

**Report of the Chief Finance Officer of the PFCC to the Police, Fire and Crime Commissioner for North Yorkshire**

**28<sup>th</sup> February 2019**

**Status: For Decision**

**Medium Term Financial Plan (MTFP) 2019/20 to 2022/23 and Capital Plans 2019/20 to 2022/23 - Policing**

**1. Executive Summary**

**1.1 Purpose of the Report**

This report asks the PFCC to agree the Budget proposals for 2019/20 and the Medium Term Financial Plan (MTFP) for 2019/20 – 2022/23 in line with the legal requirement to set a budget prior to the 1st March each year for the following financial year. It also asks the PFCC to agree the funding for the Capital Programme for 2019/20 and the indicative allocations for the period 2020/21 to 2022/23

**2. Recommendations**

2.1 The PFCC is requested to approve the allocation of the £166,615k of revenue funding, that is forecast to be received by the PFCC in 2019/20, in the following areas:

- £1,080k to run the Office of the PCC
- £3,655k for Commissioned Services and Community Safety Initiatives
- £2,700k for Policing Priorities
- £3,295k for Reinforcing the Front Line
- £401k for Corporate Services
- £154,577k to the Police Force
- £2,342k to the Capital and Revenue Development Programme
- £1,436k from Earmarked Reserves

- 2.2 The PFCC is asked to note that the 2019/20 budget is based on the approved £22.95 increase in the level of Band D precept for 2019/20.
- 2.3 The PFCC is asked to take cognisance of the Robustness of Estimates and Adequacy of Financial Reserves section included within this report.
- 2.4 The PFCC is asked to approve the Reserves Strategy that is attached at Appendix B
- 2.5 The PFCC is asked to approve that the Capital and Revenue Development Programme is initially set at £9,529k, as set out at Appendix A, for 2019/20 and within that programme approve that:
  - The small items fund for 2019/20, to be managed as set out in the Financial Regulations by the Chief Constables Chief Finance Officer.
  - Indicative approval of the 2020/21 Rolling Programme budgets as set out in Appendix A, and delegation of approval of any requests to pre-order against the 2020/21 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2020/21 Rolling Programmes will be submitted for formal approval at this time next year.
  - Delegation to the Commissioners Chief Finance Officer to approve, where needed and appropriate, for the carry forward of any slippage from the approved 2018/19 CRDP into 2019/20.

### **3. Planning and Funding Assumptions**

#### **3.1 Overall Financial Context**

#### **3.2 Police Funding Settlement 2019/20**

3.3 The Final 2019-20 Police Settlement was announced in a written ministerial statement by the Minister for Policing and the Fire Service Nick Hurd MP on Thursday 24 January 2019. Full details of the settlement can be found on the Home Office pages of the gov.uk website.

#### **3.4 Headlines**

3.5 The main points within the settlement are a headline of £970m additional funding for the service which includes:

- £161m additional formula funding,
- £153m of pension grant,
- £59m additional funding for Counter Terrorism,
- £90m additional funding to tackle Serious and Organised Crime and
- £509m as a result of additional council tax flexibilities.

#### **Of the £970m approximately £813m is for local policing**

- £509m precept
- £143m pension grant
- £161m additional Funding.

**Precept flexibility of up to £24** for all PCCs (or equivalents) in 2019-20.

**£161m additional grant funding** – made up of primarily £146m increase in core grant.

3.6 The settlement, including and assuming that each Police Force area increases the Police element of council tax by £24, and pension grant, represents an average cash increase (total funding) of 7.2% between 2018-19 and 2019-20.

3.7 £160m additional Counter Terrorism funding (announced at the 2018 Autumn Budget) equivalent to an annual increase of £59m; an 8% increase on total CT funding.

3.8 New Requirements - The minister's letter refers to the requirement to "drive efficiency, productivity and effectiveness".

3.9 It is important to reflect that this increase in funding does not reflect the significant increased Pension costs that have been passed to Forces to pay from 2019/20 onwards.

3.10 What is expected in return for this Flexibility and improved funding position?

3.11 The 2019-20 settlement provides more funding than had been previously expected. A letter to the Home Affairs Select Committee (HASC) outlines the Policing Minister's 4 priority areas to "drive efficiency, productivity and effectiveness next year":

- Continued efficiency savings in 2019-20 through collective procurement and shared services. There will be an expectation that every force contributes substantially to procurement savings and the Home Office will be working with the police to agree the "right force level objectives for 2019-20 and 2020-21".
- Major progress expected to resolve challenges in investigative resource identified by HMICFRS, including recruitment of more detectives to tackle the shortfall.
- Continue to improve productivity, including smarter use of data to deliver £50m of productivity gains in 2019-20.
- Maintain a Serious and Organised Crime response that spans identification and management of local threats as well as support for national priorities.

3.26 What does this mean for North Yorkshire in 2019/20 in terms of Funding and Costs?

- An increase in Police Grant of £1,423k or 2.1%
- A Pension's Grant of £1,449k

### **HOWEVER**

- The impact of Police Pension changes to North Yorkshire is £3.6m

3.27 Therefore in overall cash terms, before Precept is considered, the organisation has less Cash than it had last year, from the Government, taking into account the additional Pensions Costs that have been passed from the Government to Local Forces.

3.28 In real terms therefore this is a further cut to Government Funding of circa £2.2m.

3.29 Based on the increase in precept being proposed then the overall impact on the Core funding for the organisation, taking into account the additional Pensions costs is set out in the table below:

Funding the Net Budget Requirement				
	2019/20	2018/19	(Increase)/Reduction	Year on Year Change
	£,000s	£,000s	£,000s	%age
<b>Government Funding</b>				
Police Grant	(41,994)	(41,100)	(894)	2.2%
RSG/National Non Domestic Rate	(27,191)	(26,662)	(529)	2.0%
Council Tax Freeze Grant	(2,152)	(2,152)	0	0.0%
Council Tax Support Grant	(5,746)	(5,746)	0	0.0%
<b>Total Government Funding</b>	<b>(77,083)</b>	<b>(75,660)</b>	<b>(1,423)</b>	<b>1.9%</b>
Additional Police Pensions Grant	(1,449)	0	(1,449)	
Additional Police Pension Contributions	3,600	0	3,600	
<b>Actual Impact of Settlement changes</b>	<b>(74,932)</b>	<b>(75,660)</b>	<b>728</b>	<b>-1.0%</b>
<b>Impact of a £22.95 increase in Band D Precept - 9.86% increase</b>				
Net Surplus on Collection Funds	(318)	(492)	175	-35.5%
Council Tax Requirement	(76,980)	(69,168)	(7,812)	11.3%
<b>Total Local Funding</b>	<b>(77,298)</b>	<b>(69,661)</b>	<b>(7,637)</b>	<b>11.0%</b>
<b>Total Government + Local Funding</b>	<b>(152,229)</b>	<b>(145,320)</b>	<b>(6,909)</b>	<b>4.8%</b>

3.30 How does North Yorkshire compare to the National Picture

3.31 Setting aside the additional Pension Costs, the government has stated that the settlement, including council tax (assuming a £24 increase for a Band D property) and pension grant, represents an average cash increase (total funding) of 7.2% between 2018-19 and 2019-20.

3.32 It is important to recognise that these increases do not take into account the additional Pension Costs, only the additional Pensions Grant.

3.33 Based on these assumptions North Yorkshire would fare better than average with a 7.65% increase. This is the equivalent to an additional £600k more than the average Police Force Area.

3.34 The range in percentage increases (assuming all PCC's increase their precept by £24 for a Band D property) range from an increase of 5.77% in Cleveland to 8.48% in Hertfordshire.

3.35 Given the Revised Precept Proposal of an increase of £22.95 for a Band D property then this has resulted in an overall cash increase of 7.2% (as per the National Average) before the additional Pension Costs which then reduce this down to a 4.8% increase as per the table in 3.29.

3.36 Government Funding for 2020/21 and beyond

3.37 There was no further mention of future settlements other than to repeat “this is the last settlement before the next Spending Review, which will set long term police budgets and look at how resources are allocated fairly across police forces. The Home Office is grateful to the police for the good work they are doing to build the evidence base to support that work, and we will also want to see evidence that this year’s investment is being well spent.”

3.38 There are no plans to review the Police Allocation Formula until after the Spending Review. The reference to looking at “how resources are allocated fairly across police forces” is likely to refer to the ongoing work between the Home Office and the Police Sector to support the submission to the Spending Review. There are work streams investigating funding streams and funding models – i.e. regional/local arrangements but no plans yet to review the current police allocation formula.

3.39 Top-slices/Reallocations totalling £1,029m have been announced for 2019/20. This is £84m, or 9% higher than 2018/19. The areas this funding will now be spent on, instead of being allocated to PCC’s is as follows:

Police Funding	2017/18 (£m)	2018/19 (£m)	2019-20 (£m)
<b>o/w Reallocations and adjustments</b>	<b>812</b>	<b>945</b>	<b>1,029</b>
PFI	73	73	73
Police technology programmes	417	495	495
Arm’s length bodies	54	63	63
Top-ups to NCA and ROCUs			56
Strengthening the response to Organised Crime	28	42	90
Police transformation fund	175	175	175
Special Grant	50	93	73
Pre-charge bail	15	4	4

3.40 Legacy Council Tax funding is still separately identifiable and has not changed from 2018/19.

3.41 Police Capital Grant that is to be allocated to PCC’s has been increased by £11k (or 2.2%) with the PCC only receiving £440k which won’t even be enough to pay for the replacement of Police vehicles during 2019/20.

3.42 Counter Terrorism (CT)

3.43 At the Autumn Budget the Chancellor announced an additional £160m for counter terrorism policing, which is a £59m increase (8%) on the 2018-19 CT funding. The Police settlement confirmed these figures saying this additional funding will bring the total CT funding to £816m, including a £24m uplift in armed policing from the Police Transformation Fund.

3.45 Ministry of Justice (MoJ) Funding

3.46 The Ministry of Justice have confirmed the level of the Victims and Witnesses Grant for 2019/20, and while the overall amount allocated to PCC's has remained static at £67,855k, the grant is allocated based on population with little change seen for North Yorkshire during 2019/20.

3.47 MTFP Assumptions

3.48 When the 2018/19 budget was set in February 2018 the forecasts were underpinned by the following assumptions:

- Pay Awards: 2% increase per annum
- Precept: Increases of:
  - 2018/19 - £12 or 5.2%
  - 2019/20 - £12 or 5.15%
  - 2020/21 - 1.99%
  - 2021/22 - 1.99%
- Tax Base increases of 1.0% per annum
- Collection Surplus of £400k per annum
- Government Grants: Frozen until 2019/20 and the increases of 2% thereafter
- Impact of Funding Formula Review – Nil

3.61 In line with good planning our assumptions remain under review and are updated with the best information available and it is expected that the MTFP for 2019/20 and beyond will assume the following:

- Pay Awards: 2% increase p.a
- Precept: Increases of:
  - 2019/20 - £22.95 or 9.86%
  - 2020/21 - £12 or 4.7%
  - 2021/22 - 1.99%
  - 2022/23 - 1.99%
- Tax Base increases 1.0% per annum, Collection Surplus £400k p.a
- Government Grants: Frozen until 2020/21 and the increases of 2% thereafter
- Impact of Funding Formula review – Nil

3.62 Precept

Just over 50% of the Net Budget Requirement within North Yorkshire is now funded by the local precept and therefore this provides more financial resilience than in most Police Force areas as decisions around the Government Grant have less of an impact than in those areas that are funded by 75-80% from Government Grants, which have either been frozen or reducing over the last 7 years.

3.63 The Department for Communities and Local Government has published the final council tax referendum principles for 2019/20 which gave all PCCs the ability to increase band D bills by as much as £24 without triggering a referendum. This would represent increases of between 9.3% (North Wales) and 21.8% (Northumbria).

3.64 Consultation was undertaken within North Yorkshire and the results published as part the supporting information for the PCC's decision to propose a revised £22.95 increase in the Band D precept for 2019/20. This proposal was supported by the Police, Fire and Crime Panel and therefore this budget incorporates a Band D 'Policing' precept for 2019/20 for North Yorkshire of £255.77

3.65 For the purposes of planning, the balanced plan that is set out within this paper assumes the following:

- 2020/21 – Precept Increase of £12 per annum (4.7%)
- 2021/22 – Precept Increase of 1.99%
- 2022/23 – Precept Increase of 1.99%

3.66 Over the last 6 years there have been significant increases in both the number of calculated Band D properties within North Yorkshire and also significant 'Collection Surplus' to which the Authority benefited from. This has continued in 2019/20 but at a lower rate than the average over that 6 year period.

3.67 The number of Band D properties within North Yorkshire has increased by 3,884 (or 1.3%) to 300,974. This is the second lowest increase in the last 6 years, with 2018/19 having the lowest increase of 1.1%.

3.68 The trend therefore appears to be one of slower increase and therefore this plan assumes that the Tax Base increases by 1% per annum going forward, which is lower than the increases that the OBR is forecasting for England as a whole.

3.69 Each 0.1% increase in the Council Tax Base above the 1% growth included within the MTFP would generate additional income of just over £75k per annum.



- 3.70 For illustration purposes, if the Council Tax base was to increase across the life of the MTFP, at the same rate as reported this year, so 1.3%, this would have the following impact on the level of Council Tax income received each year:
- 2020/21 - £220k more
  - 2021/22 - £470k more
  - 2022/23 - £740k more
- 3.71 In addition to this Council Tax base growth the Collection Surplus for 2019/20 is £317,538 which is the lowest it has been in the last 6 years. This is factored into this MTFP along with an estimated Collection Surplus of £400k per annum going forward.
- 3.72 These assumptions will all be kept under review as details for future years become available and projections amended accordingly
- 3.73 The flexibility to increase the Precept by more than previously forecast has had a significant impact on the projected funding that is now available to the PFCC.
- 3.74 Specific Grants, Other Income and Partnership Fees and Charges
- 3.75 These sources of income and funding are forecast to provide between £11.8m and £12.2m across the life of the plan.
- 3.76 Within this there has been a significant increase in the area of Specific Grants – this has increased overall by £1.2m from 2018/19 which is primarily in relation to the receipt of a new Pensions Grant.
- 3.77 Pensions Grant
- 3.78 On 6 September Her Majesty's Treasury (HMT) published their draft Directions on public service pension schemes for the 2016 Valuation which comes into effect in 2019/20. The Directions set both the financial assumptions (including changes to the Discount Rate) and demographic assumptions to be used by the Government Actuary's Department (GAD) to produce the valuation results for the Police pension scheme.
- 3.79 The most significant element of the Directions is that the Superannuation Contributions Adjusted for Past Experience (SCAPE) Discount Rate, which is used in unfunded pension schemes to convert future pension payments into a present value, will reduce from 3.0% to 2.4%.
- 3.80 This is due to a more pessimistic assessment by the OBR of the long-term forecast for growth in the economy. The Discount Rate reduction has the effect of increasing the cost of future benefits and therefore the required contribution rate. Payments to beneficiaries are unchanged by the Discount Rate changes and therefore the overall impact is a reduction in the amount

paid by the Exchequer to meet the difference between contributions and payments via the Pension Top-Up Grant.

- 3.81 The changes have had the effect of increasing the employer contributions (to include ill-health costs) from 24.2% to 31.0% from April 2019. The Government Actuary's Department estimated that the additional cost to Policing as a result will be around £330m per annum.
- 3.82 HM Treasury indicated that additional funding would be provided to public sector bodies in 2019-20 to mitigate some of this increase, with the sector "paying only the additional costs announced at Budget 2016" (a reduction in the discount rate from 3% to 2.8%). This means that police will pay £187m of the additional costs in 2019-20, with the remaining £143m being provided via a grant.
- 3.83 The cost to North Yorkshire Police is estimated to be circa £3.6m per annum with the grant provided by the Treasury totalling £1,449k in 2019/20.
- 3.84 The current financial plans assume that this Pensions Grant of £1,449k will continue in future years, although there are no guarantees that this will happen. Clearly if the grant is not paid in the future then this will provide a significant gap in the current financial plan.
- 3.85 The income budget on Partnership Income, Fees and Other Charges has reduced from £8.7m in 2018/19, to £8.1m in 2019/20 and predominantly reflects the experiences of 2018/19 in terms of lower than expected income from the National Driver Offender Re-Training scheme, which is offered to motorists, under certain circumstances, when they have made certain road traffic violations.

3.86 The entire funding therefore expected to be available to the PFCC for Policing for the next 4 years, in comparison to 2018/19, is as follows:

	Actual	Forecast	Forecasts		
	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Funding</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Government Grant	(67,762)	(69,185)	(69,185)	(70,569)	(71,980)
Council Tax Precept	(69,661)	(77,298)	(81,818)	(84,272)	(86,799)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(5,746)	(5,746)	(5,746)	(5,746)
<b>Funding for Net Budget Requirement (NBR)</b>	<b>(145,320)</b>	<b>(154,380)</b>	<b>(158,901)</b>	<b>(162,738)</b>	<b>(166,676)</b>
%age change in Net Budget Requirement	2.6%	6.2%	2.9%	2.4%	2.4%
Specific Grants	(2,900)	(4,105)	(3,827)	(3,827)	(3,827)
Partnership Income/Fees and Charges	(8,702)	(8,129)	(7,931)	(7,923)	(8,022)
<b>Total Funding</b>	<b>(156,923)</b>	<b>(166,615)</b>	<b>(170,660)</b>	<b>(174,488)</b>	<b>(178,525)</b>
%age change in Total Funding	1.4%	6.2%	2.4%	2.2%	2.3%
<b>Total Funding Assumption at February 2018</b>	<b>(156,923)</b>	<b>(160,395)</b>	<b>(164,010)</b>	<b>(167,730)</b>	
<b>Changes to Total Funding Forecasts since Feb 2018</b>	<b>0</b>	<b>(6,220)</b>	<b>(6,649)</b>	<b>(6,758)</b>	

3.87 As a result of the Government Grant settlements being better than expected, the flexibility to increase precept by more than previously forecast then the overall funding available to the PFCC, even after taking into account the lower than previously budgeted income from Driver Re-training courses, is significantly higher than projected in February 2018.

3.88 The additional income of £6.2m is rationalised as follows:

- Additional Precept Flexibility - £3.3m more
- Additional Government Grant - £1.4m more
- Pensions Grant - £1.4m more
- Forecast reductions in other income - £0.9m less (mostly Safety Camera Van Income)

3.89 As mentioned elsewhere some of this increase is being absorbed by the additional £3.6m that will need to be paid into the Police Pension Fund.

3.90 The increases in funding for Net Budget Requirement are forecast to grow at a faster rate than both pay and general inflation and therefore the PCC should have a funding base from which to deliver sustainable services if these forecasts become reality.

## **4. Expenditure Plans**

4.1 In setting the budget for 2019-20 the PFCC will need to make decisions on how the overall funding discussed in Section 3 is allocated. The PFCC will need to provide funding/budgets to the areas discussed in the following sections:

### 4.2 Office of the PCC

The PCC set a budget of £1,011k for 2018-19, to reflect both the impact of pay inflation and general inflation as well as the expected phased implementation of the way that complaints would be handled, with the expectation that the full costs of complaints would be reflected in 2019/20.

4.3 The proposed budget in this area for 2019/20 is £1,080k which reflect the full year costs of the resourcing requirements to deliver complaints handling and a small amount of increase to reflect both pay and non-pay inflation.

4.4 The MTFP assumed that there will be a requirement for increases in inflation for this budget area throughout the plan.

4.5 No assumptions are included within the budget for the impact of any changes that might arise from the Transformation Work and the budget assumes that all costs that are incurred by the Office on behalf of Fire are charged to the Fire budget.

### 4.6 Community Safety and Victims and Witnesses Commissioning

The role and responsibilities of the PCC is wider than Policing and this has been acknowledged with the addition of responsibilities around Community Safety and Victims and Witnesses services.

4.7 The Ministry of Justice have confirmed the level of the Victims and Witnesses Grant for 2019/20, and while the overall amount allocated to PCC's has remained static at £67,855k, the grant is allocated based on population.

4.8 The allocation of Grant to North Yorkshire for 2019/20 is £947k which is in line with the funding received in 2018/19.

4.9 Current plans expect that around £3.6m per annum is provided to continue to deliver those services already in place in 2018/19.

4.10 Further to the recurring plans, indications were received last year identifying investment in 2 additional areas, totalling £283k:

- Victims Services request for growth Counselling, Victim CMS, Child Sexual Exploitation, Target Hardening and Victim Support Training; and
- Missing from Home additional Services.

4.11 Neither of these has been included with the Budget that would be delegated to this area at this stage, however these would be provided for from the Policing Priorities Investment Fund.

4.12 Corporate Services

- 4.13 In 2012, all Police Staff transferred employer from the Police Authority to the Police and Crime Commissioner. In 2014, some Police Staff then transferred employer to the Chief Constable, whilst others remained temporarily employed by the Police and Crime Commissioner until a suitable collaboration arrangement was identified. Now that collaboration arrangement has been agreed, the Stage 2 transfer process can be completed and the collaboration set up.
- 4.14 As part of the transition and the changes to governance that occurred from the 1st April 2014 (the Stage 2 Transfer) there were certain budgets and responsibilities that either needed to sit with the PCC or which were agreed to sit with the PCC. These areas were grouped under the heading of Corporate Services.
- 4.15 From the 1<sup>st</sup> April 2019 the remaining elements of the 'Stage 2 Transfer' will be completed and as such almost all of the budgets previously identified within Corporate Services will come under the responsibility of the Chief Constable.
- 4.16 In 2018/19 the budget within Corporate Services was £22,018k. The only element within this budget that will not pass to the Chief Constable will be the Asset Management budgets which reflects that only PCC's can borrow money and own assets. This budget is just over £400k.
- 4.17 Policing Priorities Fund  
The Policing Priorities Fund that was established last year and which is going to be held under the control of the PFCC is now split into 2 distinct areas:
- Policing Priorities and Investments
  - Reinforcing the Front line
- 4.18 The area established last year was for Policing Priorities and investments in Service Improvements and Development to enhance the service important to the public of North Yorkshire. It was funded through the additional capacity that was provided, in 2018/19, through the better than expected funding settlement and specifically the additional Precept funding that continues to be received from the increase of £11.50 per year for a Band D property in 2018/19.
- 4.19 It is expected that this process will continue across the MTFP where increases in Precept are added to this Fund and cost pressures from general inflation and pay awards will needed to be funded through the delivery of internal efficiencies and savings.

- 4.20 This funding will be held under the control of the PFCC has approved that is it allocated to a specific area of the organisation. Based on current projections the area will have the following funding levels:
- 2019/20 - £2.7m
  - 2020/21 - £5.1m
  - 2021/22 - £7.6m
- 4.21 These funding levels are after the investment in the Force Control Room (FCR) that was approved last year has been transferred to the Force.
- 4.22 Has this investment in the FCR improved performance?
- 4.23 There was a specific requirement on the Force to improve performance of the force control room (FCR) and the response to 999 and 101 calls made to the police by the public. The investment into the FCR following the precept increase in 2018/19 led to the introduction of a number of measures all aimed at improving call handling performance in respect of 999 and 101. Firstly there was an investment in people, coupled with the introduction of a learning and development hub which included a new building able to accommodate a higher number of new recruits at any one time. The FCR building itself was further extended to provide additional call handling provision and the equipment used was all upgraded to ensure that the call handlers had access to the best possible technology.
- 4.24 In order to enhance morale the Force also invested in their staff by providing additional rest and refreshment facilities.
- 4.25 The impact has been a significant improvement to call handling performance. Demand has continued to increase and from being in a position in the Summer of 2017, where for 3 months the Force were on the Home Office list for breaching 999 response; and the average time to answer a 101 call was between 4-6minutes, the Force, after the investment, now answer all 999 calls with the average time to answer being less than 10 seconds. In addition the Force now answers 101 calls in an average of 1min 30 seconds – 48% are answered in less than 30 seconds. Now that performance has largely been stabilised, the Force is considering how further improvements can be made, which will be included in the Transform 2020 programme in due course.
- 4.26 This would not have been possible without the investments being made. Staff morale is much higher as well which also impacts upon customer service.
- 4.27 It will be vital that this performance and improvement continues going forward and that this continues to be closely monitored to ensure that any changes as part of the Transform 2020 programme enhance the performance.

#### 4.28 Reinforcing the Frontline

Over the last few years there has been significant investment in those areas that are assessed as those providing the greater areas of Threat, Risk and Harm, this included a £3m strategy to improve protection for vulnerable people that was announced in 2016. The recent Neighbourhood Policing Survey provided a timely reminder however of the concerns that the public have about the erosion of local policing services in North Yorkshire. The summary findings of the survey were that:

- Overall, residents feel less safe than they did a year ago
- 40% of people feel crime and anti-social behaviour is getting worse in their area
- Policing comes at the bottom of the list when residents are asked to rate local public services
- Less than one third of people are satisfied with the level of police presence in their area
- Scarborough and Richmondshire are standout areas for good practice and community confidence
- There is support for partners to take more action over mental health related issues
- Communities feel they should be given a greater say on resolving anti-social behaviour issues in their area

4.29 In response to these concerns, and the strategic direction of the PFCC to deliver the 'Reinforcing the Front Line' goal set out in the Police and Crime Plan, the Force have drawn up plans to address the areas that were raised within this survey and have proposed the following:

- Community Resilience Teams with a visible presence dedicated to prevention and facilitating multi agency working.
- Mental Health Coordinators to support our most vulnerable residents and reduce the need for emergency secondary interventions
- Increased and structured engagement with communities to understand what matters to the place with a focus on volume acquisitive crime and volume offenders. Subsequently this will reduce the fear of crime through increased traditional community presence and engagement. This would include:
  - Integrated Offender Management
  - Neighbourhood Teams focused on volume acquisitive crime and volume crime prevention and engagement
  - Bail Management
  - Creation of a Public Safety Officer across public sector organisations.
  - Online PCSOs to provide prevention advice and support investigations such as online crime
  - A City Task Force, focused on primary interventions to ensure that our more urban communities problems are being solved.

- 4.30 To deliver these proposals would result in an increase in both Police Officers (51 FTEs) and PCSO's (23.5 FTEs) and once fully implementing would cost in the region of £3.3m on an annual basis.
- 4.31 These are the priority areas, in terms of where the additional precept funding (i.e. the additional £3.3m raised as a result of increasing the precept by £22.95 in comparison to a 'standstill' budget which would have required an increase of £12) will be invested.
- 4.32 The funding will only be released to the Force as Officers and Staff are specifically appointed to the 74.5 FTE roles that are set out within the proposal. Funding will also be made available in 2019/20 to enable recruitment of these additional resources and for the additional uniforms and equipment that will be needed.
- 4.33 The Commissioner will be closely holding the Force to account to ensure that this investment improves those priority areas identified above and this then helps improve the areas of public concerns that have been highlighted.



## 5. Police Force

- 5.1 The vast majority of the funding available to the PFCC will be provided to the Chief Constable, this provides the budgetary constraints in which the PFCC expects the Force to work within, in delivering against the Police and Crime Plan. It is vital that these allocations are seen as limits within which the Force must operate, as there is neither the capacity nor authority to exceed the budget provided.
- 5.2 It is also useful to consider that the budget projections for future years should be seen as limits to work within.
- 5.3 To be able to deliver an overall balanced budget for the next 4 years the PFCC forecasts to be able provide the Chief Constable with the following levels of financial resources:
- 2019/20 - £154.6m
  - 2020/21 - £154.6m
  - 2021/22 - £155.1m
  - 2022/23 - £157.8m
- 5.4 These should be seen as the maximum likely to be available and therefore the Force will need to plan to deliver within these overall limits and deliver the necessary savings and efficiencies, discussed later in this report, to be able to invest into other areas.
- 5.5 The figures set out below, which forecast expected spend over the next 4 years in comparison to 2017/18, do not include any funds for the investment in Neighbourhood Policing, that have recently been discussed, nor do they reflect future investments that might be possible from the Policing Priorities Fund.

	Actual	Forecasts			
	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	73,540	75,929	77,763	79,303	80,889
Police Overtime	2,070	2,033	2,073	2,115	2,157
Police Community Support Officer Pay	6,605	6,719	6,853	6,990	7,130
Staff Pay	26,280	38,548	38,820	39,540	40,340
<b>Pay Total</b>	<b>108,495</b>	<b>123,229</b>	<b>125,509</b>	<b>127,947</b>	<b>130,516</b>
<b>Non-Pay Budgets</b>					
Other Pay and Training	1,535	1,648	1,678	1,712	1,746
Injury and Medical Police Pensions	3,699	3,700	3,822	3,898	3,976
Premises	54	4,519	4,390	4,478	4,568
Supplies and Services	12,321	22,848	23,872	24,310	24,244
Transport	1,660	2,643	2,687	2,737	2,792
<b>Non-Pay Total</b>	<b>19,269</b>	<b>35,358</b>	<b>36,450</b>	<b>37,136</b>	<b>37,326</b>
<b>Projects</b>	2,219	991	140	20	0
<b>Efficiency and Savings Targets</b>		(5,000)	(7,500)	(10,000)	(10,000)
<b>Total Planned Force Expenditure</b>	<b>129,984</b>	<b>154,577</b>	<b>154,599</b>	<b>155,103</b>	<b>157,842</b>
%age Change in Expenditure	3.0%	18.9%	0.0%	0.3%	1.8%
<b>Employee Numbers</b>	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,390	1,450	1,450	1,450	1,450
PCSOs	200	223	223	223	223
Police Staff - Police Force	1,040	1,160	1,140	1,136	1,135

- 5.6 Part of the reason for the significant increase in the budget in 2019/20, in comparison to 2018/19 is the switch of the Corporate Services budget to sit under the responsibility of the Chief Constable as part of the completion of the Stage 2 transfer.
- 5.7 Police Pay
- 5.8 Included within the Police Pay budget is sufficient funding to maintain 1,400 FTE Police Officers throughout 2019/20 in line with the previously agreed establishment and the targets agreed with the Commissioner.
- 5.9 The Budget proposed for Police Pay for 2019/20 is nearly £2.5m (or 3.5%) higher than the budget that was set in 2018/19 and £5m higher than the forecast actual spend that is expected on Police Pay in 2018/19
- 5.10 This increase reflects the changes to Police Pension Contributions that was referred to in 3.77 to 3.84, which has increased the budget requirement by £3.6m.
- 5.11 There is then an allowance for a Police Pay award of 2% from the 1<sup>st</sup> September 2019 within the budget and the removal of a vacancy factor within the Police Pay budget.
- 5.12 Police Officer Recruitment and Investment in Neighbourhood Policing
- 5.13 In an environment of uncertain funding settlements, leading to paused recruitment activity, smaller recruitment and training teams, there has been a recurring challenge of maintaining Police Officer numbers at the level provided for within the Budget.
- 5.14 This has once again been a challenge for the Force within 2018/19 where average Police Officer levels are expected to be 1,350 FTE. It is however expected that by the end of 2018/19 that the overall number of Police Officers within the Force will be circa 1,390 FTEs. This should then provide the basis for not only maintaining Police Officer numbers at the required level but also providing the platform to deliver the additional investment in Neighbourhood Policing that will be funded via the higher than previously budget for increase in precept in 2019/20.

5.15 The Staffing Proposals of the proposed investment in Neighbourhood Policing is set out in the table below:

Precept Investment Plans - Neighbourhood Policing Investment					
Initial Staffing Proposals	Inspector	Sgt	PC	PCSOs	Total
1. Neighbourhood Teams with visible presence dedicated to prevention and facilitating multi-agency working	1	3	18	0	22
2. Three mental health coordinators to support our most vulnerable residents and reduce the need for emergency secondary interventions	0	0	3	0	3
3. Increased and structured engagement with communities to understand the issues that really matter to the place: Integrated Offender Management (3 PCs) Uniformed PCs focused on volume acquisitive crime and volume crime prevention and engagement (18 PCs) Bail Management (1 Sgt)		1	21		22
4. Creation of a Public Safety Officer across public sector organisations				10.5	10.5
5. Online PCSOs to provide prevention advice and support investigations such as online crime				7	7
6. A City Task force Focused on primary interventions to ensure that our more urban communities problems are being solved		1	3	6	10
<b>Total Increase in FTEs</b>	<b>1</b>	<b>5</b>	<b>45</b>	<b>23.5</b>	<b>74.5</b>

5.16 It will not be possible to have all of these posts filled from the 1st April and therefore it important to set out the expected timing of the recruitment and the likely costs in the first year, and then on a recurring basis thereafter.

5.17 The assumptions are that both the Inspector Role and the Sgt roles would be recruited to internally, via promotions, and therefore these roles would be filled from the 1st May.

5.18 The original recruitment plan that the Force had in place to maintain 1,400 Police Officers throughout 2019/20 was based on the following recruitment plan:

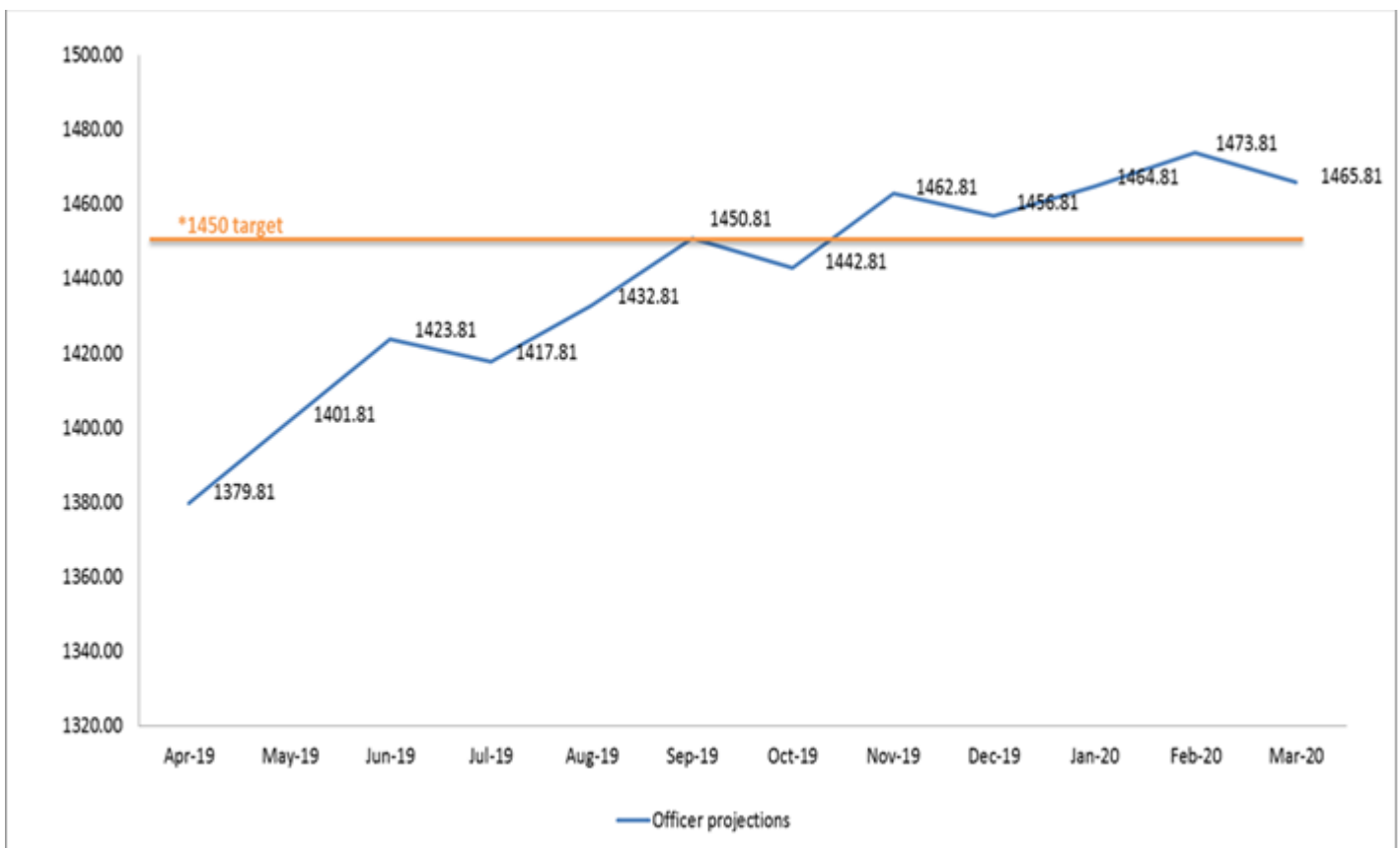
Intake	Number in intake	Date of Intake
Transferees	20	May-19
Student Officers	14	Jun-19
Transferees	14	Jul-19
Student Officers	14	Sep-19
Transferees	14	Dec-19
Student Officers	28	Jan-20
<b>Total</b>	<b>104</b>	

5.19 This has been revised to deliver the additional capacity and resources that the additional precept would provide, as the Force looks to move to a Police Officer establishment of circa 1,450 FTEs.

5.20 These additional recruitments lead to a plan to recruit 160 FTE Police Officers during 2019/20 as per the below timetable:

Police Officer Recruitment Plan	Number in intake	Date of Intake
Transferees	28	May-19
Student Officers	28	Jun-19
Transferees	20	Aug-19
Student Officers	28	Sep-19
Student Officers	28	Nov-19
Transferees	14	Jan-20
Student Officers	14	Feb-20
<b>Total</b>	<b>160</b>	

5.21 When estimated retirements, transfers and resignations are taken into account then the projected Police Officer numbers during 2019/20 are as per the below:



5.22 The revised Police Officer recruitment plan is forecast to deliver, on average, 1,439FTE Police Officers during 2019/20 and should put the Force in a very strong position to maintain a full establishment going forward.

- 5.23 In terms of PCSOs, there is a plan to have the recruitment complete via an intake in September.
- 5.24 Recruitment into the Force is clearly a significant deliverable for both 2019/20 and beyond as it has such a clear impact on the service delivered to the public of North Yorkshire. Nearly 80% of the budget available to the Force is expected to be spent on staffing costs and therefore it is vital that the recruitment plans of the Force are delivered in a timely manner.
- 5.25 This is an area that with need to be kept under close scrutiny by the PFCC and something that the Force will need to report on regularly to ensure that the Force deliver against the key area.
- 5.26 Based on budget costs, the expected recruitment timeframes and allowing for pay awards at 2%, the project investment in Neighbourhood Policing is as per the below:

<b>Projected Cost of Investment in Neighbourhood Policing</b>				
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Spend Area</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Salary Costs	2,530	3,280	3,425	3,495
Training Costs	325	35		
Uniform and Equipment Costs	220			
<b>Total Investment Cost</b>	<b>3,075</b>	<b>3,315</b>	<b>3,425</b>	<b>3,495</b>

- 5.27 Should all of the above be delivered, in line with the plan, then this would leave around £210k of the £3.3m, as unspent in 2019/20 but needed in 2020/21 and beyond. It is important to recognise that these funds will only be released to the Force as these posts are filled.
- 5.28 To ensure that the above funds would not simply be absorbed into the wider finances of the organisation, the remaining funds will be ring-fenced with the proposal that they are split across the following areas:
- Prevention activities which the Community Safety Partnerships can bid into.
  - Road safety
  - Commissioning (for example an expansion of the NYFRS Life courses and other such activities)
  - Responding to the rural domestic abuse research that is currently underway

5.29 Police Pay Awards

5.30 It was announced in September 2018 that Scottish police officers would receive an immediate 6.5% pay increase backdated to 1 September 2018 and which applies until 31 March 2021.

5.31 Given that Police Officers in England and Wales received a pay increase that, was in reality, worth less than 1% in September 2018 then there is likely to be some significant pressure for a better pay increase from September 2019.

5.32 There are a number of scenarios currently being modelled and all of these would cost more than the currently budgeted position of 2% increases per annum across the life of the MTFP.

5.33 All of these scenarios would cost more in 2019/20 – between £0.7m and £1.1m and across a 3 year period would cost more by between £1.5m and £2.5m.

5.34 Should any of these scenarios materialise then savings/reductions would need to be made to meet these costs. There will be no additional funds from the government to meet these costs – the Government have been clear in the recent past that the additional precept flexibility that they have provided to PCC's would need to cover any pay awards.

5.35 Police Overtime

For the first time in at least 4 years Police Overtime is reported to be within budget for 2018/19. This has been a significant turnaround from the previous 3 years that saw overspends of at least £1m on a £2m budget.

5.36 The Value for Money indicators would suggest that an overtime budget of circa £2m is an appropriate level for a Force the size of North Yorkshire and this is the level of the budget for 2019/20. It is vital that this area is managed with the same rigor as it has been in 2019/20 and that overtime is spent in line with both need and affordability.

5.37 PCSO Pay Budget

The initial budget for PCSO's, and the one that is provided to the Chief Constable, is based on an Establishment of 200 FTEs, this is as per 2018/19 and broadly in line with the average number of PCSO's employed throughout 2018/19.

5.38 It is forecast that the number of PCSO's at the start of 2019/20 will have dipped just below 200FTEs, with estimates that circa 194/195 FTEs will be in place at the end of 2018/19.

5.39 It is important that recruitments are planned and delivered in this area, so that the overall FTEs can be firstly be maintained and then increased to ensure the investment in Neighbourhood Policing that have been reference elsewhere is delivered.

5.40 Staff Pay Budget and FTE's

5.41 2019/20 will be a year of significant change for many Police Staff as a result of the following:

- The completion of the Stage 2 transfer
- The Transformation work and the impact of the Business Cases that are due to be consulted upon with staff shortly
- The 'Enable' Collaboration with the Fire Service

5.42 Stage 2 Transfer

5.43 The completion of the Stage 2 transfer from the 1<sup>st</sup> April 2019 will see the transfer of 205 FTE permanent staff posts to the employment of the Chief Constable along with a small number of time limited Project posts. (circa 6).

5.44 The actual number of staff involved in this transfer will depend on the number of people in post at the point of transfer. As at the end of December 2018 there were 186.5 FTEs employed in this area with a further 5 FTEs on agency contracts.

5.45 The actual transfer will provide a number of challenges in terms of transferring staff from one payroll to another payroll, ensuring that their contract of employment reflect the change to employer and some staff will have different line managers going forward.

5.46 Financially there is only one potentially significant impact of this transfer that I highlighted as part of the discussions before this transfer was agreed to happen. This relates to the different percentage contributions that are made into the Local Government Pension Scheme by the Force in comparison to the PFCC.

5.47 Currently the Force has a historically low contribution rate of 11.3% however the PFCC has an even lower contribution rate at 3.9%.

5.48 Should the Force need to contribute at the rate of 11.3%, for all of the staff who transfer employment from the PFCC, then this will cost £450-500k per year more than is currently provided for within the Force's budget.

5.49 The Force is currently in discussions with the pension's provider in relation to this issue.

5.50 Transformation (T2020 Programme)

5.51 What is the Transformation Programme (Transform 2020) seeking to do?

5.52 Stage 1 – Simplify

Remove duplication of processes, define and refine what our enabling services do, ensure staff are deployed appropriately and supported to be the best they can, support managers to provide strong leadership and optimise the use of technology.

5.53 Stage 2 – Standardise

Transition to self service enabling services across the organisations, continue to improve processes, implement technology standardisation through joint procurements when upgrades are required, ongoing prioritisation in line with emerging needs of North Yorkshire Police, North Yorkshire Fire & Rescue Service and the public of North Yorkshire.

5.54 This will then lead to Stage 3 – Share – where: A completely standard set of processes are in place across North Yorkshire Police and North Yorkshire Fire & Rescue Service, underpinned by a common set of systems

5.55 Where are we currently in the process?

5.56 The design phase reached a conclusion just prior to Christmas, and a number of business cases were prepared for the Executive Team's consideration in the New Year.

5.57 The Executive Team met in January to consider outline business cases on enhancing the Force Control Room, and transforming the Enabling Services. Each of the business cases set out the "as is" situation, and indicated the changes we would need to make in order to become a more efficient, productive and affordable service.

5.58 As you can imagine, there were many hundreds of pages of information to assess, and a lot of careful consideration needed. However, we have drawn the necessary "in principle" conclusions about how we intend to deliver the service in the future, and the structures we will need to have in place to do that in the most effective way.

5.59 With those "in principle" choices in place, work started to work up the detail of what the changes would mean for each individual team, including a provisional implementation timescale should the plans progress.

5.60 The Business Cases produced as part of this piece of work have now concluded the detailed work required to move this from an 'in principle' proposal to one that can now be shared with, and consulted upon, with both Unions and then Staff.



- 5.61 The PFCC is aware of the timeframes and timetables that are being worked to as part of this Transformation Programme however they can't be provided in this document given that they are not public information at this time.
- 5.62 It is possible to share the breadth of the area being looked at as part of the Transformation Programme and these are as follows:
- Business Admin Services
  - Communications
  - Digital Information and Services Group
  - Finance
  - HR
  - Information Management
  - Organisational Development
  - Professional Standards
  - Resource Management
  - Training
  - Transport, Logistics and Estates
  - Customer Contact
  - OPFCC
- 5.63 The Business Cases that have been agreed "in principle" and are now subject to both Union consultation and then staff consultation would deliver against the overall £10m savings target that has been incorporated into the financial plans.
- 5.64 The responsibility to deliver these Business Cases ultimately rests with the Chief Constable and it will therefore be vital that regular updates are provided so that the PFCC can be assured that the Chief Constable is delivering against this important area of work that will Transform a significant part of the way business is done within the Force and not only in those teams/areas that are directly impacted through a Business Case.
- 5.65 It is unlikely that the £5m savings included in the financial plans for 2019/20 will be delivered in time with the assumptions within the Financial Plan, purely from the Transformation work. The risks of this, on the overall budget, will be considered later in this report.
- 5.66 Enable – Collaboration with Fire Service
- 5.67 The process to Simplify, Standardise and Share enabling services will be one of the key areas of development over the coming financial year.
- 5.68 This aligned to the significant collaboration with the Fire Service, under a collaboration agreement, and the move to 'Enable' is expected to offer the opportunity to both improve services and deliver increased value for money.
- 5.69 This will be another key area that the PFCC will need to be kept informed of by the Chief Constable as part of the overall scrutiny of the Force during the coming year.

5.70 Staff FTE's incorporated into the Force's Budget

5.71 The completion of the Stage 2 Transfer, the inclusion of all posts within the current Police Staff Establishment, therefore removing any previous assumptions about vacancies until the Transformation Business Cases are progressed or otherwise, and the addition of the additional roles within the Force Control Room have resulted in the following:

	Actual Budget	Forecasts			
	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Employee Numbers</b>	FTEs	FTEs	FTEs	FTEs	FTEs
Police Staff - Police Force	1,040	1,160	1,140	1,136	1,135

5.72 From an overall budget perspective the number of staff FTEs are now showing as 1,160, this is 120 FTEs higher than 2018/19 and results primarily from adding back the 91 FTE vacancies that were factored into the 2018/19 budget and the addition of the additional 39 FTE posts introduced into the FCR as part of the investment agreed last year.

5.73 It is important to recognise that posts will be recruited into in line with the work of the Transformation Programme to ensure that only those posts that are within any revised structures are recruited to.

5.74 It is also important to be aware of the number of staff that were in post as at the end of December 2018. This totalled 1,064 FTEs. Which is almost 100 vacancies against the budgeted position.

5.75 Based on average salaries this equates to vacancies totalling circa £3.2m that are expected to exist at the point of setting the 2019/20 budget.

5.76 It is likely that a significant number of these vacancies will not be required in any future structure, those that are required will provide opportunities for promotion, career development and/or redeployment for staff within the Force that might be at risk from the Transformed way of doing business.

5.77 These vacancies also provide some significant assurances that the £5m of savings that are factored into the overall Force budget, and are needed to enable the Force to stay within their provided budget, can be met. However as stated earlier the savings might not be exactly in line with the plans, as the transition to the new way of working, as set out within the Transformation Business Cases will take some time.

5.78 Staff Pay Awards

5.79 The MTFP assumes that staff will be awarded a 2% pay award from the 1<sup>st</sup> September each year. It is important to recognise that it would be very challenging to agree a Pay deal for 'Staff' that wouldn't be along similar lines to those agreed for Police Officers.

5.80 All of the scenarios being looked at for Police, if then applicable to Staff would similarly costs more in 2019/20 than budgeted – between £0.4m and £0.7m and across a 3 year period would cost more by between £0.9m and £1.5m

5.81 This is clearly an area that will require some significant focus and attention during both 2019/20 and beyond to deliver the required services while delivering and then embedding the Transformational change required, moving to a new structure with new ways of working and then working more closely with the Fire Service as part of this Collaboration.

5.82 It will be vital that the PFCC is provided with regular information and updates on progress across all of these areas to ensure the Chief Constable is delivering on what will be a very challenging transformation and change programme over the coming years aligned with a significant piece of collaboration.

5.83 Non-Pay Budgets

Almost all non-pay budgets are now under the control of the Chief Constable. In total this accounts for a projected £35.4m worth of expenditure in 2019/20 which is higher than the 2018/19 figure by £2.2m, or 6.2%.

5.84 Much of this increase is within Supplies and Services, which includes a significant amount and variety of budgets, and has a projected budgeted need of a further £1.7m in comparison to the budget set for 2018/19.

5.85 The main areas driving this increase are as follows:

- DISG Contractual Commitments - £0.8m
- Collaboration Costs - £0.3m
- Digital Forensics - £0.3m

5.86 The Estates budgets are about £0.2m higher than otherwise would have been expected as the sale of Newby Wiske has not yet concluded and the budget allows for some costs throughout 2019/20.

5.87 Non-pay budgets are another area of significant focus for the Transformation work and the transformed way of working will also place a lot of focus on contracts, procurement and wider non-pay expenditure. The outline business cases highlighted an expectation that over half of the savings within this overall transformation programme will be delivered from non-pay budgets.

5.88 This will therefore be a further critical piece of work that will need to be very closely monitored to ensure delivery in a timely manner.

- 5.89 It is not simply delivery of savings that are required as part of the Transformation work but a broader understanding across some areas of the business about their costs, who is responsible for the oversight of them and the ability to explain and set out for decision makers within the Force the financial impact of decisions in a clearer way.
- 5.90 The overall non-pay budget, at just over £35m, is in line with the forecast outturn for 2018/19.

## 6. Overall Financial Summary

6.1 The table below shows the current projected position of the overall finances available to the PFCC, however this is based on a significant number of assumptions, including that the Force can contain costs and deliver the level of services required within the financial constraints that were outlined above.

	Actual Budget 2018/19	Forecast Budget 2019/20	Forecasts		
			2020/21	2021/22	2022/23
<b>Core Funding</b>	£000s	£000s	£000s	£000s	£000s
Government Grant	(67,762)	(69,185)	(69,185)	(70,569)	(71,980)
Council Tax Precept	(69,661)	(77,298)	(81,818)	(84,272)	(86,799)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(5,746)	(5,746)	(5,746)	(5,746)
<b>Funding for Net Budget Requirement</b>	<b>(145,320)</b>	<b>(154,380)</b>	<b>(158,901)</b>	<b>(162,738)</b>	<b>(166,676)</b>
%age Change in Net Budgetary Requirement	2.6%	6.2%	2.9%	2.4%	2.4%
<b>Other Funding</b>					
Specific Grants	(2,900)	(4,105)	(3,827)	(3,827)	(3,827)
Partnership Income/Fees and Charges	(8,702)	(8,129)	(7,931)	(7,923)	(8,022)
<b>Total Funding</b>	<b>(156,923)</b>	<b>(166,615)</b>	<b>(170,660)</b>	<b>(174,488)</b>	<b>(178,525)</b>
%age Change in Funding	1.4%	6.2%	2.4%	2.2%	2.3%
<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>1,011</b>	<b>1,080</b>	<b>1,100</b>	<b>1,120</b>	<b>1,140</b>
<b>Commissioned Services</b>	£000s	£000s	£000s	£000s	£000s
Commissioned Services	3,979	3,655	3,573	3,580	3,594
<b>Total Planned Expenditure</b>	<b>3,979</b>	<b>3,655</b>	<b>3,573</b>	<b>3,580</b>	<b>3,594</b>
<b>Policing Priorities Fund</b>	£000s	£000s	£000s	£000s	£000s
Investment Fund	1,963	2,700	5,130	7,630	7,630
Reinforcing the Frontline	0	3,295	3,348	3,452	3,559
<b>Total Policing Priorities Fund</b>	<b>1,963</b>	<b>5,995</b>	<b>8,478</b>	<b>11,082</b>	<b>11,189</b>
<b>Corporate Services</b>	£000s	£000s	£000s	£000s	£000s
Staff Pay	7,183				
Other Non Salary	79				
Premises	4,387				
Supplies and Services	8,843				
Transport	620				
Asset Management	906	401	493	582	635
<b>Total Corporate Services</b>	<b>22,018</b>	<b>401</b>	<b>494</b>	<b>583</b>	<b>636</b>
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	73,540	75,929	77,763	79,303	80,889
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<b>Pay Total</b>	<b>108,495</b>	<b>123,229</b>	<b>125,509</b>	<b>127,947</b>	<b>130,516</b>
<b>Non-Pay Budgets</b>					
Other Non Salary	1,535	1,648	1,678	1,712	1,746
Injury and Medical Police Pensions	3,699	3,700	3,822	3,898	3,976
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Transport	1,660	2,643	2,687	2,737	2,792
<b>Non-Pay Total</b>	<b>19,269</b>	<b>35,358</b>	<b>36,450</b>	<b>37,136</b>	<b>37,326</b>
<b>Projects</b>	2,219	991	140	20	0
<b>Efficiency and Savings Targets</b>		(5,000)	(7,500)	(10,000)	(10,000)
<b>Total Planned Force Expenditure</b>	<b>129,984</b>	<b>154,577</b>	<b>154,599</b>	<b>155,103</b>	<b>157,842</b>
%age Change in Expenditure	0.1%	18.9%	0.0%	0.3%	1.8%
<b>Total Expenditure Budgets</b>	<b>158,955</b>	<b>165,708</b>	<b>168,243</b>	<b>171,468</b>	<b>174,401</b>
<b>(Surplus)/ Deficit before Reserves/Capital</b>	£000s	£000s	£000s	£000s	£000s
Planned Transfers to/(from) General Fund	(1,800)	0	0	0	0
Contribution to Capital Programme	1,492	2,342	2,771	3,010	4,094
Planned Transfers to/(from) Earmarked Reserves	(1,724)	(1,436)	(356)	10	30
<b>Net (Surplus)/ Deficit After Reserves</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>
<b>General Reserves</b>	£000s	£000s	£000s	£000s	£000s
General Fund Balance b/f	6,774	5,974	5,974	5,974	5,974
Proposed (Use of)/Contribution to General Fund	(1,800)	0	0	0	0
Current Year Forecast (Over)/ Under spend	1,000				
<b>General Fund Balance c/f</b>	<b>5,974</b>	<b>5,974</b>	<b>5,974</b>	<b>5,974</b>	<b>5,974</b>

- 6.2 Based on the plans and assumption outlined within this report and some use of reserves, that will be discussed later in the report, then the organisation can demonstrate a balanced budget for the next 4 years.
- 6.3 It is however vital that the mistakes of the recent years, in relation to the following, are managed and avoided going forward:
- The failure to deliver invest to save projects, where the savings can be removed from the budgets and delivered,
  - The failure to deliver, in a timely manner, the required capital investments approved by the organisation,
  - The over optimistic assumptions included in business case, in terms of savings or income,
  - The continued over spending in certain areas; and
  - Most importantly that the organisation stops adding in unfunded growth in lieu of savings to be delivered in the future.
- 6.4 As a result of the financial flexibility that the PCC has been afforded, around Precept, then the organisation is in a strong financial position from which to address those areas of challenge that are already known about; while preparing, through Transformational Change for example, to meet the future challenges that are likely to come.

## 7. Capital Financing and Expenditure

- 7.1 The assets owned by the PFCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure. Plans have been drawn up and are being developed for capital investment which would aid the organisation in delivering against the Police and Crime Plan.
- 7.2 Some loans and or internal borrowing are planned to be taken out in the current financial year, however this is dependent on the delivery of a significant number of Capital schemes in the last few months of the 2018/19 financial year. While this appears unlikely there will however be a need to undertake this borrowing as and when these schemes are delivered.
- 7.3 In terms of the best approach to the funding of capital expenditure it generally only makes financial sense to borrow to fund investment in long term assets, such as buildings and this is the approach that is currently being worked towards.
- 7.4 With this in mind the plans of the organisation will need to be managed within certain financial constraints and it will therefore be necessary for the organisation to prioritise the investments in wants to make as we move forward.
- 7.5 The current Capital Plans, which will be subject to review, development and refinement as 2019/20 progresses, are set out below:

<b>Capital Financing and Expenditure</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>5 Year Total</b>
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Reserve/Funding b/f</b>	<b>4,151</b>	<b>0</b>	<b>405</b>	<b>0</b>	<b>0</b>	
Capital Grant	431	1,248	449	458	465	<b>3,051</b>
Capital Receipts	169	169	169	169	169	<b>845</b>
Capital Receipts from Estates Strategy	0	4,129	775	0	0	<b>4,904</b>
Contributions from Revenue	1,867	2,342	2,771	3,010	4,094	<b>14,085</b>
Transfers from Earmarked Reserves	186	19	19	0	0	<b>224</b>
External Funding	115	0	0	0	0	<b>115</b>
Borrowing	1,791	2,028	1,781	1,094	-275	<b>6,419</b>
<b>Projected in-year funding available</b>	<b>4,559</b>	<b>9,935</b>	<b>5,965</b>	<b>4,731</b>	<b>4,453</b>	<b>29,642</b>
<b>Capital and Revenue Project Plans</b>						
Fleet	1,470	2,159	1,738	1,016	1,505	<b>7,888</b>
ICT	3,012	2,314	1,623	1,393	739	<b>9,082</b>
Estates	1,877	3,918	2,111	1,562	896	<b>10,363</b>
Other Rolling Programmes	428	969	758	707	1,313	<b>4,175</b>
Other Schemes	1,809	168	140	53	0	<b>2,170</b>
Externally Funded	115	0	0	0	0	<b>115</b>
<b>Total Agreed Programme</b>	<b>8,711</b>	<b>9,529</b>	<b>6,370</b>	<b>4,731</b>	<b>4,453</b>	<b>33,793</b>
<b>Earmarked Reserve/Funding c/f</b>	<b>0</b>	<b>405</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## 7.6 Capital Grant

The PCC is expected to receive only £440k in terms of Core Capital Grant in 2019/20, this is slightly higher than the same as the Core Capital Grant received in 2018/19 but nearly 60% lower than it was in 2014/15. If the PFCC wants, or needs, to spend more on Capital Expenditure than this Grant provides then the options are as follows:

- Borrowing money (either through loans or from current cash balances) to fund Capital Purchases.
- The sale of Capital Assets resulting in a Capital Receipt.
- A contribution from the Revenue Budget
- The Use of Reserves

7.7 The timing of the delivery of some of these plans needs to be reviewed to mitigate significant levels of slippage between financial years. The revenue consequences, both in terms of the savings that are expected to be delivered from the implementation of both the Estates strategy and the wider investment plans along with the costs of borrowing to fund the Capital programme have been incorporated into the overall MTFP.

7.8 The 2019/20 Capital Budget currently includes just over £2.5m of schemes that have been slipped from 2018/19. It is unlikely that there will not be more by the time the 2018/19 Outturn is finalised.

7.9 After a good start to delivery against the CRDP budget in 2018/19, expenditure slowed significantly during July to December, with expenditure to the end of December only £4,225k which is significantly less than the budget to date of £8,160k.

7.10 Work has been undertaken with Project Managers and Budget Holders to assess whether plans are in place to deliver their schemes this financial year and to reassess some schemes. With forecasts seeming to suggest that around £4.5m will be spent in the last 3 months of the financial year, which is more than the spend in the first 9 months.

7.11 This recurring trend of slippage will be continue to be very closely monitored in 2019/20 to ensure decisions are made at the earliest opportunity and that realistic budgets remain in place and that Project Managers and Budget Holders are robustly managing this area of expenditure.

7.12 As I have mentioned for the last couple of years the organisation needs to consider the scope and volume of how many schemes it approves and are currently factored into the next financial year and whether they all can be delivered.



- 7.13 Is it important to recognise that where new and/or additional priorities are identified that are not included within the previous forecasts that they will need to come at the expense of current schemes as there is no additional funding to support them unless they are funding from the Policing Priorities Fund.
- 7.14 It is also vitally important to recognise that there is no scope for any new schemes or additional expenditure that are proposed either in year or across the MTFP to be accommodated within the current resources unless these are minor in nature – so less than £25k – which could be funded from the small items fund.
- 7.15 Specifically the current CRDP plans do not include any costs for the Transformation programme and does not include any of the costs of any National IT development work.
- 7.16 The CIPFA Prudential Code of Practice is a key element in the system of capital finance. Under this system individual PCC's are responsible for deciding the level of their affordable borrowing having regard to the prudential code. The associated paper '2019/20 Prudential Indicators and Treasury Management' will provide the PFCC with reasonable assurance that the proposed Capital Plan and its financing are within prudential limits.

## **8. Reserves**

- 8.1 As part of the 2018/19 financial settlement PCC's were required to increase the transparency in relation to the Reserves that they held. These requirements have now been incorporated into the Financial Management Code of Practice and therefore producing a Reserves Strategy is a statutory requirement.
- 8.2 The Financial Management Code of Practice set out the requirements for PFCC's and these requirements are set out in the Reserves Strategy that is set out at Appendix B to this report, for approval, along with the detail to meet the requirements within the Code.

## 9. Risks

9.1 The major risks and unknowns surrounding the figures presented here are set out below:

- Pay Awards are higher than the assumptions within the plan
- Any differences between the future years' actual Government Grant settlements, including Legacy Council Tax Grant and the estimated figures.
- While the funding formula won't be reviewed until after the next Comprehensive Spending Review the impact of any review on the Government Grant received in North Yorkshire needs to be considered as it would fall within the timeframes of this MTFP
- Variations in future years between the estimated tax base used and the actual declared tax base.
- That the public does not support the precept increases that are factored into the current plans
- Increasing costs of the employers Pension Contribution into the Police Pension Fund.
- Increasing costs of the employers Pension Contributions into the Local Government Pension Scheme when the scheme is actuarially reviewed.
- Increasing costs of the employers Pension Contributions into the Local Government Pension Scheme for the Force as a result of the Stage 2 transfer.
- Sensitivity of assumptions, including inflation and borrowing costs.
- The ability of the Force to manage within it's allocated budget, especially around areas such as overtime
- The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
- Ability to deliver the savings included within the plans within the timeframes set and also to the level needed whilst delivering the required levels of service.
- The capability and capacity of the Force to manage the level of change that it is currently embarking on and deliver this as required.
- Delivery against a challenging recruitment plan while at the same time maintaining standards of training.

## **10 Robustness of Estimates and Adequacy of Financial Reserves Advice**

- 10.1 As CFO to the PFCC it is my duty to specifically comment on the robustness of the estimates put forward for the PFCC's consideration. For the reasons set out in this report and from my own review of the estimates process I am satisfied that the proposed spending plan for 2019/20 is sound and robust.
- 10.2 There are however a number of areas of savings that will need to be delivered from a revenue perspective in 2019/20 to deliver a balanced financial position. The key to most of these is the delivery of the Transformation Programme that has been discussed within this report.
- 10.3 The likely risk from a financial perspective, however, in terms of revenue spending is likely to be similar to 2018/19 where the biggest risks will be in relation to the levels of Police Officers that are employed within the year. Of key concern will be the ability of the Force to deliver the recruitment and training of additional Police Officers in line with the plans set out within this report.
- 10.4 The main risk in terms of higher than forecast spend will come from any pay awards agreed during the year.
- 10.5 It will be vital to continue to closely monitor the financial position throughout 2019/20 to ensure that the finances support the delivery and achievement of the Police and Crime Plan objectives.
- 10.6 The funding available to deliver the Capital plans of the organisation are robust and the focus will continue to be on delivering the schemes and the benefits that are expected from those scheme.
- 10.7 A review has been undertaken of the PCC's reserves and general balances. The PCC's general balances and reserves are an important part of the PCC's risk management strategy giving the financial flexibility to deal with unforeseen costs or liabilities. Assuming the approval of the plan set out in the budget report, I am satisfied that the PCC would have adequate levels of financial reserves and general balances throughout the MTFP provided that service restructuring is delivered and future growth, if any, is managed and funded from sustainable savings.
- 10.8 In overall terms the capacity to increase precept has reduced the overall risk that the organisation faces in terms of Funding in the short term. Both the next Comprehensive Spending Review and the subsequent Funding Formula review could however change this position significantly.
- 10.9 The MTFP forecasts that General Reserves will be maintain at nearly £6m across the MTFP which assumes a £1m underspend in 2018/19 is added to the general fund. This will provide a General Reserve of just under 4% of the Net Budget Requirement in 2019/20 and I believe this to be a reasonable level given the overall challenges and risks faced by the organisation.

## APPENDIX A

Details	2019/20 DRAFT PLAN	2020/21 DRAFT PLAN	2021/22 DRAFT PLAN	2022/23 DRAFT PLAN
	£'000's	£'000's	£'000's	£'000's
<b>DISG - Richard Jones with exception of 3 see below</b>				
Computers & Printers	666	296	303	402
Servers	0	92	92	92
Telephony & Communications	207	65	65	65
Network equipment	90	180	180	180
IS Strategy inc Mob	28	0	0	0
MAUDS (Mobile Asset Utilisation and Deployment Strategy)	5	0	0	0
ANPR (Automatic Number Plate Recognition Camera) (ACC Oliver)	506	0	0	0
Mobile Policing (ACC Oliver)	523	0	0	0
DFU (Digital Forensic Unit)	150	0	0	0
ESMCP (Emergency Services Mobile Communications Programme)	140	0	0	0
Operational Mobile Working (refresh)	0	361	754	0
VM Ware servers	0	290	0	0
Local Area Network	0	340	0	0
<b>Total DISG</b>	<b>2,314</b>	<b>1,623</b>	<b>1,393</b>	<b>739</b>
<b>Total Fleet Rolling Programme</b>	<b>2,159</b>	<b>1,738</b>	<b>1,016</b>	<b>1,505</b>
<b>General Equipment Rolling Programme</b>				
CC small items budget (JP)	200	200	250	250
Logistics Capital Rolling programme (RF)	28	19	20	42
Body Armour (RF)	0	0	17	421
Technical Assets Rolling Programme	0	540	420	600
P&E Other Technical	74	0	0	0
Custody- Alcohol (AO)	16	0	0	0
ANPR (Automatic Number Plate Recognition Camera) (AO)	311	0	0	0
Roads Policing (AO)	2	0	0	0
NST - Core Business (AO)	11	0	0	0
Digital Forensic Unit (AO)	104	0	0	0
Technical Surveillance Unit (AO)	50	0	0	0
CIU (Collision Investigation Unit ) (AO)	32	0	0	0
CSU (Crime Support Unit) (AO)	1	0	0	0
Firearms (AO)	20	0	0	0
MCU (Major Crime Unit) (AO)	81	0	0	0
PSU (Police Support Unit) (AO)	8	0	0	0
ADSL (Removal of old firewalls) (AO)	14	0	0	0
EGT Rolling Programme	18	0	0	0
<b>Total General Equipment Rolling Programme</b>	<b>969</b>	<b>758</b>	<b>707</b>	<b>1,313</b>
<b>Estates Rolling Programme - Richard Flint (with 3 exceptions see below)</b>				
Code used for adjustments	0	-75	-200	0
Property and Facilities Programme	301	237	207	96
Athena House - Training Facility	71	0	50	0
Easingwold	18	52	0	0
Ingleton	0	52	16	0
Boroughbridge Road	13	4	0	0
Vale house	217	0	418	89
Mast Improvement Works	120	125	0	0
Fulford Road	476	365	182	0
Force Control Room (FCRXN) - being spent with the FCR budget 6590	247	104	69	0
Force Control Room (DCC Cain)	27	0	0	0
Tadcaster	200	0	607	74
Settle	0	1	11	19
Scarborough	217	176	38	272
Leyburn	575	0	0	0
Clifton moor	28	33	2	3
Richmond	74	73	53	0
Patley Bridge	32	57	0	1
Sherburn	5	0	0	0
Whitley Bridge	5	9	10	0
Acomb	0	164	0	0
Boroughbridge Local Police Station	95	27	19	15
Crosshills Local Police Station	20	0	0	0
Eastfields Local Police Station	0	56	0	70
Grassington	20	9	0	0
Knaresborough	271	0	0	0
Malton	145	109	16	3
Skipton	135	81	0	254
Stokesley	19	25	53	0
West Ayton	22	168	0	0
Whitby	92	101	6	0
48 Bridge Road	65	31	7	0
Tynedale	112	7	0	0
Police Box	0	5	0	0
Quarry Bank	26	115	0	0
Harrogate	32	0	0	0
Custody Suite Fire Detection Systems	8	0	0	0
Estates Unallocated Slippage	230	0	0	0
<b>Total Estates Rolling Programme</b>	<b>3,918</b>	<b>2,111</b>	<b>1,562</b>	<b>896</b>
<b>Other Schemes</b>				
Origin Upgrade (RH)	28	0	0	0
Drones (AO)	0	0	33	0
NICHE (SW)	140	140	20	0
<b>Total Other Schemes</b>	<b>168</b>	<b>140</b>	<b>53</b>	<b>0</b>
<b>Total Capital and Revenue Development Programme</b>	<b>9,529</b>	<b>6,370</b>	<b>4,731</b>	<b>4,453</b>

## Appendix B

### **Reserves Strategy**

As part of the 2018/19 financial settlement PCC's have been informed by the Government that "If the police deliver clear and substantial progress against agreed milestones on productivity and efficiency in 2018, as well improve transparency about reserves, then the Government intends to maintain the protection of a broadly flat police grant in 2019/20 and repeat the same flexibility of the precept."

The Government has gone on to say that "As part of our commitment to work with the police on these reforms, today the Government is taking steps to improve transparency around financial reserves. It is necessary for police to hold financial reserves, including for emergencies and major change costs. As at March 2017 police forces held usable resource reserves of over £1.6 billion, compared to £1.4 billion in 2011. This is public money and the public are entitled to high quality and easily accessible information about reserves."

As part of these steps to improve transparency:

- Each PCC should publish their reserves strategy on their website, either as part of their medium term financial plan or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).
- Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the PCC's medium term financial plan.

The strategy should be set out in a way that is clear and understandable for members of the public, and should include:

- how the level of the general reserve has been set;
- justification for holding a general reserve larger than five percent of budget;
- details of the activities or items to be funded from each earmarked reserve, and how these support the PCC and Chief Constable's strategy to deliver a good quality service to the public.
- Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.

The information on each reserve should make clear how much of the funding falls into 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 or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).

## **Reserves Policy**

The PCC has had a Reserves Policy in place throughout her time in office, which has been updated annually as part of the Budget Setting Process. The principles that underpin this area are as follows:

Reserves are maintained to:-

- (a) Create a contingency to help cushion the impact of unexpected events or emergencies - the General Reserve.
- (b) Build up funds (often referred to as earmarked reserves) to meet specific future requirements, including the smoothing out of peaks in costs and the effect of loss of external funding.

The level of reserves is taken into account when calculating the council tax requirement. This ensures a balanced budget position is maintained and enables regard to be given to affordability when considering future revenue requirements and capital programmes.

The reserves must be reported to the Police and Crime Commissioner on a regular basis as part of budget and financial monitoring. Part of this exercise is to ensure continuing relevance and adequacy and to enable the Medium Term Financial Plan to be up-dated.

The actual level of reserves, earmarking and utilisation are considered when up-dating the MTFP and as part of its on-going review.

## **General Reserve**

In setting the level of the General Reserve, consideration is given to the adequacy of financial control, the overall financial position, medium-term plans and strategic, operational and financial risks facing the Police and Crime Commissioner. The level of the General Reserve is reviewed by the Police and Crime Commissioner on the advice of the PCC's Chief Finance Officer having regard to these matters.

Key Principles are:-

- (a) The General Reserve will not be used to meet on-going revenue items.
- (b) The General Reserve may be used, on an exceptional basis, as a short-term option to balance the budget, particularly where major operations are experienced.
- (c) The Police and Crime Commissioner will aim to maintain the level of General Reserves at not less than 3% of the net revenue budget.
- (d) The level of the General Reserve is re-assessed annually as part of the annual budget-setting process.

## Reserves Forecast

The following schedule sets out the forecast movements on reserves over the life of the current long term financial plan, it is important to recognise that whilst the schedule sets out the expected use of the current reserves circumstances will change and all reserves will be reviewed at least annually. It is also important to recognise that there will undoubtedly be a need to create new reserves, in future years, to deal with risks that are currently unknown; therefore while the current schedule shows that the overall level of risks will reduce significantly, the likelihood is that they will not reduce in overall financial terms as exactly planned and that while current reserves are spent new reserves are likely to be needed to manage future risks.

	Balance at 31 March 2018 £000	Tranfers In 2018/19 £000	Tranfers Out 2018/19 £000	Balance at 31 March 2019 £000	Tranfers In 2019/20 £000	Tranfers Out 2019/20 £000	Balance at 31 March 2020 £000	Tranfers In 2020/21 £000	Tranfers Out 2020/21 £000	Balance at 31 March 2021 £000	Tranfers In 2021/22 £000	Tranfers Out 2021/22 £000	Balance at 31 March 2022 £000
<b>Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.</b>													
Revenue Initiatives	184	600	(140)	644		(600)	44			44			44
Capital Reserve	2,528	1,867	(3,989)	405	2,342	(2,748)	(0)	2,771	(2,771)	0	3,010	(3,010)	0
PCC Community Fund Reserve	841		(250)	591		(250)	341		(299)	43		0	43
Commissioned Services Reserve	447		(161)	286	29	(161)	154	15		168			168
<b>Total Reserves within current MTFP</b>	<b>4,000</b>	<b>2,467</b>	<b>(4,540)</b>	<b>1,926</b>	<b>2,371</b>	<b>(3,759)</b>	<b>539</b>	<b>2,786</b>	<b>(3,070)</b>	<b>255</b>	<b>3,010</b>	<b>(3,010)</b>	<b>255</b>
<b>Funding for specific projects and programmes beyond the current planning period.</b>													
Confiscated Monies Reserve	231	130	(179)	182	130	(100)	212	130	(100)	242	130	(100)	272
Cost of Change Reserve	268		(47)	221			221			221			221
<b>Total Reserves beyond current MTFP</b>	<b>499</b>	<b>130</b>	<b>(226)</b>	<b>403</b>	<b>130</b>	<b>(100)</b>	<b>433</b>	<b>130</b>	<b>(100)</b>	<b>463</b>	<b>130</b>	<b>(100)</b>	<b>493</b>
<b>As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)</b>													
Insurance Reserve	438			438			438			438			438
Major Incident Reserve	0	500		500			500			500			500
<b>Total General Contingency Reserves</b>	<b>438</b>	<b>500</b>	<b>0</b>	<b>938</b>			<b>938</b>			<b>938</b>			<b>938</b>
<b>Total Earmarked Reserves</b>	<b>4,937</b>	<b>3,097</b>	<b>(4,766)</b>	<b>3,267</b>	<b>2,501</b>	<b>(3,859)</b>	<b>1,910</b>	<b>2,916</b>	<b>(3,170)</b>	<b>1,656</b>	<b>3,140</b>	<b>(3,110)</b>	<b>1,686</b>
<b>General Reserves</b>	<b>6,774</b>	<b>1,000</b>	<b>(1,800)</b>	<b>5,974</b>	<b>0</b>	<b>0</b>	<b>5,974</b>	<b>0</b>	<b>0</b>	<b>5,974</b>	<b>0</b>	<b>0</b>	<b>5,974</b>
<b>Total Usable Reserves</b>	<b>11,710</b>	<b>4,097</b>	<b>(6,566)</b>	<b>9,241</b>	<b>2,501</b>	<b>(3,859)</b>	<b>7,883</b>	<b>2,916</b>	<b>(3,170)</b>	<b>7,630</b>	<b>3,140</b>	<b>(3,110)</b>	<b>7,660</b>
<b>Capital Receipts Reserve</b>	<b>2,431</b>	<b>169</b>	<b>(2,600)</b>	<b>0</b>	<b>4,298</b>	<b>(4,298)</b>	<b>(0)</b>	<b>944</b>	<b>(944)</b>	<b>(0)</b>	<b>169</b>	<b>(169)</b>	<b>(0)</b>

## **Why have these Reserves been established and what will they used for?**

### **Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.**

#### **Revenue Initiatives and Revenue CRDP Reserve (Funding for Planned Expenditure over MTFP)**

These reserves are held to meet the forecast costs of some on-going revenue initiatives to enable one off schemes/expenditure to be funded

#### **Capital Reserve (Funding for Planned Expenditure over MTFP)**

This reserve is held to meet the forecast costs of capital schemes which will enable the capital needs of the organisation to be funded in a sustainable manner, without the need to increase borrowing beyond what is determined to be a prudent level and to also provide some contingency to fund unknown investments whether these be from local changes or national initiatives.

#### **PFCC Community Fund (Funding for Planned Expenditure over MTFP)**

The PFCC has established the reserve to support local community safety initiatives over the period of her term in Office. £250k per annum has been set aside to support this initiative.

#### **Commissioned Services Reserve (Funding for Planned Expenditure over MTFP)**

To help manage the variable nature of and short term nature of some grants provided for this area of work this Reserve has been established from previous underspends in this area to help manage the uncertainties of funding changes and invest initially in new areas of work

### **Funding for specific projects and programmes beyond the current planning period.**

#### **Confiscated Monies Reserve**

These reserves hold monies raised from confiscated assets generated through the proceeds of crime, either directly or via grant from Central Government. The reserve is utilised to support crime fighting work, subject to statutory restrictions on usage

#### **Cost of Change Reserve (Funding for Planned Expenditure over MTFP)**

This reserve is held to meet the forecast costs of change and held to enable future change programmes that might be required to help transform the organisation

### **As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).**

#### **Insurance Reserve (General Contingency Reserve)**

The Police and Crime Commissioner operate on a self-insurance basis determined by the level of excess on the cover provided by external policies. This reserve is ring-fenced for insurance requirements only and cannot be used for other purposes. It is calculated based on an historic assessment of claims history and is subjected to an actuarial audit to validate the fund level on a three-yearly basis. This reserve is available should the Police and Crime Commissioner face exceptional costs or suffer a major catastrophic incident or face premium increases which cannot be met by budget in year.

#### **Major Incident Reserve (General Contingency Reserve)**

This reserve was established by transfer from revenue, and is held to contribute to the funding of any one off major incident revenue costs over and above the annual budget set aside for major incidents.