



HUMBERSIDE
POLICE & CRIME
COMMISSIONER



MEDIUM-TERM RESOURCE STRATEGY

2021/22 – 2025/26

Police and Crime Commissioner for Humberside

Medium-Term Resource Strategy 2021/22 – 2025/26

Contents

| | | |
|-----|--|----|
| 1. | Purpose of the Medium-Term Resource Strategy | 3 |
| 2. | Aims of the Strategy..... | 3 |
| 3. | Principles of the Strategy | 3 |
| 4. | Reviewing the Strategy | 4 |
| 5. | Police and Crime Plan including Partnerships | 4 |
| 6. | Financial Context | 5 |
| 7. | Current 2020/21 Financial Position | 6 |
| 8. | Medium-Term Budget Pressures | 7 |
| 9. | Medium-Term Savings Proposals | 7 |
| 10. | Capital Estimates and Financing | 8 |
| 11. | Indicative Budget Forecasts 2021/22 to 2025/26 | 9 |
| 12. | Reserves..... | 10 |
| 13. | Risk Assessment | 12 |
| 14. | Conclusion | 13 |

I. Purpose of the Medium-Term Resource Strategy

- 1.1 This is the Medium-Term Resource Strategy (MTRS) of the Police and Crime Commissioner for Humberside (the Commissioner). It covers a period of five years but will be reviewed annually to reflect the dynamic nature of both policing and changes in funding. It describes the financial direction of the organisation and outlines financial pressures.
- 1.2 The MTRS provides options for delivering a sustainable budget and capital programme over the medium term. It also sets out how the Commissioner can provide the Chief Constable with the resources to deliver the priorities in the Police and Crime Plan within the challenging financial climate.
- 1.3 The MTRS sets the financial context for the Commissioner's revenue budget, capital programme and precepting decisions.
- 1.4 The overall financial strategy seeks to deliver the Commissioner's Police and Crime Plan, 2017 - 2021 and meet the requirements of the National Strategic Policing Requirement.

2. Aims of the Strategy

- 2.1 The MTRS assists in:
 - Supporting delivery of the Police and Crime Plan 2017 – 2021;
 - Improving financial planning and the financial management of the Commissioner's resources, both revenue and capital;
 - Maximising the use of resources available to the Commissioner and Chief Constable, both internal and external;
 - Ensuring that the Commissioner and Chief Constable provide value for money and continue to deliver efficiency gains;
 - Reviewing the Commissioner's policy on the use of reserves, ensuring the position continues to be sustainable and that there are sufficient resources over the medium term;
 - Responding to external pressures, including changes to funding resulting from the Government's annual funding announcements.
 - Identifying resources to enable support to be provided to partners to facilitate reductions in crime and support victims of crime.
 - Ensuring that the Commissioners and Chief Constables long term plans are sustainable and efficient.

3. Principles of the Strategy

- 3.1 The key principles underlying the Commissioner's MTRS 2021/22 – 2025/26 are:
 - (i) Overall expenditure of the Commissioner will be contained within original estimates each year.
 - (ii) The Commissioner will maintain a General Reserve of a minimum of 3% of the net revenue budget to cover any major unforeseen expenditure or loss of funding. A flexible approach will be taken to the use of reserve balances above this level where

appropriate, balancing the opportunity costs of maintaining reserves against the benefits of alternative approaches.

- (iii) The Commissioner will maintain earmarked reserves for specific purposes only when appropriate, and which are consistent with achieving objectives.
- (iv) The Commissioner will continue to prioritise the achievement of Value for Money, securing economy, efficiency and effectiveness in the use of resources; in establishing the framework for policing within Humberside and; in commissioning and procurement decisions.
- (v) The Commissioner's Chief Finance Officer and the Chief Constable's Chief Finance Officer will prepare a rolling programme of five-year budget forecasts to inform the Commissioner's budget and precepting decisions.
- (vi) The Commissioner, supported by the Commissioner's Chief Finance Officer and Chief Constable, will continue to contribute to national reviews of police funding and take every opportunity to engage in order to pursue the fair and equitable funding of Humberside Police.

4. Reviewing the Strategy

4.1 The Commissioner's MTRS review for 2021/22 to 2025/26 has been carried out under the following key themes:

- The financial context in which the Commissioner operates;
- The Commissioner's current financial position;
- The impact of Operation Uplift (the recruitment of 20,000 Police Officers nationally);
- The impact of COVID-19 on current expenditure and projected future income;
- The future budget pressures that the Commissioner will face over the period of the strategy;
- Budget savings;
- The Commissioner's capital programme;
- Reserves policy;
- Risk assessment.

5. Police and Crime Plan including Partnerships

5.1 The successful delivery of the Strategy requires the Chief Constable to manage a complex set of resources, demands and priorities whilst reviewing and revising plans to meet changing demand for policing services within the available financial resources.

5.2 HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services) considers that a Force is efficient if it is making the best use of its resources to provide policing services that meet expectation and follow public priorities, and if it is planning and investing wisely for the future.

- 5.3 The Commissioner's MTRS is underpinned by workforce planning and capital programmes which are aligned with the delivery of the Police and Crime Plan priorities and the continued delivery of an efficient and effective police service to the communities of Humberside.
- 5.4 The Commissioner is instrumental in shaping the community safety and partnership landscape in each of the local authority areas. Engagement Officers based in each area ensure that community views are factored into service delivery through local partnerships. Funding is prioritised to the local Community Safety Partnerships, services for victims, co-commissioning of substance misuse services with Public Health and youth early intervention activities.

6. Financial Context

6.1 **Funding Formula** - The Funding formula used to distribute Grant between Forces (Police Allocation Formula (PAF)) was introduced in 2006/07 and much of the data used has not been updated. There has been recognition for many years that the formula no longer reflects needs, but previous attempts at reform of the PAF have not come to fruition due to various technical/political considerations. No change is anticipated to the PAF formula until at least 2022/23 at the earliest and therefore, the MTRS has made no assumptions in this regard.

6.2 **Operation Uplift** - The Government has made a commitment to increase police officer numbers nationally by 20,000 by March 2023. The profile for Humberside Police is as follows:

2020/21 - 97 Officers;

2021/22 - 95 Officers (includes an additional 4 Officers for Regional Organised Crime Units (ROCU's));

2022/23 - (assumed) 120 Officers.

Funding has been allocated towards the costs of police officer salaries, additional police staff to facilitate the recruitment and training of officers and the necessary kit and equipment they need.

6.3 **Police Finance Settlement and Council Tax Precept** - The Provisional Police Finance Settlement for 2021/22 was announced on 18 December 2020.

The headlines from the Police Finance Settlement for Humberside are as follows:

- Police core grants of £130.9m
- Legacy grants of £10.0m
- Ringfenced grant of £1.6m relating to achievement of Operation Uplift targets
- Capital grant allocation of £0.2m

6.4 The Secretary of State determines the maximum increase PCCs can make to council tax precept without requiring a referendum and in 2021/22 the sum is £15 per year on a Band D property. The Band D council tax precept set by the Commissioner for the current year 2020/21 is £228.22.

The Commissioner has also run a public consultation on the level of the council tax precept for 2021/22. There have been 1691 responses to the consultation. 69.4% of these responses agree with a £15 increase in a Band D council tax.

6.5 This MTRS as presented includes an increase in the precept of £14.99 (6.6%) for a Band D property for 2021/22. A prudent planning assumption has been made regarding the future years

2022/23 to 2025/26 of a 2% increase. Final decisions on the actual precept will be made each year by the Police and Crime Commissioner based on the financial circumstances at the time.

- 6.6 **Ministry of Justice Grant** - The Ministry of Justice (MOJ) allocates a grant to the Commissioner each year for local commissioning of victim services. The grant is allocated between Police and Crime Commissioners on the basis of population. A total of £1.090m was allocated to the Police and Crime Commissioner for Humberside for 2020/21. The amount for 2021/22 is yet to be confirmed.
- 6.7 The MOJ grant is held outside of the Police General Fund and the Commissioner makes decisions on the commissioning of services on an annual basis, within the grant funding available. The commissioning of victim services therefore has no impact on Force budgets.

7. Current 2020/21 Financial Position

- 7.1 The Commissioner's group budget for 2020/21 is £197.516m. The Period 9 revenue monitoring report shows a projected budget underspend of £0.155m as at 31 December 2020.

| 2020/21 Revenue Monitoring – Period 9 Position | | | |
|--|----------------------------|------------------------------|---------------------|
| | Approved Budget 2020/21 | Projected Outturn 2020/21 | Variance 2020/21 |
| <u>Group Position</u> | £m | £m | £m |
| Chief Constable | 188.482 | 188.447 | (0.035) |
| Police and Crime Commissioner | 4.863 | 4.752 | (0.111) |
| Capital Financing | 4.171 | 4.162 | (0.009) |
| Net Expenditure | 197.516 | 197.361 | (0.155) |
| Central Government Grant | 133.196 | 133.196 | - |
| Council Tax Precept | 63.845 | 63.845 | - |
| Central Grant and Precept Total | 197.041 | 197.041 | - |
| Appropriations (to) / from reserves | 0.475 | 0.320 | (0.155) |

- 7.2 The group budget is held by the Police and Crime Commissioner who provides financial resources to the Chief Constable to deliver operational policing. The PCC has a small specific budget for funding of partnerships and the OPCC running costs. The Capital Financing budget comprises the revenue provision for repayment of borrowing, interest costs and investment income.
- 7.3 The overall Group forecast represents an underspend of £0.155m.
- 7.4 The underspend against the Chief Constable's revenue budget of £0.035m is primarily due to a re-allocation of ICT budgets following a review. The underspend on the Police and Crime Commissioner's budget is primarily staff vacancies for which the recruitment process has commenced.

7.5 The forecast closing position on reserves for 2020/21 is £16.9m, as set out in the table below.

| 2020/21 Reserves – Period 9 Position | | | |
|---|---------------------|----------------------|---------------------|
| | Approved 2020/21 | Projected 2020/21 | Variance 2020/21 |
| <u>Group Position</u> | £m | £m | £m |
| Opening Balance – General Reserve (01/04/20) | 5.8 | 5.8 | - |
| Planned transfer to/(from) General Reserve | 0.3 | 0.3 | - |
| Forecast Closing Balance (31/03/21) | 6.1 | 6.1 | - |
| Opening Balance – Earmarked Reserves (01/04/20) | 11.4 | 11.4 | - |
| Planned transfer to/(from) Earmarked Reserves | (0.4) | (0.4) | - |
| Forecast Closing Balance (31/03/21) | 10.4 | 10.8 | - |
| Forecast Closing Balance (31/03/21) | 16.9 | 16.9 | - |

8. Medium Term Budget Pressures in Humberside

- 8.1 When calculating the medium-term budget projections for Humberside consideration has been given to a number of budget pressures including:
- i. Pay and price increases;
 - ii. Budget pressures;
 - iii. Revenue implications of the capital programme;
 - iv. Other – including the implications of Covid-19.
- 8.2 **Pay and price increases** - Indicative budget forecasts for 2021/22 to 2025/26 reflect the impact of inflation on budgets wherever possible such as energy, business rates and rent increases along with known contract increases. In addition, estimates for future pay awards at 2% have been included.
- 8.3 **Budget pressures** - The MTRS also includes estimates of the impact of the annual cost of officer pay progression under police regulations and the triennial review of the Local Government Pension Scheme (LGPS). Humberside Police will also face financial pressures due to the additional costs incurred following the recruitment of additional Police Officers and Police Staff as a result of Operation Uplift.
- 8.4 **Revenue implications of the capital programme** - A revised five year capital programme has been produced, which is summarised in Section 10 below. The implications of this programme are fully reflected in the MTRS.

9. Medium Term Savings Proposals

- 9.1 Throughout the MTRS period savings and efficiencies will continue to be delivered wherever possible, to sustain the investment in policing, to continue to support local policing services in the face of a challenging financial situation and balance the budget (See 11.2), for example:

- Corporate Programme of efficiency and continuous improvement reviews;
- Non pay savings;
- Savings through procurement through the continued use of national frameworks;
- Maximising income generation wherever possible.

10. Capital Estimates and Financing

10.1 The following table provides a summary of the 5-year capital programme:

| Capital Estimates | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m | Total £m |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Major and Minor Building Schemes | 19.815 | 1.943 | 0.520 | 0.520 | 0.270 | 23.068 |
| Information Technology | 4.745 | 3.059 | 1.509 | 6.528 | 0.548 | 16.389 |
| Vehicles and Equipment | 4.013 | 2.177 | 1.492 | 1.342 | 1.595 | 10.619 |
| Total | 28.573 | 7.179 | 3.521 | 8.390 | 2.413 | 50.076 |

10.2 Key areas to note in the proposed programme are:

- **Building Schemes** - Estates refurbishment programme based on operational requirements including the new development of the Melton 2 site;
- **Information Technology** - the Force have a number of Improvement Schemes to deliver change and efficiency through transformation and costs relating to the implementation of the Emergency Services Network (ESN);
- **Vehicles and Equipment** - a rolling programme of vehicle replacement and programmes for upgrading equipment.

Capital Financing

| Capital Estimates | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m | Total £m |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Forecast Expenditure | 28.573 | 7.179 | 3.521 | 8.390 | 2.413 | 50.076 |
| Financed by: | | | | | | |
| Grants and Contributions | 0.187 | | | | | 0.187 |
| Prudential Borrowing | 28.386 | 7.179 | 3.521 | 8.390 | 2.413 | 49.889 |
| Total Financing | 28.573 | 7.179 | 3.521 | 8.390 | 2.413 | 50.076 |

10.3 The capital financing approach is to use Prudential borrowing to fund the Capital Programme and as mentioned in paragraph 8.4 the revenue implications of this borrowing is fully reflected in the MTRS Group Budget Forecast.

11. Indicative Budget Forecasts 2021/22 to 2025/26

11.1 All the budget pressures, budget savings and funding assumptions outlined earlier in this Strategy are summarised below, to show an overall position for the Group representing the combined budget forecasts for the Commissioner and Chief Constable. Having considered the savings proposals and the availability of reserves to support the MTRS an important consideration is the precept proposal for 2021/22. The MTRS includes a precept increase of £14.99 (6.6%) built into the funding for 2021/22, and future increases as set out earlier in this report.

11.2 The group budget forecast position is set out in the following table:

| MTRS Group Budget Forecast | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Base budget | 198.760 | 210.611 | 218.735 | 223.985 | 229.037 |
| Budget pressures | | | | | |
| Pay related increases | 6.047 | 3.832 | 4.166 | 4.955 | 5.263 |
| Operation Uplift | 2.664 | 4.922 | 2.005 | 0.571 | 0.615 |
| Increase/(Reduction) in expenditure funded by Earmarked reserves | (0.660) | (2.630) | (0.015) | - | - |
| Budget pressures/(additional income) | 2.868 | 1.887 | (0.209) | 1.207 | 0.261 |
| Revenue impact of capital financing | 1.683 | 1.612 | 1.053 | 0.568 | (0.508) |
| Total budget pressures | 12.602 | 9.623 | 7.000 | 7.302 | 5.631 |
| Savings Requirement | (0.750) | (1.500) | (1.750) | (2.250) | (2.500) |
| Net Budget Requirement | 210.611 | 218.735 | 223.985 | 229.037 | 232.168 |
| Central Government Grant Income | 130.918 | 140.015 | 140.714 | 141.418 | 142.124 |
| Council Tax Precept Support Grant | 10.041 | 10.041 | 10.041 | 10.041 | 10.041 |
| Council Tax Precept Income | 66.477 | 69.161 | 71.602 | 74.130 | 76.747 |
| Council Tax Precept - Collection Fund surplus / (deficit) | (0.222) | 0.600 | 0.600 | 0.600 | 0.600 |
| Total Income | 207.214 | 219.817 | 222.957 | 226.189 | 229.512 |
| Funding gap / (surplus) before reserves | 3.397 | (1.082) | 1.028 | 2.848 | 2.656 |
| Planned use of reserves: | | | | | |
| Transfer (from)/to Earmarked reserves | (3.397) | 1.082 | (1.028) | (2.848) | (2.656) |
| Funding gap / (surplus) after use of reserves | - | - | - | - | - |

11.3 The Group forecast budget set out above shows how after the planned use of reserves, savings and the precept there is no funding gap for the period of the MTRS, which meets the key principle of the Commissioner's Strategy that overall expenditure will be delivered within a sustainable budget over the medium term.

11.4 The Group forecast budget is allocated as follows between Chief Constable, Police and Crime Commissioner and Capital Financing.

| Humberside PCC Group | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Chief Constable | 198.816 | 205.316 | 209.493 | 213.957 | 217.586 |
| Police and Crime Commissioner | 5.822 | 5.834 | 5.854 | 5.874 | 5.894 |
| Capital Financing | 5.973 | 7.585 | 8.638 | 9.206 | 8.688 |
| Total | 210.611 | 218.735 | 223.985 | 229.037 | 232.168 |

- 11.5 **Budget Monitoring arrangements** – the S.151 Officer confirms that the Commissioner has timely and robust monitoring arrangements. Management Accounts are reported to the Chief Constable and the Police and Crime Commissioner on a monthly basis.

12. Reserves

Background information on Reserves

- 12.1 Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets.
- 12.2 In establishing reserves, the Commissioner must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.
- 12.3 Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Reserves and Balances (LAAP Bulletin No 77 November 2008) and the requirements of the Code suggests twice yearly reviews of reserves. By doing this, the visibility of reserves are increased and consideration of their use is placed at the forefront of the decision-making process. Reserves are cash backed balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be spent once, and are not part of the base budget.
- 12.4 In addition, CIPFA along with the Home Office recommended as good practice that Police and Crime Commissioners publish an Annual Reserve Strategy Statement. Humberside has published an Annual Reserves Strategy Statement since 2019/20. The statement provides an explanation for each reserve along with its value. It also includes a narrative explaining whether the current and projected level of reserves is appropriate, and if governance arrangements for reserves are adequate and appropriate.
- 12.5 The Commissioner's balance sheet reserves are summarised as follows:
- **General Reserves** - a contingency for unexpected events or emergencies;
 - **Earmarked Reserves** - to meet known or predicted liabilities.
- 12.6 CIPFA guidance issued in June 2003 confirms that relevant bodies should make their own judgements on such matters, taking into account relevant local circumstances and an assessment of risk and the advice of the Chief Finance Officer.

Reserves Strategy

12.7 The Commissioner must retain adequate reserves so that unexpected budget pressures can be met without adverse impact on the achievement of key objectives and council taxpayers. The Commissioner’s policy for reserves and balances is based on a thorough understanding of the organisation’s needs and risks. Part of this process is to give a clear explanation of the existing and proposed use of reserves and this is addressed in the paragraphs below.

General Reserve

12.8 The expected General Reserve at 1 April 2021 will be increased to £6.1m equating to 3.0% of the revenue budget. This meets one of the key MTRS principles to seek to maintain the General Reserve at 3% of the net revenue budget. The closing General Reserves at 31 March 2026 are estimated to be £7.3m equating to 3% of the net revenue budget.

Earmarked Reserves

12.9 Earmarked Reserves represent funds which have been set aside by the Commissioner for specific purposes. The table below shows the overall strategy for use of reserves over the MTRS period.

| MTRS Reserves Forecast | At 1 April 2021 £m | At 1 April 2022 £m | At 1 April 2023 £m | At 1 April 2024 £m | At 1 April 2025 £m | At 1 April 2026 £m |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Earmarked Reserves | | | | | | |
| Performance Improvement Reserve | 7.7 | 5.9 | 7.2 | 6.4 | 3.4 | 0.5 |
| Risk Management Reserve | 1.9 | 1.0 | 0.4 | 0.3 | 0.3 | 0.3 |
| Partnership Reserve | 1.2 | 0.3 | 0.3 | - | - | - |
| Total Earmarked Reserves | 10.8 | 7.1 | 7.9 | 6.7 | 3.6 | 0.8 |
| General Reserves | 6.1 | 6.4 | 6.7 | 6.9 | 7.1 | 7.3 |
| Total Reserves | 16.9 | 13.5 | 14.6 | 13.6 | 10.7 | 8.1 |

12.10 The Commissioner retains three Earmarked reserves for the following purposes:

- Performance Improvement Reserve – used to support the revenue budget, to help to facilitate business change and pump-prime initiatives, including those that are spend to save;
- Risk Management Reserve – used to provide cover for potential liabilities that have been identified but have not yet crystalized and any shortfall in self-insurance provisions;
- Partnership Reserve – used to support community safety partners and to supplement monies from the Ministry of Justice for victims’ services provision.

12.11 **Adequacy of Reserves** – the S.151 Officer confirms that the current reserves held by the Commissioner are adequate. The position on reserves will be kept under continuous review and will be reviewed again, during 2021/22 as part of the Government’s Comprehensive Spending Review announcements during the late part of 2021 and early into 2022. Any material changes will be reported to the Commissioner.

13. Risk Assessment

13.1 The MTRS contains the most up to date information at the time of drafting, but the Commissioner's financial position is dynamic. A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure all risks and uncertainties affecting the Commissioner's financial position are identified. The Commissioner faces a number of significant financial pressures that could affect the position over the medium term. An assessment of the likelihood and impact of each risk and the management controls in place are shown in the following table:

| Risk | Likelihood | Impact | Risk Management |
|---|------------|--------|---|
| Pay awards and price inflation being higher than anticipated. | Possible | Medium | Budget based on best information available and set at a prudent level. |
| Failure to deliver planned savings. | Possible | Medium | Revenue monitoring updates to the Commissioner and Chief Constable. |
| Impact of COVID-19, increased expenditure and reduced income | Likely | Medium | Monitor and reclaim expenditure if possible, budget based on latest information around precept and use any measures available to reduce impact. |
| Impact of the introduction of the Emergency Services Network | Likely | Medium | Monitor information as it is released and try to secure sustainable funding to mitigate any increased costs. |
| Further reductions in funding included in the next Comprehensive Spending Review and an unfavourable review of funding formula. | Possible | High | Balance on General Reserve maintained at minimum of 3%; forward planning; regular monitoring. |
| Future council tax precept rises limited by excessiveness principles determined by the Government. | Likely | Medium | Balance on General Reserve maintained at minimum of 3%; forward planning. |
| Costs associated with the outcome of the national legal challenge to the Police Pension Scheme (2015) transition arrangements are not met centrally by the Home Office. | Possible | Medium | Balance on General Reserve maintained at minimum of 3%; close budget monitoring; annual review of budget and MTRS; existing Police Pension Fund arrangements require the Home Office to balance the deficit on the Fund each year through a top-up grant. |

13.2 **Robustness of Estimates** - the S.151 Officer confirms that the budget estimates have been compiled on a robust and prudent basis.

14. Conclusion

- 14.1 The overall financial position for Humberside Police is sustainable over the medium term.
- 14.2 The approach set out in this MTRS delivers a balanced budget. It sets out how all five years will be financed and general reserves can be maintained at or above 3.0% of the revenue budget, estimated at £7.3m at March 2026.