159

**AGENDA ITEM: 10 NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,**

**NORTHAMPTONSHIRE POLICE and NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE JOINT INDEPENDENT AUDIT COMMITTEE**

**2 OCTOBER 2024**

|  |  |
| --- | --- |
| **REPORT BY** | Nick Alexander |
| **SUBJECT** | Joint Budget and MTFP Process and Plan 2025/26 –  Update and Timetable |
| **RECOMMENDATION** | To consider the report |

**Purpose of the Report**

* 1. To update JIAC on the 2025/26 Budgeting and Medium Term Financial Plan (MTFP) and budgeting process for both Police and Fire organisations.

**Background**

* 1. All necessary savings and pressures within the MTFPs are continually updated throughout the year to reflect new pressures and savings. A full revision was carried out and presented at both Accountability Boards in August.
  2. The full Joint Budget Strategy and Guidance paper has been produced to give context to the 2025/26 budget round, to provide information for the finance team and to give assurance to those charged with governance. The document is broadly similar to the papers in recent years, which proved a useful tool and was well received by all. It incorporates both Police and Fire in order to maximise consistency and standardisation whilst still highlighting specific areas for each organisation.
  3. The key principles of the 2025/26 paper are summarised below.

**Budgeting Principles**

* 1. The strategic plans of each organisation will underpin the budget-setting process. All budgetary decisions need to be tested against them and should support delivery of the key objectives. Alongside which the new Commissioner is developing her new plan, which we will seek to integrate into the 2025/26 budget setting process by allowing sufficient flexibility to ensure the alignment of operational plans to the required outcomes.
  2. Budgets will be built incorporating efficiency savings identified over the previous 12 months and clearly recording any reinvestment and cashable benefits achieved.
  3. The proposed budgets will be benchmarked against the indicative MTFP figures in the 2024/25 Police, Fire and Crime Panel budget reports in each organisation and updated in Q2.
  4. Variations to the approved MTFP will be documented and shared with the Chief Constable/Chief Fire Officer and CC CFO in the first instance. The CC CFO will discuss any variances with the PFCC CFO for consideration.
  5. Statutory and other unavoidable costs will be budgeted as required and variations to previous assumptions presented to the CFOs for consideration.
  6. Devolved Budget Holders will be fully consulted and given opportunity to provide operational context throughout the budget build process. As part of this, budget holders in both organisations are being assisted by Finance Specialists to identify indicative savings options and ideas for innovation, to be scrutinised by Chief Officers later in 2024/25
  7. Where practicable, budget proposals will be calculated using a zero-based approach.
  8. Detailed workings will be recorded for all budgets over £10k or of a sensitive nature.
  9. The budget proposals will be presented in such a way to clearly show department level and the subjective breakdown of all budgets, in particular to identify the cost of enabling services split between each organisation and in comparison to operational budgets.
  10. Unavoidable budget variations will be separately identified to those discretionary pressures that are a result of internally agreed/implemented changes in each organisation. In doing so, it will be easier to assess which pressures are within or outside the control of the organisations.

**MTFP Summary and Assumptions**

* 1. The MTFP that was built and approved as part of the 2024/25 budgeting process was based on prudent grant and inflationary assumptions and has since been updated.
  2. In both Police and Fire, it was projected that whilst the budget could be balanced in the first 3 years, this would require some drawing from reserves or savings to be achieved from 2024/25 onwards.
  3. In light of the above, both organisations continue to identify savings opportunities and seek out cashable efficiency savings.
  4. It is expected that Labours new Autumn budget will provide greater clarity for financial forecasts and assumptions, which is hoped will ensure greater planning ability before the traditional settlements in December.
  5. There remains uncertainty around rates of inflation, council tax receipts and government funding and a number of additional scenarios will be modelled to scope the potential impact. These will explore the varying effect of some material uncertainties which could include:
     1. Inflation across both pay and non-pay budgets, exceeding all previous assumptions (in line with the national picture)
     2. Collection Fund Deficits as a result of fluctuating collection rates
     3. Business Rate Deficits as a result of fluctuating collection rates [Fire]
     4. Impact on tax base growth
     5. Recruitment and retention assumptions
     6. Government spending cuts across policing and the wider public sector.
  6. The previously assumed base annual precept increases in the MTFPs are:

1. Police – 1.99% (£6.09) in 25/26 and thereafter
2. Fire – 1.99% (£1.50) in 25/26, 1.99% per year thereafter
   1. However, based on experience in recent years and having benchmarked assumptions with regional PCCs, it is hoped that precept flexibility could be greater. Hence, there are a number of scenarios developed for other possible precept allowances, including £13 for Police and £5 for NCFRA, then 1.99% thereafter.
   2. The impact of pay award announcements since budget-setting (including 4% for Fire Fighters, 4.75% on officer pay and an expected 4.75% for Police and Fire staff (incl PCSO’s)) are now factored into the MTFP, along with confirmed additional funding.
   3. The MTFP is a live document regularly updated through the year and will be refreshed following completion of the draft budget proposal.
   4. Police/Firefighter Pay modelling will be done as part of the budgeting process, which will take into account the projected glide-path relating to recruitment, promotions and rank profile.
   5. Specific savings and pressures will be built into the modelling workbooks.
   6. General inflation will be based on fixed rate assumptions.
   7. Assumptions will be reviewed and updated by the s151 Officers.
   8. Prior to the full detailed update as part of the budget process, the s151 Officers will outline a sensitivity analysis together with the high level MTFP positions for the two organisations with the PFCC, Chief Constable and Chief Fire Officer in early November 2023. This will enable a common understanding of the key pressures, messages and challenges and support targeted consultation and lobbying throughout the Budget and Precept process.

**Pressures and Savings**

* 1. The Commissioner issued budget conditions to both organisations, which included strategic outcome requirements for the year, the efficiency target and agreed investment monies.
  2. There were a number of pressures and investment areas identified when the budget was originally approved, which will be reviewed and built into the base where appropriate/authorised to do so.
  3. The agreed pay award increases will be built in where known, and future increases reviewed in light of these.
  4. As a planning assumption, any savings on capital financing budgets resulting from slippage in the capital programme may be reinvested to fund capital costs, thereby reducing borrowing costs further in future years.
  5. The capital and revenue costs of the approved Estates Master Plan and decisions are included within the plans.
  6. Previously agreed establishment numbers of Police Officers and Firefighters still stand, and the budgets will be based on achieving and maintaining full strength.
  7. Given the increasingly uncertain levels of central and local funding, the budget will need to be prepared with options to enable decisions to be made quickly regarding possible savings. Scenarios will be modelled to provide options and costed establishment levels, to provide a basis for discussion should funding settlement be unfavourable in light of other pressures.

**Timelines**

* 1. A detailed timetable has been produced to ensure key milestones are met (Appendix A). This allows sufficient time to ensure all key information is produced, and that statutory officers have the ability to challenge and scrutinise prior to the production of papers in good time for key meetings which include:
     1. **2nd October 2024** – JIAC Meeting to receive an overview of the budget and MTFP process.
     2. **5th December 2024** – Police, Fire and Crime Panel consider PFCC early thoughts on the proposed precept intentions.
     3. **11th December 2024** – PFCC at Accountability Board to consider early indications.
     4. December 2024 to January 2025 – PFCC consults on potential levels of precept following draft settlement.
     5. **15th January 2025** – PFCC at Accountability Board to agree proposed budget.
     6. **January 2025 TBC** – Budget and Precept Considerations workshops held with the Police, Fire and Crime Panel, Parish Councillors and Northamptonshire MPs.
     7. **6th February 2025** – Police, Fire and Crime Panel to consider proposed precept.

**Conclusion**

* 1. Work continues on the budget and the budget and MTFP in line with agreed timescales.
  2. The 2025/26 surpluses/deficits could vary greatly as a result of the national inflation situation, council tax receipts and central funding, so the budget needs to be built with these challenges in mind and sensitivity analysis used to until figures are determined. As such, options will need to be available to reduce the budget requirement should the funding envelope be insufficient, or investment is required.
  3. The MTFP will continue to be revised as new information becomes available.

**Appendix A – Timetable**

|  |  |  |
| --- | --- | --- |
| **Force Deadlines** | **Key Meetings** | **Capital** |

|  |  |  |
| --- | --- | --- |
| Activity | Timescale | Lead |
| Capital – Templates shared with budget holders for updates | 30/09/24 | MS |
| Capital – Budget holder meetings commence | 02/09/24 | MS |
| Deadline for JIAC Papers | 20/09/24 | NA |
| Budget Process to be completed/shared | 02/09/24 | NA |
| Team Briefing on Budget Build | 09/09/24 | NA |
| Capital – Review meeting. Detailed challenge of proposals | 23/09/24 | MS |
| Budget templates distributed for completion | 10/09/24 | SC/NA |
| JIAC Consider 2025/26 Budget & MTFP Process | 02/10/24 | NA |
| Police/Fire Staff reconciled and updated on Excel templates | 20/09/24 | SC/NA |
| Capital Budgeting – Reports distributed for ACO sign-off meeting | 27/09/24 | MS |
| NCFRA Senior Management Team Meeting | TBC | SC/NA |
| Capital Budgeting – Revised capital programme sign-off by ACO | 04/10/23 | VA |
| OPFCC Directors budget proposals due | 07/10/24 | OPFCC |
| Accountability Board | 09/10/24 | VA/NA |
| Budget bids completed by Finance Advisors | 07/10/24 | SC/NA |
| First level of scrutiny by Finance supervisors | 09/10/24-  16/10/24 | SC/NA |
| Capital Budgeting – Final programme to be shared with PFCC S151 | 16/10/24 | MS |
| Consolidation of devolved budgets into Master Model | 10/10/24-  18/10/24 | SC/NA |
| Estates Board | 21/10/24 |  |
| Capital Programme (s151 sign-off) | 21/10/24 | MS/NA/ VA |
| Agreement of 3-way cross-charging | 21/10/24 | VA/NA |
| 2024 Government Budget Announcement | 30/10/24 |  |
| Force Draft Budget discussed by S151s | 31/10/24 | NA/VA |
| Final Draft OPFCC Budgets | 31/10/24 | OPFCC/VA |
| Budget/MTFP Briefing to Chiefs | Oct 24 and then Accountability  Board | VA/NA |
| Joint CC/PFCC Board – submission of the Collaborative budgets and PFCC fund requests | 30/10/24 | VA |
| Draft Treasury Management Strategy shared with OPFCC | 21/10/24 | NA/DC/VA |
| NCFRA Senior Management Team Meeting | 23/10/24 | VA/SC |
| Updated draft Budget & MTFP to be shared with OPFCC (both Police & Fire) | 11/11/24 | NA |
| Accountability Board | 13/11/24 | NA/VA |
| Deadline for Police, Fire and Crime Panel Papers | 13/11/24 | VA |
| Strategic Planning Board (Police) | 28/11/24 | NA |
| Finalise draft budget proposals and reports | 30/10/24-  22/11/24 | NA (Force)  VA (OPFCC) |
| Deadline for JIAC papers | 22/11/24 | ALL |
| Provisional Police Settlement Announced | Mid-Dec | HOME  OFFICE/DLUHC |
| Police, Fire and Crime Panel – Finance update & precept intentions | 05/12/24 | VA |

|  |  |  |
| --- | --- | --- |
| NCFRA Senior Management Team Meeting | 17/12/24 | NA/VA |
| Regional PCC Board (PFCC only) | 12/12/24 | VA |
| JIAC | 04/12/24 | VA |
| Accountability Board – Consider:  Force budget proposals (pending final settlement) | 11/12/24 | NA |
| EM CFO/FD | 21/11/24 | NA/VA |
| Accountability Board – Agree: Force budget 2025/26  Capital Programme  Treasury Management Strategy  Reserves Strategy | 15/01/25 | NA/VA NA/VA NA/VA  NA/VA |
| Draw the line on Council Tax Changes/Taxbase to finalise total budget and requirement | 13/01/25 | NA/VA |
| Preliminary Budget Briefing to Police, Fire and Crime Panel | 13/01/25 | VA/NA |
| Joint CC/PCC Board – review of 2025/26 budgets if not previously agreed | 14/01/25 |  |
| Police, Fire and Crime Panel Papers finalised (DRAFT for PFCC) | 14/01/25 | VA |
| Police, Fire and Crime Panel Papers finalised (Submission to Panel) | 21/01/25 | VA |
| Statutory Date for CT Surplus and Taxbase Confirmations | 31/01/25 | LAs |
| Police, Fire and Crime Panel consider proposed budget and precept, Capital Programme and associated strategies | 06/02/25 | VA |
| Police, Fire and Crime Panel Response to Budget | 28/01/25 | VA |
| PFCC Issues Precept | 28/02/25 | VA |
| Advise of Grant and Council Tax Settlement Dates and Amounts | 28/02/25 | VA |
| Issue Budgets to Budget Holders | 28/03/25 | SC/NA |

 Appendix B – Responsibilities

