,777	Police Officers	77,686	80,447	83,422	86,030	87,047
25,284	Police Staff	26,229	26,253	26,686	27,167	27,628
3,747	PCSOs	3,739	3,770	3,829	3,892	3,956
823	Other Pension Costs	835	839	845	852	859
449	Other Employee Expenses	489	495	504	514	524
1,045	National ICT Charges (inc. PNC)	1,196	1,320	1,446	1,575	1,707
7,449	Third Party/Collaborative Arrangements	9,313	9,477	9,667	9,731	9,926
6,174	Other Non-Pay (excl. Enabling Services)	6,685	6,818	6,955	7,094	7,236
(6,062)	Income	(6,678)	(6,772)	(6,903)	(7,041)	(7,182)
(300)	Efficiency Target	-	-	-	-	-
<b>113,386</b>	<b>CHIEF CONSTABLE - OPERATIONAL</b>	<b>119,494</b>	<b>122,647</b>	<b>126,451</b>	<b>129,814</b>	<b>131,701</b>
21,951	<b>ENABLING SERVICES</b>	23,187	23,850	24,832	25,286	26,715
750	Ring-Fenced Budgets	-	-	-	-	-
<b>136,087</b>	<b>CHIEF CONSTABLE BUDGET</b>	<b>142,681</b>	<b>146,497</b>	<b>151,283</b>	<b>155,100</b>	<b>158,416</b>
1,406	OPFCC (Office)	1,120	1,120	1,120	1,120	1,120
5,452	OPFCC (Commissioning & Delivery)	4,749	4,749	5,049	5,049	5,349
1,756	Capital Financing - MRP	2,640	4,204	7,242	6,284	6,249
110	Capital Financing - Interest	630	830	1,152	1,238	1,418
1,860	Capital Financing - RCCO	1,393	2,172	1,000	1,000	1,000
100	Transfer to Reserves	100	100	100	100	100
-	Transfer from Reserves	(241)	(85)	-	-	-
<b>10,684</b>	<b>OTHER (Inc. OPFCC &amp; Capital Financing)</b>	<b>10,391</b>	<b>13,090</b>	<b>15,663</b>	<b>14,791</b>	<b>15,236</b>
-	Investment	1,000	1,000	-	-	-
-	Savings identified	(540)	(865)	(1,145)	(1,038)	(853)
-	Savings under development	0	(0)	(2,840)	(2,239)	(2,708)
<b>146,771</b>	<b>TOTAL GROUP</b>	<b>153,532</b>	<b>159,721</b>	<b>162,961</b>	<b>166,613</b>	<b>170,091</b>
	<b>Funding</b>					
(72,877)	Main Police Grant	(77,471)	(78,471)	(84,715)	(85,986)	(87,276)
(1,272)	Pension Grant	(1,272)	(1,272)	(1,272)	(1,272)	(1,272)
(1,602)	Officer Uplift Grant	(1,000)	(5,067)	-	-	-
(6,644)	Legacy Grants	(6,644)	(6,644)	(6,644)	(6,644)	(6,644)
-	New Council Tax Grants	(922)	-	-	-	-
(63,701)	Precept	(66,852)	(68,524)	(70,586)	(72,711)	(74,899)
(675)	Collection Fund Deficit/(Surplus)	630	257	257	-	-
<b>(146,771)</b>	<b>TOTAL FUNDING</b>	<b>(153,532)</b>	<b>(159,721)</b>	<b>(162,961)</b>	<b>(166,613)</b>	<b>(170,091)</b>
<b>0</b>	<b>FUNDING (SURPLUS) / DEFICIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Precept</b>					
£255.04	Band D Council Tax	£268.04	£273.37	£278.81	£284.36	£290.02
249,768	Tax Base	249,412	250,659	253,166	255,698	258,255

Note: Figures may not sum due to rounding

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## **NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER RESERVES STRATEGY (REVISED JANUARY 2021)**

### **1. Reserves Strategy**

- 1.1. Reserves are a key part of medium-term financial planning – other components include revenue spending plans, income forecasts, potential liabilities, capital investment plans, borrowing and council tax levels. Decisions on these are inter-linked. Consequently, some organisations will need to maintain reserves at higher levels than others.
- 1.2 All publicly funded organisations should have a reserves strategy to demonstrate transparency and accountability, to comply with best practice financial management and to justify the levels of reserves held.
- 1.3 The PFCC maintains reserves to provide a measure of protection against risk. Without this protection, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels).
- 1.4 The term "reserves" has a variety of technical and everyday meanings, depending on the context in which it is used. For the purposes of this Strategy it is taken to mean funds set-aside at the PFCC's discretion for general or specific future purposes.
- 1.5 Reserves are required to protect and enhance the financial viability and in particular:
  - To maintain a degree of in-year financial flexibility;
  - To enable the PFCC to deal with unforeseen circumstances and incidents;
  - To set aside monies to fund major developments in future years;
  - To enable the PFCC to invest to transform and achieve improved service effectiveness and efficiency;
  - To set aside sums for known and potential liabilities;
  - To provide an operational contingency at service level.
- 1.6 Reserves should not be held to fund ongoing revenue expenditure as this is unsustainable in the long term; however, they may be important in smoothing a major financial imbalance (revenue or capital) over a longer timescale. CIPFA guidance LAAP 99 published July 2014 states:

*“Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be deployed to finance recurrent expenditure. CIPFA has commented that Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term”*

- 1.7 The Reserves Strategy assumes that the Medium Term Financial Plan [MTFP] is broadly balanced on a sustainable basis across the five year planning period. If the financial impact of the COVID pandemic continues to impact on taxbase and council tax levels over the medium term then this could impact on those assumptions.
- 1.8 Reserves should reflect the agreed financial strategy and should represent the quantified impact of risks and opportunities over the planning period, weighted for their probability.

## **2. National Guidance and Compliance with Home Office Guidance on Police Reserves**

- 2.1 The 2014, CIPFA guidance included the establishment and maintenance of local authority reserves and balances, setting out the key factors that should be taken into account locally in making an assessment of the appropriate level of reserves and balances to be held.
- 2.2 In the written statement that accompanied the Provisional Police Grant report on 19<sup>th</sup> December 2017, the Minister stated *“you may be aware that police reserves currently stand at around £1.6bn, which compares to £1.4bn in 2011. We will be changing guidance to PFCCs to ensure that police officers and the public have access to more detailed information on how PFCCs intend to use this public money.”* This strategy complies with the Ministerial requirement.
- 2.3 On 31 March 2018, the Minister for Policing and the Fire Service published new guidance on the information that each PFCC must publish in terms of Police Reserves. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:
  - Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
  - Funding for specific projects and programmes beyond the current planning period.
  - As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management.



2.4 The forecast reserves as at 31/3/2021 are summarised as across the Home Office headings as follows:

Reserves Held	Balance as at 31/3/2021 £'000	Planned Expenditure on projects and programmes over next 3 years £'000	Funding for specific projects and programmes beyond 2023/24 £'000	As a general contingency or resource to meet other expenditure needs £'000
<b><u>Held to Meet Budgetary Risks:</u></b>				
Insurance	1,829	-	-	1,829
Operational Equipment	300	(100)	(200)	
	<b>2,129</b>	<b>- 100</b>	<b>- 200</b>	<b>1,829</b>
<b><u>Held to Support the MTFP:</u></b>				
Carry Forwards	-	-	-	-
Victims Services	550	(150)	(400)	
Pensions	667	(300)	(367)	
	<b>1,217</b>	<b>- 450</b>	<b>- 767</b>	<b>-</b>
<b><u>Held to Facilitate Change Programmes:</u></b>				
PFCC Initiatives	2,655	(1,309)	(1,346)	
Invest to Save	51	-	(51)	
Enabling Services Programme	208	(208)	-	-
Safer Roads	1,172	(1,172)	-	-
Additionality	1,471	(1,454)	(17)	
	<b>5,557</b>	<b>- 4,143</b>	<b>- 1,414</b>	<b>-</b>
<b><u>Held on behalf of others:</u></b>				
Collaboration	693	-	-	693
<b><u>Held to support the capital programme</u></b>				
Capital	-	-	-	-
Developer Contributions	569	-	(569)	
	<b>569</b>	<b>-</b>	<b>- 569</b>	<b>-</b>
<b>Earmarked Reserves</b>	<b>10,165</b>	<b>- 4,693</b>	<b>- 2,381</b>	<b>2,522</b>
<b>General</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>5,000</b>
<b>Total Reserves</b>	<b>15,165</b>	<b>- 4,693</b>	<b>- 2,381</b>	<b>7,522</b>

### 3. General Reserve

3.1 In order to assess the adequacy of the unallocated general reserve when setting the budget, the PFCC, on the advice of the two finance officers, should take account of the strategic, operational and financial risks facing the authority. This assessment of risk should include external risks, as well as internal risks, for example the ability to deliver planned efficiency savings.

3.2 Whilst there is no prescribed level of reserves that PFCCs should hold; it is influenced by individual discretion, local circumstances, and advice from external auditors, risk management arrangements and risk appetite. CIPFA guidance in LAAP Bulletin 99 (2014) specifically cautions against prescriptive national guidance for a minimum or maximum level of reserves and states:

*“The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level. A considerable degree of professional judgement is required. The chief finance officer may choose to express advice on the level of balances in cash and/or as a percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the authority”*

3.3 However, the minimum level of reserves may be set for the authority by the Ministers in England and Wales where an authority doesn't act prudently, disregards the advice of its chief finance officer or is heading for financial difficulties. LAAP Bulletin 99 (2014) specifies that minimum level of reserves can be imposed on specific circumstances:

*“Minimum level of reserves will only be imposed where an authority is not following best financial practice”*

3.4 CIPFA indicate a general reserve level is typically between 2% and 3% of net budget requirement and this is consistent with the results of a survey by the PACCTS Technical Support Team where the majority of PFCC's across the country reporting a Strategy of holding minimum general reserves at 3% net revenue expenditure.

3.5 In determining the PFCC's position, Annexe A outlines how Northamptonshire currently comply with the 7 key CIPFA principles which can be used to assess the adequacy of reserves.

3.6 Given that the PFCC is required to meet the first 1% of any special grant requirement, and the level and range of earmarked reserves available to the PFCC, it seems prudent that the current policy is to maintain general reserves at a guideline level of 3% of annual net revenue expenditure, with a minimum of 2.5%.

3.7 The 2013/20 outturn increased the General Reserve and at present, there are no plans to use the General Reserve during the period of the MTFP. However, with forecast budget increases, there is a need to ensure the level of general reserves keeps pace to ensure minimum and guideline levels are achieved as follows:

3.8 These levels change each year and forecast general reserve plans are above the minimum level in all years and above or on the guideline level until 2024/25.

Year	Budget (£m)	£m	
		2.50%	3%
2020/21	146.77	3.7	4.4
2021/22	153.53	3.8	4.6
2022/23	159.72	4.0	4.8
2023/24	162.96	4.1	4.9
2024/25	166.61	4.2	5.0
2025/26	170.09	4.3	5.1

3.9 Where appropriate, if the budget levels are higher than those forecast in the MTFP, the PFCC will endeavor to increase general reserves from 2024/25.

#### 4. Earmarked Reserves

4.1 In addition to the General reserve, the PFCC holds a number of reserves which are earmarked for specific purposes.

4.2 The predicted position for each earmarked reserve as at 31/3/2021, together with an outline of its specific purpose is attached at Annexe B.

4.3 At the 31/3/2021, it is estimated that the PFCC will hold £10.165m in Earmarked Reserves which are as follows:

**Pensions** – This reserve is used to smooth the impact of ill-health retirements and to meet the costs of any ill—health or injury retirements in excess of budget provision across years.

**Insurance** – This reserve holds funds set aside where considered prudent for Civil Claims (Public and Employer liability) in line with professional advice.

**Invest to save** – this reserve was set aside to fund specific agreed schemes that will deliver long term efficiency savings for the Force and OPFCC.

**Collaboration** – this reserve relates to previous years underspends on regional collaboration and funds held for regional asset replacements. Each PCC holds their share of the regional reserves and is set aside to meet future regional costs.

**Carry Forwards** – this reserve relates to previous years Force underspends which are ring fenced and carried forward for use in future years. None are currently anticipated.

**Safer Roads** – this reserve relates to funds in excess of expenditure for use in line with specific criteria for equipment or road safety initiatives. Following the 2018/19 budget initiatives, a Road Safety Alliance has been set up with partners which will produce priorities and the PFCC's reserve is used to fund specific road safety grants and is used to fund the policing priorities from this.

**Additionality Reserve** – this reserve is mainly used to smooth the timing impact of recruitment and staffing levels on the revenue budget.

**PFCC Initiatives/Early Intervention** – this is to deliver funding towards the specific initiatives of the Commissioner arising from the Police and Crime Plan.

**Victims Services** – this is to support investment and projects for victims services in future years. This reserve also holds any balances transferred in from Victims Voice at year end.

**Operational Equipment** – this is a reserve to smooth the impact on the revenue budget in respect of the cost of replacing operational equipment, rather than impacting disproportionately on the budget in any one year.

**Developer Contributions** – this is a reserve to collect the drawn down developer contributions awarded to the PFCC in line with S106 planning arrangements. These funds will be released in accordance with the terms of the agreements. The reserve only accounts for the estimates once they have been drawn down.

**Enabling Services Programme** – this reserve was created during 2018/19 to meet the programme costs of shared services, rather than impacting directly on the annual policing revenue budget. The reserve is assumed to be utilised and it is anticipated that the Enabling Services programme will bring efficiencies to the

annual revenue budgets of OPFCC and the Force, in conjunction with efficiencies in Fire.

Once the programme has identified and costed efficiencies, they will be built in to the MTFP.

- 4.4 The forecast balance on the reserves, taking into account a prudent estimate of timings for proposals which are currently being developed is detailed within Annexe C.

## **5. Provisions**

- 5.1 The CIPFA Statement of Recommended Practice is prescriptive about when provisions are required (and when they are not permitted). Basically, a provision must be established for any material liabilities of uncertain timings or amount, to be settled by the transfer of economic benefits. In accordance with this statutory guidance, Northamptonshire established an 'Insurance Provision' which is reviewed as part of the closedown process for each year.

## **6. Procedures for management and control**

- 6.1 Any drawdown from Reserves is subject to the approval of the PFCC, on advice from the PFCC's Chief Finance Officer (CFO); or under the delegated authority of the OPFCC CFO.
- 6.2 The Local Government Act 2003 requires the s151 officer to report annually on the adequacy of the reserves and this is included within the statement on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves.
- 6.3 The Strategy will be reviewed annually by the OPFCC CFO as part of the Budget and Precept process.

**Northamptonshire Compliance with the 7 Key CIPFA Principles to assess the adequacy of reserves**

<b>Budget Assumptions (CIPFA Principles)</b>	<b>2021/22 Situation in Northamptonshire</b>
<b>The treatment of inflation and interest rates</b>	Northamptonshire makes full and appropriate provision for pay and price increases, informed by benchmarking with peers. An informed assessment is made in the Treasury Management Strategy of interest rate movements. All income and expenditure in the budget is prepared and published at outturn prices.
<b>Estimates of the level and timing of capital receipts</b>	Northamptonshire has recently reviewed its estates strategy as a fundamental part of the capital programme and has made a prudent assumption of future capital receipts across the programme which are being used to fund capital expenditure and minimise the impact of borrowing on the budget.
<b>The treatment of demand led pressures</b>	<p>The Force is required to operate and manage within its annual budget allocation. Overtime budgets are devolved within the Force to enable operational leaders to make decisions and the Chief Constable retains an operational contingency to support additional major incidents.</p> <p>On an exceptional basis, agreement is sought from the PFCC to utilise carry forwards to meet one off demand led pressures and demand led pressures are scrutinised and built into the budget set by the PFCC.</p> <p>Northamptonshire have identified savings in previous years which mean that opportunities for efficiencies are less than in previous years. However, the PFCC will support investment in areas that reduce demand or which increase efficiency/capacity to deal with demand. General reserves are used as a last resort to manage and fund demand led pressures.</p>
<b>The treatment of Planned Efficiency Savings/Productivity Gains</b>	<p>The force has set the Chief Constable an expectation to identify 1% (circa £1.5m) in efficiency savings each year. These are not assumed within the reserves strategy.</p> <p>The Force operates a Change Steering Group which monitors investments, savings and efficiencies and is attended by OPFCC representatives.</p>

<p><b>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements or major capital developments.</b></p>	<p>The financial consequences of partnership collaboration working, outsourcing arrangements or capital investment are reported to the PFCC as part of the medium term planning process. Where relevant, any additional costs are incorporated into the annual revenue budget and/or capital programme.</p> <p>There is a risk that partners will withdraw funding as their own budgets are squeezed, or that the continued viability of private sector commercial partners will be exposed to risk in the face of an economic recession.</p>
<p><b>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.</b></p>	<p>Northamptonshire have created a number of earmarked reserves and provisions to meet specific expenditure items and have added to these further in this strategy. Their use and balances as at 31/3/2021 are detailed in the attached annexe.</p> <p>Northamptonshire maintains an insurance provision, the adequacy of which is monitored in detail by the legal services insurance advisors, together with our insurance advisors. The access criteria for special grants state that PFCCS may be required to fund up to 1% of their net budget requirement themselves before the Government considers GrantAid. This applies on an annual basis.</p> <p>Northamptonshire's General Reserve provides sufficient scope to cover this eventuality.</p>
<p><b>The general financial climate to which the Authority is subject</b></p>	<p>The COVID-19 pandemic has hit the Police funding for 2021/22 and future years and reasonable assumptions have been built into the MTFP.</p> <p>Since March 2017, the PFCC has endeavoured to increase police officers by 330 to 1500 by March 2023. This will be met by the revenue budget and not by the use of reserves.</p> <p>There are shortfalls in the MTFP and the PFCC has set the Chief Constable efficiency savings to help meet and mitigate these, in addition to providing resources for further investment</p> <p>It is anticipated that after CSR2021, these funding streams will be more certain and the MTFP will be regularly updated to support operational decision making.</p>

**RESERVES OF THE POLICE AND CRIME COMMISSIONER  
2021/22 to 2025/26**

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Management and control</b>	<b>Risk</b>	<b>Review</b>
<b>GENERAL RESERVE</b>	<p>To maintain a degree of in-year financial flexibility;</p> <p>To enable the Commission to deal with unforeseen circumstances and incidents;</p> <p>To set aside sums for known and potential liabilities;</p> <p>To provide an operational contingency at service level.</p>	<p>To meet exceptional spending needs or overspends which are unable to be otherwise financed at the year end.</p> <p>To smooth the profile of funding revenue over a medium term financial period</p> <p>To allow higher spending without raising council tax on a one-off basis</p>	<p>General principle of 3% of net budget requirement, with a minimum level of 2.5%</p>	<p>PFCC, on advice from PFCC CFO</p>	<p>May be inadequate for major catastrophe, which could jeopardise financial status and reputation of the Commission.</p> <p>The Commissioner would have recourse to Home Office discretionary special grant if costs exceed 1% of budget or CLG Bellwin scheme for natural disasters</p>	<p>Annual</p>
<b>PENSIONS</b>	<p>To meet the costs of any ill—health or injury retirements which are unbudgeted and fall directly on the Commission.</p> <p>Also, to cover any significant overspend on the employer contributions to the Pension Account</p>	<p>Annually as required.</p> <p>Transfers out depend on the amount resulted from successful claims during the year.</p> <p>Historically there has been budget provided within the Force revenue budget for approximately 6 claims in a year. Any unused budget within a year would represent transfers in.</p> <p>The consideration of utilising this reserve towards the reduction on actuarial is currently in progress</p>	<p>Will vary according to annual risk assessment</p>	<p>PFCC, on advice from PFCC CFO</p>	<p>Significant ill health or injury awards beyond normal profile create pressure on reserve or leave excess funds unused.</p> <p>Significant change in officer numbers or grades lead to unbudgeted employer pension contributions in-year.</p>	<p>Annual</p>

	<b>Rationale</b>	<b>How and when used</b>	<b>Level</b>	<b>Management and control</b>	<b>Risk</b>	<b>Review</b>
<b>INSURANCE</b>	To cover the potential and contingent liabilities of uninsured risks as assessed annually by our insurers based on claims outstanding.	Balance will increase or reduce annually dependent on the Commission's outstanding claims record.  Currently excess limit is £150k per claim. Higher excess levels are being reviewed which may require higher reserve levels.  Increased in 2017/18 following advice from external audit	Will vary according to annual risk assessment	PFCC, on advice from PFCC CFO	If no reserve is held the Commission is potentially open to significant excess and claims payments in year beyond available revenue budgets.  Assessment by insurers needs to be realistic not unduly pessimistic.	Annual
<b>INVEST TO SAVE</b>	To fund specific agreed schemes that will deliver long term efficiency savings for the Force and OPFCC.	To access the funds business case has to be demonstrated and with specific future savings to the organisation identified	Will vary according to usage and annual risk assessment.		If funds were not maintained there would be no availability for Invest to save projects and such initiatives would have to be funded from the revenue budget or not implemented.  The need of such reserve arose due to increased amount of savings that Force and the PFCC would have to find due to present economic environment and availability and funding	Annual
<b>COLLABORATION</b>	Transfers in relate to underspend on regional collaboration. Transfers out represent contribution towards regional decisions	Upon requirement on decision made to contribute towards projects in relation to regional collaborations.  Decisions made on East Midlands PFCC and CC Boards	Will vary according to usage and annual risk assessment.	PFCC, on advice from PFCC CFO	If funds were not maintained, there would be a risk of regional projects not being supported.	Annual



<b>CARRY FORWARDS</b>	To fund specific expenditure requested by the force from previous year underspends in 2019/20.	Business cases provided as part of the outturn report.	Will vary according to financial outturn. Currently at NIL.	PFCC, on advice from PFCC CFO	If funds were not provided, the risk is that projects or planned expenditure would need to be found from current year's budget.	Annual
<b>SAFER ROADS</b>	For surpluses of fines and speed awareness course income over expenditure that is reinvested in replacement equipment and road safety initiatives.  The reserve is influenced by the work of the Road Safety Alliance formed in 2018/19	As required – typically informed by approved business cases for bids on the Fund.	Will vary according to outturn and annual risk assessment.	PFCC, on advice from PFCC CFO	If Fund was not maintained then safety initiatives would have to be funded from the revenue budget or not implemented.	Annual
<b>PFCC INITIATIVES/EARLY INTERVENTION</b>	To deliver funding to for specific initiatives of the Commission arising from the Police and Crime Plan  To provide funding to deliver radical solutions to deliver the Police and Crime Plan	As required – typically informed by approved business cases for bids on the Fund.	Will vary according to outturn and annual risk assessment.	PFCC, on advice from PFCC CFO	Initiatives not adequately defined or delivered hence poor VFM	Annual
<b>VICTIMS SERVICES</b>	To fund specific programmes or schemes to support victims services	To access the funds business cases, have to be provided.	Will vary according to outturn and annual risk assessment.	PFCC, on advice from PFCC CFO	If funds were not provided, the risk is that projects or planned expenditure would need to be found from current year's budget.	Annual
<b>OPERATIONAL EQUIPMENT</b>	To smooth the impact of operational equipment purchases on the revenue budget	To access the funds a costed request has to be provided.	Will vary according to usage and annual risk assessment.	PFCC, on advice from PFCC CFO	If funds were not provided, the risk is that equipment would have to be replaced from the current year's budget.	Annual
<b>DEVELOPER CONTRIBUTIONS</b>	To meet the additional cost of operational requirements	To access the funds a costed request has to be provided which is consistent with the conditions of the developer contribution.	Will vary according to usage and annual risk assessment.	PFCC, on advice from PFCC CFO	If funds were not provided, the risk is that the additional costs would have to be replaced from the current year's capital programme.	Annual

<b>ENABLING SERVICES PROGRAMME</b>	To meet the additional cost of the programme in the short term which will support the delivery of joint shared services across Fire and Policing.	To access the funds a costed request has to be provided.	Will vary according to outturn and annual risk assessment.	PFCC, on advice from PFCC CFO	If funds were not provided, the risk is that equipment would have to be replaced from the current year's budget.	Annual
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## Summary of Revenue and Capital Reserves 2020/21 to 2025/26

Reserve	Forecast Balance £m	Forecast Balance £m	Forecast Balance £m	Forecast Balance £m	Forecast Balance £m	Forecast Balance £m	Forecast Balance £m
	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
<b><u>Held to meet budgetary risks:</u></b>							
Insurance	1,829	1,829	1,829	1,829	1,829	1,829	1,829
Operational Equipment	200	300	400	200	300	400	200
	<b>2,029</b>	<b>2,129</b>	<b>2,229</b>	<b>2,029</b>	<b>2,129</b>	<b>2,229</b>	<b>2,029</b>
<b><u>Held to support the medium Term Budget:</u></b>							
Carry Forwards	669	-	-	-	-	-	-
Victims	550	550	500	450	400	350	300
Pensions	500	667	467	417	367	317	267
	<b>1,719</b>	<b>1,217</b>	<b>967</b>	<b>867</b>	<b>767</b>	<b>667</b>	<b>567</b>
<b><u>Held to facilitate Change Programmes:</u></b>							
PFCC Initiatives	1,996	2,655	2,581	1,346	1,346	1,346	1,346
Invest to Save	488	51	51	51	51	51	51
Enabling Services Programme	400	208	52	-	-	-	-
Safer Roads	1,672	1,172	-	-	-	-	-
Additionality	2,201	1,471	507	17	17	17	17
	<b>6,757</b>	<b>5,557</b>	<b>3,191</b>	<b>1,414</b>	<b>1,414</b>	<b>1,414</b>	<b>1,414</b>
<b><u>Held on Behalf of others:</u></b>							
Collaboration	<b>693</b>	<b>693</b>	<b>693</b>	<b>693</b>	<b>693</b>	<b>693</b>	<b>693</b>
<b><u>Committed to Future Capital Programmes:</u></b>							
Developer Contributions	769	569	569	569	569	569	569
Capital	-	-	-	-	-	-	-
	<b>769</b>	<b>569</b>	<b>569</b>	<b>569</b>	<b>569</b>	<b>569</b>	<b>569</b>
<b>Total Earmarked Reserves</b>	<b>11,967</b>	<b>10,165</b>	<b>7,649</b>	<b>5,572</b>	<b>5,572</b>	<b>5,572</b>	<b>5,272</b>
<b>General</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Total Reserves</b>	<b>16,967</b>	<b>15,165</b>	<b>12,649</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,272</b>

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