



Meeting: **Leicester, Leicestershire and Rutland Police and Crime Panel**

Date/Time: **Wednesday, 31 January 2018 at 1.00 pm**

Location: **Sparkenhoe Committee Room, County Hall, Glenfield**

Contact: **Euan Walters (Tel: 0116 305 6016)**

Email: **euan.walters@leics.gov.uk**

Membership

Mr. J. T. Orson JP CC (Chairman)

Cllr. John Boyce	Ms Mehrunnisa Lalani
Cllr. Lee Breckon, JP	Cllr. Abdul Osman
Cllr. Ruth Camamile	Cllr. Brian Page
Cllr. Stephen Corral	Cllr. Trevor Pendleton
Mr Keith Culverwell	Cllr. Michael Rickman
Cllr. Ratilal Govind	Cllr. Manjula Sood, MBE
Cllr. Malise Graham	Cllr. Alan Walters

**Please note: this meeting will be filmed for live or subsequent broadcast via the Council's web site at www.leicestershire.gov.uk
– Notices will be on display at the meeting explaining the arrangements.**

AGENDA

<u>Item</u>	<u>Report by</u>
1. Minutes of the Confirmation Hearing held on 5 December 2017.	(Pages 3 - 6)
2. Minutes of the Police and Crime Panel meeting held on 5 December 2017.	(Pages 7 - 12)
3. Public Question Time.	
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	
5. Declarations of interest in respect of items on the agenda.	



6. Independent Panel Members (Pages 13 - 16)
7. Police Precept and Budget (Pages 17 - 50)
8. OPCC office structure (Pages 51 - 56)
9. Cross-Force Collaboration. (Pages 57 - 62)
10. Any other items which the Chairman has decided to take as urgent.
11. Date of next meeting.

The next meeting of the Panel is scheduled to take place on 28 March 2018 at 1:00pm at City Hall, Leicester (though an additional meeting may take place on 19 February 2018 at 1:00pm at County Hall, Glenfield if the Panel resolves to veto the proposed Precept).

Minutes of a meeting of the Leicester, Leicestershire and Rutland Police and Crime Panel held at County Hall, Glenfield on Tuesday, 5 December 2017.

PRESENT

Mr. J. T. Orson JP CC (in the Chair)

Cllr. John Boyce	Cllr. Stephen Corral
Cllr. Lee Breckon, JP	Cllr. Ratilal Govind
Cllr. Ruth Camamile	Cllr. Michael. Rickman
Mrs. Helen Carter	Cllr. Manjula Sood, MBE
Col. Robert Martin OBE, DL	Cllr. Jonathan Morgan
Cllr. Alan Pearson	

Apologies

Cllr. Abdul Osman, Cllr. Trevor Pendleton and Cllr. Alan Walters

In attendance

Lord Willy Bach – Police and Crime Commissioner

Paul Hindson – Proposed candidate for Chief Executive Officer at OPCC

13. Urgent Items.

There were no urgent items for consideration.

14. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

15. Confirmatory Hearing for the Post of Chief Executive Officer.

The Police and Crime Panel considered a report of the Office of the Police and Crime Commissioner (OPCC) in regard to its proposed appointment of Mr. Paul Hindson to the post of Chief Executive Officer. A copy of the report of the OPCC, marked 'Agenda Item 3', is filed with these minutes.

The Chairman welcomed the Police and Crime Commissioner (PCC) and Mr. Paul Hindson to the Hearing. Officers and Panel members each introduced themselves to Mr. Hindson.

The Chairman outlined the process to be adhered to, taking those present through a process document which had been circulated to all members.

The Chairman invited the PCC to explain the recruitment process for the Chief Executive Officer role and why he chose Mr. Hindson for the post. The PCC stated that applicants were required to undertake a psychometric test, be assessed by a Community Panel and attend a formal interview. The PCC stated that Mr. Hindson was an outstanding candidate who had successfully completed all aspects of the recruitment process. In the

view of the PCC Mr. Hindson was extremely well qualified for the role as he had previously carried out several senior jobs in the criminal justice arena including working for Probation, he had been an advisor to Central Government and also had private sector experience as well.

(The PCC left the room.)

The Chairman invited Mr. Hindson to explain why he chose to undertake the role of Chief Executive Officer and how he felt he was qualified for the role. Mr. Hindson explained that he was attracted to jobs which were about increasing social value to the public, and that the role with the OPCC involved more engagement with the community than his previous jobs. Mr. Hindson said that he also felt the role would challenge him which was a positive. Mr. Hindson said that he felt he had the skills and experience to carry out the role due to his previous leadership experience. Mr. Hindson stated that he would bring to the role a range of qualities such as leadership skills, determination, creativity and the ability to carry out tasks in a different way, and the ability to work collaboratively.

The Panel then questioned Mr. Hindson regarding his suitability for the post under the following key headings:

- Professional Competence;
- Personal Independence.

Arising from questioning, the Panel noted the following points made by Mr. Hindson:

- (i) An example of Mr Hindson's ability to strategically plan was his work with the national development of Offender Management. This work required him to write a strategy and visit prisons promoting the work and dealing with issues that had arisen. As part of this work Mr. Hindson took account of potential developments which were on the horizon and was prepared to adapt should circumstances change.
- (ii) Mr Hindson preferred a collaborative management style which involved providing clarity on other people's roles and what he expected of them. He also liked to help develop colleagues professionally and encourage them to gain new skills.
- (iii) Mr. Hindson's leadership skills were further developed whilst carrying out a change programme for 2 private companies, and whilst employed by Working Links he was required to manage culture changes whilst governed by a strict statutory and contractual framework. Whilst employed by Interserve Mr. Hindson designed new ways of working and made his vision as clear as possible. Changes were developed collaboratively by service users and those working on the front line.
- (iv) In order to stay up to date with policy and guidance from central government Mr. Hindson stated that he would maintain regular contact with ministers and officials in government and that he had strong links with the Home Office and the Ministry of Justice.
- (v) Mr. Hindson's previous jobs gave him experience of delivering services at a time of reducing resources and he approached times of austerity with a positive attitude as it gave the opportunity to reassess ways of working and go back to basics. Mr. Hindson stated that he had the ability to prioritise and make tough choices about which areas of work to focus on and invest resources in.
- (vi) When commissioning services Mr. Hindson had in the past been required to utilise very detailed contracts with providers however he was not in favour of this approach and preferred to focus on the outputs of providers.

- (vii) Mr. Hindson acknowledged that there was an abundant set of partners in the area of criminal justice throughout Leicester, Leicestershire and Rutland and stated that he would identify the key stakeholders and use their sphere of influence. He aimed to build relationships with all Councillors in Leicester, Leicestershire and Rutland and take their views on board.
- (viii) Mr. Hindson acknowledged the importance of community engagement and noted that some communities were hard to reach and therefore required different approaches of getting messages across such as community forums and social media.
- (ix) When prompted Mr. Hindson noted that the Police and Crime Plan clearly set out the vision for the work of the OPCC but stated that circumstances could change both nationally and locally and he would be horizon scanning to identify new priorities.
- (x) Mr. Hindson stated that he was familiar with the Nolan principles and recognised the importance of acting appropriately and with integrity.
- (xi) Mr. Hindson clarified that his company Encompass Innovation Ltd was dormant and would be closed down once the end of year accounts had been submitted. Therefore there would be no conflict of interest with the job of Chief Executive Officer at the OPCC should he be appointed.
- (xii) Mr. Hindson stated that should he be appointed he would seek to develop a positive relationship with the PCC but at all times be mindful of his role as Monitoring Officer and make sure the PCC conducts himself appropriately, legally and fairly. Mr. Hindson had experience of working with politicians from his previous jobs such as working with government ministers where he was able to encourage them to temper their ideas and ensure projects were compatible with existing legislation.

The Chairman thanked the PCC and Mr. Hindson for their attendance and informed them that it would be necessary for the Panel to come to a view in private on whether to endorse or otherwise the PCC's proposed appointment.

The Chairman indicated that the OPCC would be notified of the Panel's decision within one working day.

(Mr. Paul Hindson left the room.)

16. Exclusion of the Press and Public.

RESOLVED:

That under Section 100A of the Local Government Act 1972, the public be excluded for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraphs 1, 3 and 10 of Part 1 of Schedule 12A of the Act specified below and that, in all circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

- Panel Deliberations on the Proposed Appointment of a Chief Executive Officer.

17. Panel Deliberations on the Proposed Appointment of a Chief Executive Officer.

The Panel, having gone into exempt session, considered the statement and answers provided by Mr. Paul Hindson to their questions, in addition to the introduction provided by the PCC and all relevant paperwork provided.

RESOLVED:

That, in light of the responses given relating to the professional competence and personal independence required of the post of Chief Executive Officer, the Panel has no hesitation in agreeing to endorse the PCC's appointment of Mr. Paul Hindson to the post of Chief Executive Officer.

10.00 - 11.20 am
05 December 2017

CHAIRMAN

Minutes of a meeting of the Leicester, Leicestershire and Rutland Police and Crime Panel held at County Hall, Glenfield on Tuesday, 5 December 2017.

PRESENT

Mr. J. T. Orson JP CC (in the Chair)

Cllr. John Boyce
Cllr. Lee Breckon, JP
Cllr. Ruth Camamile
Mrs. Helen Carter
Cllr. Stephen Corrall
Cllr. Ratilal Govind

Col. Robert Martin OBE, DL
Cllr. Jonathan Morgan
Cllr Alan Pearson
Cllr. Michael Rickman
Cllr. Manjula Sood, MBE

Apologies

Cllr. Trevor Pendleton, Cllr. Abdul Osman and Cllr. Alan Walters

In attendance

Lord Willy Bach – Police and Crime Commissioner
Kirk Master – Deputy Police and Crime Commissioner
Chief Constable Simon Cole

18. Minutes of the previous meeting.

The minutes of the meeting held on 3 October 2017 were taken as read, confirmed and signed.

19. Public Question Time.

Councillor Corrall submitted the following question to the Police and Crime Commissioner:

“With demand management becoming more important for the police, do you believe, as I do, that proven examples of this, like the Braunstone Blues, which use the joint economic and reputational strength of each service to make real impacts on the Braunstone Community, should be held up as a shining example in collaboration and Data sharing excellence. Given their success I feel they should continue to be supported and used as a blueprint for how things could work in the future?”

The Police and Crime Commissioner gave the following answer:

“In a word ‘Yes!’

To expand a little:

I would like to thank Cllr Coral for his question. I have made several visits to meet the team at Braunstone Blues and each time I have been incredibly impressed by this

pioneering project. It would be fair to say that I am a great supporter of the Braunstone Blues.

For anyone who is not already aware Braunstone Blues, a multi-agency partnership delivered by Police, Fire and Ambulance services, was created to reduce the demand on blue light services and enhance the ways in which local residents can engage with the emergency services. It predominantly targets its skills at those people identified as creating the highest demand for services. The team works with partners and residents of Braunstone to deliver a healthier, safer and more secure community by educating and directing residents to appropriate services via a home visit service and delivering targeted campaigns to reduce the number of emergency calls in the area.

The team offers a free half hour home visit and advice on:

- home security
- vehicle security
- home safety
- fire safety
- child safety
- health and wellbeing

The team can also offer help with loneliness, anxiety, depression and dealing with antisocial behaviour. Each home visit is tailored to suit individual needs and provides information about other organisations that may be able to offer support.

I can honestly say that seeing a member of the community benefiting from a Braunstone Blues home visit really drives home the value of collaboration and how this can benefit our communities.

The project is currently funded by three blue light services, Fire and Rescue, the Police and Crime Commissioner and Leicester City Council. An interim evaluation found that local residents felt safer, healthier and happier as a result of the Blue's work - research shows that a resident's service dependency increases when they are unhealthy and unhappy.

I note Cllr Coral's view that *'they [Braunstone Blues] should continue to be supported and used as a blueprint for how things could work in the future'*

I would like to reassure him that from the outset it was clearly stated that if Braunstone Blues was successful it could form a blueprint for other schemes across LLR. In September this year it was announced that the Braunstone Blues Project Board wishes to extend, expand and mainstream this work to ensure that more of the most vulnerable people across LLR will benefit.

The plan is to achieve this through four additional dedicated teams. But this comes at a cost. A not insignificant figure of £1.25 million per year (for the four additional teams and retaining the Braunstone Blues) and it is no secret that funding is rather limited at the moment. Interim arrangements are in place to cover the funding of this project in the near future and I know that longer-term funding will be discussed in greater detail at the Strategic Partnership Board in January, a meeting which I chair.

Finally, I note Cllr Coral's observation that Braunstone Blues should be used as a 'shining example' and I am pleased to tell him that I personally did just that when I introduced Baroness Williams, a Minister of State at the Home Office to the team. We were able to show her how emergency services in Leicestershire are working in partnership to help local residents. She has told me she was impressed by what she saw. But this is not an isolated incidence. Since inception the Braunstone Blues project has received a huge

amount of positive publicity, which in my view is very well deserved. I strongly urge all members of the Panel to 'Google' Braunstone Blues I believe it will reassure him that together, as partners, we have been doing just that. Braunstone Blues is illustrative of the huge power of partnership working and I very much hope that between us we can find the resources to maintain it.

20. Urgent items.

There were no urgent items for consideration.

21. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

Col. Robert Martin declared a personal interest in respect of all substantive items as the Trustee of "Warning Zone" which was in receipt of some funding from the Police and Crime Commissioner.

Cllr. M. Sood declared a personal interest in respect of all substantive items as a member of the Police's Independent Advisory Panel, as a member of the Leicester Council of Faiths and a member of the Bishop's Faith Forum.

22. Update on actions taken in response to HMIC report - Leicestershire Police: Crime Data Integrity inspection 2017.

The Police and Crime Panel considered a report of the Police and Crime Commissioner which provided an update on the Force's response to the report of Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) on Leicestershire Police: Crime Data Integrity inspection 2017. A copy of the report, marked 'Agenda Item 5', is filed with these minutes.

The Panel also received an oral update from the Police and Crime Commissioner regarding the HMICFRS report on Leicestershire Police: PEEL Efficiency 2017. As part of this update presentation slides were shown and these are also filed with the minutes.

PEEL Efficiency 2017

The PCC reported that the overall assessment given by HMICFRS to Leicestershire Police was 'Requires Improvement' although in the body of the report there were positive comments about Leicestershire Police. The PCC submitted that the timing of the inspection which took place in June 2017 was unfortunate as great improvements had been made since then. In particular progress had been made with the 101 telephone service where the abandonment rate had decreased significantly since June, at a time when the total number of incoming calls had increased. Clarification was given that what was categorised as an 'abandoned call' could vary from instances where the caller only rang for a few seconds to where the caller has been on the line for several minutes.

It was believed that the reason for the high abandonment rate in June 2017 was a shortage of call handlers and it was acknowledged that recruitment should have begun earlier. However, this recruitment programme was now underway.

To further improve the 101 service new telephony equipment was being installed which would divert calls more efficiently to the appropriate place. Lord Bach expressed a desire to be able to divert 101 calls to other agencies when appropriate. It was noted that when the 101 telephone line was established it had been intended to be a partnership arrangement but other agencies had ceased to be involved when funding was reduced.

It was noted that Neighbourhood Investigations Units became active on 23 October which it was hoped would have a positive impact. The Missing Persons Team at Wigston Police Station was now in place and 24/7 Response Teams were also being implemented.

In the view of the PCC Leicestershire Police delivered a high quality service in the face of significant funding cuts. The PCC reassured the Panel that his office conducted robust scrutiny of the Chief Constable.

HMICFRS had suspended the PEEL inspections for 2018 to allow Forces to undertake Force Management Statements therefore Leicestershire Police would not be reassessed on efficiency until 2019.

RESOLVED:

That the contents of the report and the oral update be noted.

23. Deputy Police and Crime Commissioner 6 monthly update.

The Police and Crime Panel received an oral update on the work of the Deputy Police and Crime Commissioner since the previous update to the Panel.

The Deputy PCC stated that his recent work covered the following areas:

- Liaising with HMICFRS and the compilation of Force Management Statements;
- The Knife Crime Gold Group;
- Improving the recruitment levels of ethnic minorities into Leicestershire Police;
- The Youth Commission work programme and engaging with new members;
- The Estates Strategy;
- The Strategic Assurance Board
- Ensuring Neighbourhood Policing remained part of Operational policy.

RESOLVED:

That the contents of the oral update be noted.

24. Performance Update.

The Police and Crime Panel considered a report of the Police and Crime Commissioner which provided an update on performance for quarter 2. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

It was noted that this was the first performance report received by the Panel relating to the priorities set out in the current PCC's Police and Crime Plan.

Arising from discussions the following points were noted:

- (i) There had been a rise in the amount of Possession of Weapons offences and this mainly related to the carrying of knives.

- (ii) The Hate Crime spike around June 2017 was believed to have been a result of terrorist attacks which took place in other areas of the country around that time. It was still believed that Hate Crime was underreported in Leicester, Leicestershire and Rutland. The PCC was working on hate crime with criminologists at the University of Leicester.
- (iii) The Burglary figures as presented in the report included theft from sheds but it was possible to break the figures down into sheds and dwellings. Future performance reports would contain the figures broken down into both categories. This information could also be accessed from the Police.UK website.
- (iv) It was noted that the HMICFRS report on Leicestershire Police: Crime Data Integrity had identified that sexual offences had been under recorded. Consequently it was questioned whether the data in the performance report relating to sexual offences should have shown an increase now sexual offences were being recorded correctly. However, clarification was given that the number of sexual offences was so small that it not had a noticeable impact on the data.
- (v) The PCC shared concerns raised by Panel Members (particularly in relation to acquisitive crime) that offenders were being released from prison without sufficient monitoring by services such as Probation. The PCC was of the view that whilst Integrated Offender Management made a positive impact with the small amount of offenders that it dealt with, the services in place for other offenders were not satisfactory. The PCC intended to take a greater role with improving the management of offenders and his proposed candidate for the role of Chief Executive Officer, Paul Hindson, had a strong background in this area which he hoped to utilise.
- (vi) Concerns were raised that as the Victim First service was based in police stations this required Victim First staff to have a high level of security clearance which was causing delays in staff recruitment. The PCC agreed to investigate this problem and establish if it could be resolved.
- (vii) Concerns were raised that there were no Black and Minority Ethnic officers in Leicestershire Police above the grade of Inspector. The PCC shared these concerns and it was noted that Leicestershire Police were currently recruiting and Panel Members were asked to help publicise this to all communities in Leicester, Leicestershire and Rutland. It was agreed that a link to the recruitment page of the Leicestershire Police website would be circulated to Panel Members.
- (viii) Clarification was given that it was projected that Officer numbers would have to be at 1610 by the year 2021/22 which was based on the force receiving no additional funding and taking into account the maximum that the Precept could be increased by each year. The PCC confirmed that this number of officers was less than desirable but was a realistic estimate.

RESOLVED:

That the contents of the report be noted.

25. Complaints against the Police and Crime Commissioner.

The Police and Crime Panel considered a report of the Director of Law and Governance at Leicestershire County Council on complaints against the Police and Crime Commissioner. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

RESOLVED:

- (a) That the contents of the report be noted;
- (b) That in future the Panel receive reports on complaints against the Police and Crime Commissioner on an annual basis.

26. Date of next meeting.

RESOLVED:

It was noted that the next meeting of the Panel would be held on 31 January 2018 at 1:00pm.

1.00 - 3.30 pm
05 December 2017

CHAIRMAN

**LEICESTER, LEICESTERSHIRE AND RUTLAND POLICE AND
CRIME PANEL – 31 JANUARY 2018**

**APPOINTMENT OF INDEPENDENT CO-OPTED MEMBERS OF THE
POLICE AND CRIME PANEL**

REPORT OF THE PANEL'S SECRETARIAT

Purpose of Report

1. To provide Members with details of the recruitment process which took place for Independent Members of the Leicester, Leicestershire and Rutland Police and Crime Panel, and introduce the two persons that were appointed.

Background

2. The Police Reform and Social Responsibility Act 2011 (the Act) requires Police and Crime Panels to have at least two non-political independent members. The Act also states that in making these appointments the Panel must ensure the overall Panel membership meets the balanced appointment objective in terms of having the skills, knowledge and experience necessary to discharge its functions effectively.
3. The requirements of the Act are reflected in the Terms of Reference of the Leicester, Leicestershire and Rutland Police and Crime Panel which state at Section 2, Paragraph 9:

The Panel shall co-opt two independent members on to the Panel for a term of 4 years commencing at the mid-way point in the Police and Crime Commissioner's term of office, with a view to ensuring the Panel has the necessary skills, knowledge and experience to carry out its functions.

4. Colonel Robert Martin and Mrs Helen Carter served as the Panel's Independent Members from the Panel's inception until December 2017.
5. At the meeting of the Leicester, Leicestershire and Rutland Police and Crime Panel on 3 October 2017 a decision was made to commence a new recruitment process and stagger the term of office of the independent members so that the term was not coterminous with that of the PCC (The Panel's Terms of Reference were therefore amended in accordance with this decision). It was agreed that an Appointment Panel be set up to comprise of one member from Leicester City Council, one member from Rutland County Council, and one member from the County of Leicestershire.

Recruitment process

6. A media release was sent out to all local and regional media advertising the vacancies, which generated stories in the Leicester Mercury, Loughborough

Echo, Coalville Times, Harborough Mail and Local Rock newsletter. Adverts were also posted on social media such as LinkedIn, Facebook, and Twitter.

7. The vacancies were also advertised on the Leicestershire County Council website.
8. As a result of the publicity the Panel's Secretariat received 59 requests for application forms and 12 completed applications were received.
9. On 1 December 2017 a sub-committee of Panel members comprising of Councillor Lee Breckon (Blaby District Council), Councillor Ratilal Govind (Leicester City Council) and Councillor Alan Walters (Rutland County Council) conducted a shortlisting process and selected 5 candidates for interview. On 8 December those 5 candidates undertook a formal interview. The applicants were assessed against the following selection criteria as recommended in the Local Government Association guidance on appointing Independent Members:
 - The ability to think strategically;
 - The ability to make good judgements;
 - The ability to be objective;
 - The ability to be supportive;
 - The ability to scrutinise and challenge;
 - The ability to be analytical;
 - The ability to communicate effectively.
10. Following the interviews the Appointment Panel made the decision to appoint two of those candidates Mr Keith Culverwell and Ms Mehrunnisa Lalani as Independent Members of the Panel. Their term of office will run from 1 January 2018 until 31 December 2021.

The appointed candidates

11. Mr Keith Culverwell

Mr Culverwell resides in Knighton, Leicester and is a retired former Headteacher at The Hall School, Glenfield. Prior to working in education Mr Culverwell was a Church of England Minister.

12. Ms Mehrunnisa Lalani

Ms Lalani resides in Groby, Leicestershire and is the Director of Sara Leicester Ltd. She has worked in a range of public sector organisations and for 10 years was Director of Inclusion for the Solicitors Regulation Authority (SRA). She holds a number of public appointments and is also non-executive director of the Heart of England Foundation Trust, a member of a Pay Review Body for Doctors and Dentists, a Lay Adjudicator and member of the Fitness to Practice Panel of the British Association of Counselling and Psychotherapy (BACP) and was formerly a Lay Board member of Leicester City Clinical Commissioning Group.

Recommendations

13. The Panel is asked to note the report.

Officer to Contact:

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POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE & CRIME PANEL

Report of	POLICE & CRIME COMMISSIONER
Date	WEDNESDAY 31ST JANUARY 2018 AT 1:00PM
Subject	PROPOSED PRECEPT 2018/19 AND MEDIUM TERM FINANCIAL PLAN (MTFP)
Author :	CHIEF FINANCE OFFICER

Purpose of the Report

1. To present the 2018/19 Precept Proposal and the additional considerations contained within it.
2. To present the Medium Term Financial Plan (MTFP).

Recommendation

3. The Police and Crime Panel is asked to:
 - a. Note the information presented in this report, including:
 - the total 2018/19 net budget requirement of £176.255m, including
 - a council tax requirement for 2018/19 of £63.093m.
 - b. Support the proposal to increase the 2018/19 Precept by £12.00 per annum (6.41%) for police purposes to £199.2302 for a Band D property.
 - c. Note the future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational considerations identified.
 - d. Note that any changes required, either by Government grant alterations notified through the final settlement or through amended council tax base and surplus/deficit notifications received from the collecting authorities, will be balanced through a transfer to or from the Budget Equalisation Reserve (BER).
 - e. Note the current MTFP, the anticipated savings required and plans to identify further solutions alongside the requirements of the Police and Crime Plan.

Executive Summary

4. This report, and the Precept proposal, is the culmination of several months' work by the Office of the Police and Crime Commissioner (OPCC), supported by Force colleagues and takes account of public and stakeholder consultation and key government announcements.
5. Following the announcement of the provisional Police Grant settlement, the PCC (Lord Bach) has considered current and future funding levels, together with the factors included within his Police and Crime Plan, his Commissioning Framework, operational threat, risk and harm, and the public's consultation feedback on the proposed precept increase.
6. The PCC has also reviewed the sound track record of the Force in delivering over £38m of savings since 2009/10 as highlighted to the Panel in February 2017.
7. The PCC has been briefed on the current and emerging operational challenges, both nationally and locally by the Chief Constable, particularly in those areas included within the Force's Draft Strategic Assessment for 2018/19.
8. The PCC has received briefings and updates on the provisional grant settlement which confirms that for 2018/19 and 2019/20, funding for Leicestershire Police will be maintained at £112.5m, with no change (flat cash) to the 2017/18 allocation. However, the allocation for 2019/20 is subject to demonstrating progress in delivering ministerial priorities around efficiency and productivity reform. The PCC also acknowledges the assumption contained within the settlement, that precept could increase locally by £12.00 in 2018/19 and potentially, a further £12.00 in 2019/20, to ensure that police spending is protected in real terms for both years.
9. These factors, together with the provisional grant settlement has enabled him to prioritise investment in frontline operational visibility and capacity in Neighbourhoods for 2018/19 and future years as follows:
 - An additional 24 Police Officers to be added to the current establishment and within this, a further 3 to be allocated to each Neighbourhood Policing Area (NPA). This increases the establishment to 1806, compared to 1782 budgeted for in April 2017.
 - An additional 4 police staff to provide support to rape and modern day slavery investigations.
 - An additional post to support the Positive Action Team in recruiting initiatives to increase the diversity of the workforce to better reflect the communities the Force serves.
 - One-off investment in equipment to enable remote fingerprint recognition, assisting in the early identification of individuals on the ground.
 - On-going investment in Middleware technology which will provide an 'app' that works on mobile devices, laptops and desktops, and collates information from multiple systems. This will speed up decision making and improve the accuracy of assessing threat, risk and harm.

- Allocation of additional Commissioning budget for the OPCC to support the priorities of the Police and Crime Plan.
 - A revenue contribution to capital expenditure of £2.1m has been agreed to reduce the cost of future debt charges enabling the Force to invest in key IT projects to support frontline policing.
10. The PCC will continue to support the drive to increase active community involvement by well informed and well supported members of the public, by supporting them into roles as a Volunteer Police Cadet, Special Constable, Police Volunteer or an Independent Custody Visitor.
 11. In his integrated response to demand, the PCC will work with local partners to develop thinking towards a multi-agency call handling and resolution facility. This facility will be built around the 101 service enabling the public to seek help and support across a wider range of public service functions. To facilitate this innovative approach, the sum of £0.5m will be ring fenced from within the Budget Equalisation Reserve to help shape and support this work as it develops.
 12. The PCC has reviewed the adequacy and level of Reserves and is planning to responsibly use reserves over the medium term, in line with ministerial and local priorities. Up to £5.058m (25% of the total earmarked balance) will be used to support the revenue budget requirement and capital programme.
 13. Whilst the PCC welcomes the flexibility around precept increases, the flat cash settlement has resulted in a funding shortfall for 2018/19 which has been met from reserves. This approach however, is not sustainable as it is recognised that there are further financial challenges facing the Police over the next five years. By 2022/23 a financial shortfall of £9.0m is currently forecast.
 14. To meet this challenge, the PCC will support the Chief Constable to develop a new target operating model as part of a continuing change programme around increasing productivity and efficiency. This includes a savings plan to limit the impact of increasing demand of a more complex nature, alongside reducing funding. The PCC has already committed to fund the resourcing of the Force Change Programme in 2018/19. A member of this team will be co-located within the OPCC to maximise partnership and stakeholder engagement and ensure knowledge of the Police and Crime Plan.
 15. In considering the proposed level of precept, the PCC has conducted, and been informed by, a survey of 1,743 residents of Leicester, Leicestershire and Rutland. These views received have informed his final Precept proposal.
 16. After careful consideration of these factors, the PCC is proposing a Band D precept increase of £12.00 per annum for the 2018/19 financial year. The PCC has allocated 97.8% (96% in 2017/18 and 95.6% in 2016/17) of the net revenue budget requirement of £176.255m to the Chief Constable, for use on local policing and regional collaborations in order to safeguard and improve policing services across the entire Force area of Leicester, Leicestershire and Rutland.

Precept Proposal 2018/19

17. The 2018/19 Precept proposal is the second precept proposed by Lord Bach in his term as Police and Crime Commissioner.

18. For several years, there has been consultation on the precept with local residents and stakeholders.
19. When considering his precept decision for 2018/19, Lord Bach undertook public consultation in Leicester, Leicestershire and Rutland.
20. Out of the survey of 1,743 residents, 1,242 (71%) supported an increase in the Band D precept of £12.00 for 2018/19.
21. Whilst results across Local Authority Boundaries and demographics varied, all groups were supportive of an increase.
22. At present, in line with the referendum principles, the maximum increase he is able to set is £12.00 in 2018/19 and 2019/20. A 1.99% increase is assumed in the MTFP from 2020/21.

The Provisional Grant Settlement 2018/19

23. Since 2014/15, policing bodies have received their formula funding solely from the Home Office which subsumed the former DCLG grants (including previous funding from Business Rates).
24. The grant allocation continues to be calculated through the four-block model, which has been subject to limited technical and data updates but, following a pause on funding formula work in 2015, the Policing Minister has now confirmed that the Home Office will revisit the formula at the next spending review from 2020/21 onwards.
25. As the Panel is aware, the current formula was never fully implemented, with the annual impact for Leicestershire being an underfunded level of Home Office Grant of over £5.6m. However, the last two iterations of the model have suggested real terms reductions in overall funding for Leicestershire, rather than increases.
26. The Police and Crime Commissioners' Treasurers' Society (PACCTS) has scrutinised the key elements of the Settlement for which the Home Office advice is a £450m year on year increase in police funding, which requires PCCs to increase the precept by £12.00 in 2018/19.
27. Key features of the settlement include:
 - a. Flat Cash Home Office Funding is provided for PCCs at the same levels as 2017/18.
 - b. Updated assumptions have been included around tax base growth 1.34% in England, rather than 0.5% previously assumed. Taxbase increases are no longer used to offset Home Office Funding but will be available locally to meet the real population growth.
 - c. In his letter to PCCs, the Minister announced that the increase in funding must be matched by a serious commitment from PCCs and Chief Constables to reform by improving productivity and efficiency to deliver a better, more transparent service to the public. He set out his 3 clear priorities:
 - A. "Seek and deliver further cost efficiencies. I welcome the progress forces have made against the £350m procurement savings target set at Spending Review 2015. However, there is a lot more to do. We have helped to identify

£100m of potential savings in areas such as fleet, professional services and construction. Forces will need to make greater use of national procurement through lead forces to make these savings. We are providing support through the Police Transformation Fund and we will also help establish a force-led National Centre of Excellence to drive down back-office costs, and make best use of estates.

B. A modern digitally enabled workforce that allows frontline officers to spend less time dealing with bureaucracy and more time preventing and fighting crime and protecting the public. If all forces could deliver the same one hour per officer per day of productivity benefits from mobile working as the best in a recent sample with eight forces, this has the potential to free up the equivalent of 11,000 extra officers nationally to provide the proactive policing that committed police officers want to deliver. We will work with policing to set up a specialist team to make sure all police forces have access to, and make use of, the best mobile working apps to enable forces to free up extra hours to spend at the frontline.

C. Greater transparency in how public money is used locally. It is necessary for police to hold financial reserves, including primarily for contingencies, emergencies and major change costs. As at March 2017 police forces held usable resource reserves of over £1.6bn. This compares to £1.4bn in 2011. Current reserves held represent 15% of annual police funding to PCCs. There are wide variations between forces with Gwent for example holding 42% and Northumbria holding 6%. This is public money and the public are entitled to more information around police plans for reserves and how those plans will support more effective policing. So we will be improving transparency around reserves in the New Year through enhanced guidance and through national publication of comparable reserves data. HMICFRS are also consulting on plans for Force Management Statements, which could make more information on police forces available to the public.”

We await further details on how these priorities will be set and monitored.

28. Reallocations (top-slicing) have been increased by £133m (16.38%) and enable year on year comparisons. In 2017/18 reallocations were, 22% higher than the 2016/17 equivalent.

29. The reallocations (top-slice) elements are detailed further as follows:

Top-slice	2017/18 £m	2018/19 £m
Private Finance Initiatives (PFI)	73	73
Police Technology Programmes (incl. ESN)	417	495
Arms Length Bodies	54	63
Strengthening the Response to Organised Crime	28	42
Police Transformation Fund	175	175
Special Grant	50	93
Pre-Charge Bail	15	4
Total	812	945

30. Key issues in relation to 'top-slice' elements include the following:

- a. Counter Terrorism (CT) funding is negotiated separately to the police settlement, therefore, increases should not impact on the rest of the Police settlement. In 2018/19, this has increased by a further £50m to £757m (including £29m for armed policing).
- b. The Transformation Fund remains at £175m (rather than the increases up to £300m as outlined in CSR2015), for which £130m will be set aside for digital technology and special grants. Future allocations will be from commissioned work rather than bids and it is estimated that £50m is already committed to previous bids spanning more than one year.
- c. Arms-Length Bodies include Her Majesty's Inspectorate (HMI), and the Independent Police Complaints Commission (IPCC).
- d. Police Technology Programmes include ESN, existing Airwave System, Home Office Biometrics and the National Law Enforcement Database.

31. The 2017/18 Police Technology Programme provided £100m for funding ESN. PACCTS understand that in 2018/19 an additional £75m has been added reflect the ESN programme. PACCTS information is that the ESN project is currently 15 months behind schedule and a paper earlier in the year suggested forces may need to extend

their Airwave contracts. Estimating that the cost of a 12month delay could equate to £400m. It is unclear in the settlement how any additional costs will be met.

32. The Office of the Police and Crime Commissioner (OPCC) also receives a specific grant for the Localisation of Council Tax Support (LCTS). This scheme replaced the council tax benefit scheme (CTB) in 2013/14, and is administered locally by council tax collecting authorities. As a local scheme, the grant previously given to collecting authorities to reflect actual expenditure on LCTS is distributed to collecting and precepting authorities. The sum allocated to the OPCC for Leicestershire for 2018/19 is £7.02m which is the same amount allocated in 2017/18.
33. Whilst provisional information has been received in respect of tax bases, Collection Fund levels have been confirmed from District and Borough Councils.
34. A summary of the provisional settlement (based the maximum assumed precept increase of £12) is shown in the table below:

Funding Source	2017/18 Final (£'m)	2018/19 Provisional (£'m)
Police Grant	64.433	64.433
Business Rates & Revenue Support Grant	39.093	39.093
Precept (Proposed £12.00 increase in 2018/19)	58.089	63.093
Localised Council Tax Support (LCTS)	7.020	7.020
2011/12 & 2013/14 Council Tax Freeze Grants	1.911	1.911
Council Tax Collection Fund Surplus	1.093	0.705
Total	171.639	176.255

35. Although PCC grants after 2018/19 have not been provided at a local level, the settlement has indicated similar levels for 2019/20 dependent on the ministerial conditions identified in this report.

Council Tax Referendum Limit

36. The Localism Act 2011 requires authorities, including Police and Crime Commissioners, to determine whether their “relevant basic amount of council tax” for a year is excessive, as such increases will trigger a council tax referendum. From 2012/13, the Secretary of State is required to set principles annually, determining what increase is deemed excessive. For 2018/19 the referendum trigger is £12.01.
37. The level of precept proposed is in line with this threshold and will not trigger a referendum.

Risks

38. There are number of financial risks within the draft budget requirement, as summarised below:
- a. Police Staff Job Evaluation – The Force is currently undertaking a job evaluation of its Police Staff posts. Based on the experience of other employers a provision of 3% of the Police Staff pay bill has been included for pay drift. £1.07m has been allowed for 9 months, assuming that any changes to salaries will be implemented from July 2018. The full year effect is £1.4m. This remains a financial risk until the pay assimilation is completed and the actual costs are confirmed.
 - b. Pay inflation – At the time of budget-setting, the 2017 Police Staff Pay Award was still under negotiation. The latest offer is 1% plus an additional 1% unconsolidated bonus and budgets have been prepared on this basis.
 - c. Given the move away from the 1% pay cap (as per the current CSR) for Officers in September 2017, provision has been made for a 2% pay award from 1st September 2018 for both officers and staff (£1.6m part-year), in line with the national approach. However, the actual increases will not be known until pay negotiations are completed later in the year. The Home Office view is that the 2018/19 settlement contains sufficient provision for a 2% increase next year.
 - d. Emergency Services Network – The latest update suggests that transition to ESN is delayed until June 2019. The financial consequences have therefore been re profiled to 2019/20 and beyond. These are based on Home Office estimates from circa 2 years ago and will be updated when more accurate figures become available from the Project Team. It is highly likely that the cost of the project will be higher than the original Home Office projections as more detail becomes available following the award of the national contracts etc.
 - e. Tri-Force IT Developments – Following the withdrawal of Northants from the IT Tri-Force collaboration an estimate has been made of the ongoing revenue costs for the remaining projects. However, this is subject to change as further information becomes available.
 - f. Office 365 – No specific budget provision has been included for the National Enabling Programme upgrade to Office 365 for 2018/19 as it is not expected for the system to be delivered until 2019/20. However, there is potential for system costs to materialise as early as April 2018 which is likely to be substantial. This is being negotiated nationally.

Base Budget preparation, approach, and scrutiny

39. In 2008/09 the Force introduced a risk-based approach to budget setting which sought to align the budget process with identified strategic operational priorities and risks.
40. The Force continues to consider key corporate risks when setting the budget. Essentially these risks are operational and organisational around managing people, infrastructure assets, information etc. The Force has maintained and kept up to date its Corporate Risk Register that sets out how it intends to control and mitigate these risks.

41. The Force continues to identify its Strategic Operational Risks as part of the National Intelligence Model (NIM). This has been used to inform resourcing strategies at both Directorate and Departmental level.
42. Each year, the Force undertakes a major exercise to review its operational risks which are set out within the "Force Strategic Policing Assessment". This was also informed by the work of regional collaborations.
43. The purpose of the Force Strategic Assessment is to identify those areas of greatest risk. Essentially a high risk area is where only limited resources had been allocated to address a substantial risk i.e. this creates a significant risk gap.
44. The revised five-year financial forecast and, in particular, the 2018/19 budget contained within this report aligns the Force and PCC's financial resources to risk and therefore is fundamental to the Force's performance management regime.
45. The budget also takes into account the fact that the Force has delivered over £38m in cashable efficiency savings since 2009/10 in response to Home Office funding reductions arising from the Government's austerity measures.
46. The CFO has worked closely with the Force finance team throughout the year during the budget monitoring process and in the preparation of the budget for 2018/19. In respect of the budget, this has included (but was not limited to), the identification and agreement of assumptions and methodology and challenge and scrutiny of the budget workings. In addition, where the CFO has sought clarification, or changes, these have been discussed and amendments made where appropriate.
47. The PCC, together with the CFO and his team have held regular discussions with the Chief Constable and his Chief Officers throughout the year, particularly prior to and throughout the budget preparation process and the announcement and interpretation of the settlement.
48. These discussions have culminated in a number of full and robust discussions of the budget requirement, the national and local operational and financial challenges, the precept options available and a review of the MTFS and associated risks.
49. Furthermore, there has been a significant degree of scrutiny and challenge undertaken by the PCC and his team, prior to and during, the Strategic Assurance Board on the 17th January 2018, at which, agreement of the Force budget between the PCC and the Chief Constable was reached.

Revenue Budget 2018/19

50. The base budget for 2018/19 has been built based upon the 'budget rules' which are consistent with previous years and the risk based approach outlined earlier in the report.
51. In line with this approach, the Panel is advised that the total net budget requirement in 2018/19 is £176.255m. This equates to an increase of £04.616m (2.69%) from the 2017/18 net budget requirement level of £171.639m (see Appendix 1).
52. There are a number of areas to highlight significant aspects of the budget in line with the Police and Crime Plan priorities as follows.

- **Police Officers** – In addition to the 8 Police Officer posts which were incorporated into the establishment after the budget was set for 2017/18, the PCC's second budget and precept increases the Police Officer Establishment by a further 24 Police Officers, equivalent to 3 per Neighbourhood Policing Area (NPA). This will increase Police Officer establishment from to 1,782 to 1,806 and has been assumed throughout the period of the MTFP (see below).
- **Police Community Support Officers (PCSOs)** – The PCC has supported the Chief Constable's operational decision to suspend PCSO recruitment from 2017/18. The budget for 2018/19 reflects the attrition savings as numbers reduce to 221 FTE in that year.
- **Support Staff** – The budget is based on 1,131 FTE and includes the impact of job evaluation and the triennial actuarial review of the Local Government Pension Scheme which has resulted in an increase of 1% each year.
- **Information Technology** –. The majority of the non-pay budget increases relate to IT enhancements and innovation, which fit with the national expectation to deliver a “modern digitally enabled workforce that allows officers to spend less time dealing with bureaucracy and more time preventing and fighting crime and protecting the public”¹. These include:
 - ESN & Niche – £0.31m
 - Telephony/agile working - £0.31m
 - IT Software licences/maintenance - £0.33m
 - Communications Infrastructure - £0.18m
- **Regional Collaboration** – Regional budgets are based on operational priorities recommended by the Regional Chief Constables. The budget relates to Leicestershire's share of collaborative arrangements totalling £10.316m, which includes 220 Police Officer posts.

Investment

53. Further to discussions regarding operational capability to meet threat, harm and risk, the Chief Constable has identified the following areas for investment, supported by the PCC:

	2018/19 £'000	2019/20 £'000	2020/21 £'000
24 Police Officers	400	748	784
4 Police Staff Investigators	91	168	174
1 Positive Action Post	15	31	31
Commissioning	79	158	158
Fingerprint Recognition	26	-	-
Middleware - App	704	704	704
	1,315	1,809	1,851

- g. Permanent growth in Police Officer establishment of 24 FTE. This equates to 3 additional Police Constables for each Neighbourhood Policing Area to address emerging issues relating to human trafficking, cyber-crime and fraud.
- h. Four additional Police Staff investigator posts to deal with sexual assault cases.
- i. One additional Police Staff post to support the Positive Action Team in recruiting initiatives to increase the diversity of the workforce to better reflect the communities in which it serves.
- j. Allocation of additional Commissioning budget for the OPCC to support the priorities of the Police and Crime Plan.
- k. One-off investment in equipment to enable remote fingerprint recognition, assisting in the early identification of individuals on the ground.
- l. On-going investment in Middleware technology which will provide an 'app' that works on mobile devices, laptops and desktops, and collates information from multiple systems. This will speed up decision making and improve the accuracy of assessing threat, risk and harm.

Office of the Police & Crime Commissioner (OPCC)

- 54. A report on the structure of the Office of the Police and Crime Commissioner is considered elsewhere on this agenda.

Commissioning

- 55. The Commissioning Framework for 2018/19 aligns to the priorities contained within the Police and Crime Plan. The Framework provides a budget for Commissioning in 2018/19 of £4.151m.

56. The 2018/19 Commissioning Budget includes the proposed implementation of a PCC Grants Process. This will include the allocation of funds received from the Police Property Act.
57. During 2018/19, a Framework will be completed to align to the remaining term of the Police and Crime Plan.
58. The Framework assumes £0.266m will be drawn from the Commissioning Reserve for the year.
59. The Ministry of Justice (MoJ) Victims and Witnesses Grant has been confirmed for 2018/19 and although there have been no reductions in cash terms, the MoJ have indicated that this grant could reduce in further years.

Capital Programme 2017/18 to 2020/21 and Treasury Management Strategy

60. The Capital Programme is set out in Appendix 2. The revenue consequences of the proposed programme have been taken into account in the development of the revenue budget, and the required prudential indicators are set out in a separate report on this agenda.
61. This Capital Programme was considered by both the OPCC and the Force at the Strategic Assurance Board on the 17th January 2018. The Programme includes investment on operational areas of premises, IT and vehicle fleet, together with assumptions for Capital Receipts and timings of work. The OPCC provided scrutiny and challenge and in line with the PCC's visibility priority, premises will continue to be reviewed closely in the Programme.
62. The anticipated local costs for the Emergency Services Network (ESN) have been included in the Capital Programme and Revenue Budget based on the latest Home Office estimates. However, there remains significant national and local uncertainty regarding the costs and timescales of the network and this financial risk will continue to be closely monitored.
63. A revenue contribution to capital expenditure of £2.1m has been agreed to reduce the cost of future debt charges enabling the Force to invest in key IT projects to support frontline policing.
64. The Treasury Management report is set out at Appendix 3. This is required by the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and explains the Investment Plan in relation to reserves and balances.
65. The Treasury Management Plan was also considered by both the OPCC and the Force at the Strategic Assurance Board on the 18th January 2017 and noted the intention of the Chief Finance Officer (CFO) and the Assistant Chief Officer (ACO Resources) to review the Plan further during 2018/19.

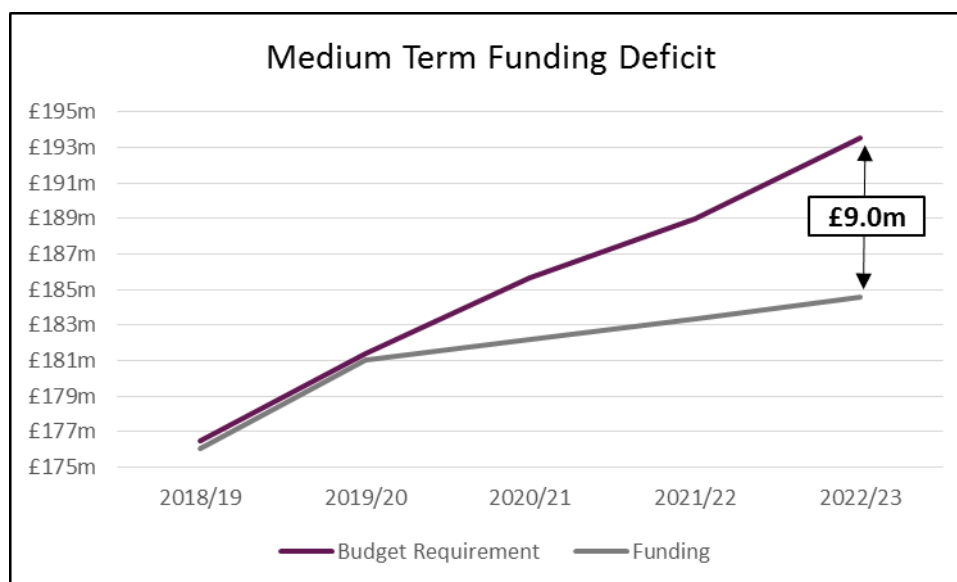
Medium Term Financial Plan (MTFP)

66. It is a requirement that the Police and Crime Plan must cover the period until the end of the financial year of the next election for PCCs. Elections are due to be held in May 2020. Thus the relevant date is 31 March 2021.
67. It is appropriate that the MTFP covers not just the same period but extends this to 2022/23 to provide a longer term view which will enable informed decision making to take place for the period of the Plan. This is not without its challenges, given that there is only a firm Government announcement of funding for 2018/19 and 2019/20, together with the risks, challenges and uncertainties highlighted earlier within this report.
68. Due to the proactive work undertaken in Leicestershire in line with the previous MTFP, a large number of savings had already been identified and implemented in the base budget for 2018/19 and future years.
69. In 2018/19, the PCC has allocated 97.8% (96% in 2017/18 and 95.6% in 2016/17) of the net budget requirement to the Chief Constable for use on local policing and regional collaborations.
70. Key assumptions that have been included in seeking to outline the financial challenge for the medium term are:
- a. That the council tax base grows at 1.75% per annum (source: professional prudent estimate based on the local position over the last five years).
 - b. All existing council tax freeze grants continue up to and including 2021/22 (source: as detailed within the SR2015 and provisional police settlement);
 - c. Government funding reductions are assumed to be 1.4% each and every year from 2020/21 onwards (source: regional and national CFO estimates);
 - d. The collecting authorities' LCTS schemes deliver a cash neutral position when combined with the council tax support grant from the Government;
 - e. Given the move away from the 1% pay cap (as per the current CSR) for Officers in September 2017, provision has been made for a 2% pay award from 1st September 2018 until 2022/23 for both officers and staff (£1.6m part-year), in line with the national approach. However, the actual increases will not be known until pay negotiations are completed later in the year. The Home Office view is that the 2018/19 settlement contains sufficient provision for a 2% increase next year.
 - f. At this stage, there are no significant impacts on grant funding incorporated into the MTFP from the Funding Formula Review;
 - g. No additional, unfunded responsibilities are given to the PCC; and
 - h. The BER can fund any invest to save projects.
 - i. Further borrowing beyond the capital programme is not required.

71. Taking into account the above assumptions, following the detail of the provisional grant settlement, the MTFP has been reviewed and the year 2022/23 added to the Plan. The position is as follows:

See Appendix 1 for detailed analysis

	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
Net Budget Requirement	176.3	181.2	185.6	188.9	193.5
Net Funding	176.3	181.2	182.2	183.3	184.5
Funding Gap	0.0	0.0	3.4	5.6	9.0
Assumptions:					
Precept Increase	6.41%	6.02%	1.99%	1.99%	1.99%
Grant Reduction	0%	0%	-1.40%	-1.40%	-1.40%



72. Whilst the MTFP highlights a balanced budget for 2018/19 and 2019/20, this is predicated upon the use of reserves and a £12.00 precept increase in both years. Precept decisions beyond 2018/19 will be subject to further consideration.

73. Although there are sufficient reserves within the BER available to offset the shortfall in funding up to 2020/21, there may also be investment opportunities which may require funding.

74. It is evident in the MTFP projection that from 2020/21 a significant funding gap begins to emerge based current assumptions. This will be impacted upon through any future changes to the funding formula, CSR, precept referendum and operational threat, harm and risk. In order to mitigate a degree of risk in relation to this, the Chief Constable is developing the 'Blueprint 2025' change programme, which will shape the Force to deal with future demands within the projected funding envelope.

Use of Reserves and Balances

75. In considering the 2018/19 budget, the MTFP and the Ministerial priorities set out in this report, the size, level and type of reserves held by the PCC have been reviewed. As a consequence of this, the PCC is committed to responsibly using reserves in 2018/19 and 2019/20 to support the budget in relation to operational policing, whilst ensuring adequate reserves are held to provide some safeguards against known and unknown future risks. In 2018/19 approximately £5.1m of reserves will be utilised.

76. Three types of Reserve are held and these are explained further below:

a. General Reserve

There is a General Reserve held at £6m. This represents 3.5% of the net budget requirement for 2018/19 and is within recommended external audit and CIPFA levels of 3-5%. It is prudent to have such a reserve at this level to enable the organisation to withstand unexpected events which may have financial implications. There is no planned use of this reserve during 2018/19.

b. Budget Equalisation Reserve – Over recent years, due to the impact of effective efficiency programmes and through financial prudence, a Budget Equalisation Reserve (BER) has been created. This reserve is currently estimated to be £9.7m at 31/3/18, and its purpose when established in line with the Reserves Plan was twofold:

1. To fund invest to save and other new initiatives and investments.
2. To partly support funding shortfalls in the MTFP.

c. Earmarked Reserves

The PCC currently holds a number of Earmarked Reserves which at 31/3/17 amounted to £22.2m and those to note are as follows:

OPCC Commissioning and Strategic Partnership Fund (SPDF) Reserve £3.3m – it is forecast that this will be reduced to £0.8m by 2020/21 to support the Commissioning Framework and SPDF plans.

PCSO Reserve £2.8m – this reserve will be applied to support expenditure on PCSO's and will be fully exhausted by 2020/21.

Civil Claims £0.9m – This reserve holds funds set aside where considered prudent for Civil Claims (Public and Employer liability) in line with professional advice.

Capital Reserve £0.8m – to support future Capital expenditure.

Proceeds of Crime Act - £0.6m – reserve funded from proceeds of crime, used to support Force's capability in specific investigative areas.

77. As at 31/3/18, it is anticipated that there will be an estimated balance on the reserve of £5.2m. A total of £4.5m will be used to support the budget proposals in this report around the growth in establishment, IT investment and revenue contribution to capital.

78. The OPCC receives regular updates on the level and use of Reserves, together with the Capital Programme and Treasury Management Plan as part of the budget monitoring process during the year at the Strategic Assurance Board.

Precept proposal

79. After careful consideration of all the factors highlighted within this report, the PCC is proposing a £12.00 Band D Precept increase to maximise resources for operational policing and seek to mitigate some of the impact of forecast financial reductions.
80. In making this proposal, the PCC is extraordinarily grateful to those who took part in the Precept surveys which showed the willingness of the public in Leicester, Leicestershire and Rutland to pay more in order to safeguard and develop policing in their neighbourhoods.
81. Additionally, in making this proposal, the PCC is satisfied that in doing so he is maximising the resources available to Leicestershire Police to deliver the priorities outlined in his Police and Crime Plan.

Statement of the Chief Constable

82. In proposing the precept, the PCC has sought views from the Chief Constable and his statement on the PCC's precept proposal for 2018/19 is as follows:

"It is my responsibility as described in the Policing Protocol Order 2011 to provide professional advice and recommendations to the PCC in relation to his receipt of all funding, including the Government Grant and precept and other sources of income related to policing and crime reduction. Under the terms of the Order I am responsible for the delivery of efficient and effective policing, the management of resources and expenditure by the Force. I must also support the PCC in the delivery of the strategy and objectives set out in the Police and Crime Plan, assist in the planning of the Force's budgets, have regard to the strategic policing requirements in respect of national and international policing responsibilities, and have day to day responsibility for financial management of the Force within the framework of the agreed budget allocation and levels of authorisation issued by the PCC.

My preferred option is an increase in the Precept of £12 as this best enables the Force to deliver the Police and Crime Plan, and meet the requirements of the Strategic Policing Requirement going forward.

Although this budget settlement is better than we perhaps expected it still potentially leaves us with a significant deficit if the precept increase of £12 is not put in place. In its announcement the Government has included the £12 total into the total of national budget growth; the £450M additional funding for policing announced actually is reliant on £270M of that amount coming from Council Tax.

Leicester, Leicestershire and Rutland are amongst the fastest growing populations in England and Wales. That means that the ratio of Police Officer to population has reduced from 1 officer for every 430 citizens to 1 officer for every 601 citizens. With partner budgets also under real pressure, with a total reduction of some £650M being experienced by partners across LLR, we are working hard to deal with demand. That demand includes diversification and change; it is now unusual for crimes to take place without there being some measure of cyber or digital

involvement. It should also be noted that some 75% of our incoming demand is not crime related.

In the last year the nation has experienced a number of Counter Terrorism incidents. On two occasions in 2017 the threat level was raised to “critical”; this has significant impact on policing and the day to day work of Special Branch and our shared partnership Prevent work is absolutely crucial. It also means that day to day events require a CT risk assessment; for instance our approach to policing football and other large scale public gatherings has been subject to review. I am sure that Panel members will have noticed the presence of armed officers in crowded places.

We continue to work hard through our combatting of Serious and Organised Crime to seek to mitigate its impact on local communities seen through modern slavery, economic crime and organised crime groups seeking to harm communities.

The £38M worth of savings that we have already achieved in recent years equates to 547 fewer officers. That means that we have over 1 million fewer operational policing hours to deploy. Thus we must continue to drive our agile working offer, use technology even more effectively, and ensure that our officers and staff are appropriately equipped. The majority of our officers now have laptops and body worn video is standard issue. The investments in technology have enabled us to be more effective and efficient. We have also worked hard to lift our performance in relation to 101 call handling, which I know was a concern to the PCC and the Panel previously, and have now enabled digital online reporting through the Force’s website. All of these challenges combined means that I strongly support an increase in the Precept of £12. I make that recommendation as both a local resident and the Chief Constable responsible for delivering policing all across Leicester, Leicestershire and Rutland.”

Robustness of the Budget –Statement of the PCC Chief Finance Officer

83. The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2011, requires the PCC’s Chief Finance Officer to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The PCC is required to have regard to the report of the Chief Finance Officer and the report must be given to the Police and Crime Panel. The CFO statement is as follows:

“At the Strategic Assurance Board on the 17th January 2017, I attended to provide assurance to the Board that these factors have been considered. Since that date, dialogue, scrutiny and challenge has continued where new factors or information have been highlighted and discussed.

In the sections above, titled “2018/19 – Base Budget – preparation, approach, risks and scrutiny” and “Base Revenue Budget 2018/19”, a description of the development of this budget is given. During the preparation of the budget I have been given full access to the budget model and have been consulted on the assumptions being made in order to develop the model. I have received timely and detailed responses to queries and/or points of clarification. In the majority of cases I have agreed with the assumptions being made, and where I have sought changes then they have been incorporated.

Together with the Chief Officer Team, OPCC Chief Executive and the PCC, I have reviewed, scrutinised and challenged the Business Cases for operational investment. This has included reviewing the operational and financial risks of the investment and highlighting the impact on the MTFP.

I am assured that there is work underway to take forward the Change Programme and savings plan which will assist in identifying efficiencies to partly meet future years' shortfalls in the MTFP.

As in previous years, I have confidence that the budget monitoring process will identify any variations of expenditure or income from that budgeted so that early action can be taken and this is regularly reviewed, discussed and scrutinised at the Strategic Assurance Board.

I have also reviewed the detailed calculations in arriving at the budget requirement and council tax precept and options and find these to be robust. I also have, together with other precepting partners, sought authorisations from billing authorities in relation to taxbase and council tax surplus/deficits.

The Chief Constable has discussed the revenue and capital operational and Police and Crime Plan requirements for 2018/19 and future years and together, we have been able to develop a budget that supports the delivery of the priorities set out in the Police and Crime Plan.

There is an operational contingency available to the Chief Constable, and sufficient general reserves available should operational demands require access to these. Earmarked reserves are also in place for specific requirements.

In coming to my conclusion on the robustness of the budget I have also reviewed the separate papers on Capital Expenditure (Appendix 2) and Treasury Management (Appendix 3).

Whilst this report does show a balanced budget for 2018/19 after the use of reserves, the MTFP reflects that after 2020/21, there are financial shortfalls. In response to this challenge, the PCC has tasked the Chief Constable with the delivery of a Change Programme and savings plan and has funded this team for the year 2018/19 and beyond.

I conclude that the budget for 2018/19 has been prepared on a robust basis and that although the financial position in the longer term is challenging and shortfalls have been identified for 2020/21 and thereafter, the Force have put in place arrangements to develop plans to address these shortfalls.

Beyond 2019/20, there is a high level of uncertainty as to how the finance settlement and the formula might look. However, it is reasonable to assume that the operational and financial challenges will continue and these are reflected as best estimates in the MTFP to 2022/23.

I conclude, therefore, that the budget for 2018/19:

- 1. Has been prepared on a robust basis, and*
- 2. Includes investment into visibility in line with the PCC's Police and Crime Plan priority.*

3. *In the short term, the budget is stable and reserves are sufficient.*
4. *However, the financial landscape after 2019/20 is challenging and the MTFP identifies savings which need to be found. The uncertainty and challenges have been identified within this report and the MTFP will be under regular review as savings plans progress. “*

Implications

Financial:	This report for the Police and Crime Panel to note the precept proposal, the financial position, uncertainties and timescales.
Legal:	The PCC is required to set a precept and this complies with those requirements.
Equality - Impact Assessment:	The budget and proposed precept forms part of the Police and Crime Plan which has a full impact assessment. Furthermore, the additional resources provided support the key priorities of the Police and Crime Plan. Additionally, the survey is comprised of a representative sample of Leicester, Leicestershire and Rutland.
Risks and – Impact:	Risks have been identified within the report.
Link to Police and Crime Plan:	The budget and precept support the delivery of the Police and Crime Plan.

List of Appendices

Appendix 1 Budget and Precept 2018/19 to 2022/23
 Appendix 2 Capital Programme 2017/18 to 2020/21
 Appendix 3 Treasury Management Strategy

Background Papers

Provisional Police Grant Report –December 2017
 Leicestershire Police and Crime Commissioner Survey

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The Office of the Police and Crime Commissioner for Leicestershire
Budget Requirement and Precept 2018/19

Version date 18/01/18

		Precept Increase	6.41%	6.02%	1.99%	1.99%	1.99%
2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	
Approved Budget		Revenue Budget	Revenue Budget	Revenue Budget	Revenue Budget	Revenue Budget	Revenue Budget
£		£	£	£	£	£	£
90,909,637	Police Pay & Allowances	92,334,858	94,398,746	95,791,881	96,538,217	97,601,615	
38,446,794	Staff Pay & Allowances	39,882,817	42,647,633	44,026,888	45,543,567	47,099,391	
7,764,375	PCSO Pay & Allowances	7,565,605	7,253,183	6,812,363	6,717,028	6,985,555	
10,153,121	Regional Collaboration	10,316,378	10,520,770	10,739,523	10,962,616	11,190,229	
3,521,524	Police Pensions	3,599,776	3,681,636	3,760,011	3,839,953	3,921,493	
26,540,972	Non-Pay Expenditure	28,055,412	30,716,607	31,431,950	32,381,179	33,113,732	
3,440,425	Inflation Contingency	3,707,561	20,000	20,000	20,000	20,000	
(11,350,406)	Income	(11,678,316)	(11,761,531)	(11,951,200)	(12,151,512)	(12,361,198)	
169,426,443	Force Budget Requirement (excl. OPCC)	173,784,091	177,477,045	180,631,415	183,851,048	187,570,817	
1,150,987	OPCC	1,206,371	1,245,055	1,284,782	1,325,574	1,367,455	
4,668,359	Commissioning	4,151,355	4,151,355	4,151,355	4,151,355	4,151,355	
5,819,346		5,357,726	5,396,410	5,436,137	5,476,929	5,518,810	
175,245,788	Gross Budget Requirement	179,141,817	182,873,456	186,067,552	189,327,976	193,089,627	
(1,237,845)	Specific Grant - Victims and Witnesses	(1,243,516)	(1,243,516)	(1,243,516)	(1,243,516)	(1,243,516)	
115,206	Investment	1,314,643	1,808,802	1,851,047	1,891,638	1,932,718	
-	Revenue contribution to capital	2,100,000	-	-	-	-	
(451,860)	Efficiency Savings	-	-	-	-	-	
(2,032,176)	Use of reserves for specific projects	(1,488,260)	(1,040,947)	(1,041,913)	(1,012,579)	(259,903)	
-	General transfer from reserves	(3,570,097)	(1,177,016)	-	-	-	
171,639,113	Net Budget Requirement	176,254,587	181,220,778	185,633,170	188,963,519	193,518,926	
-	Surplus / (Funding Gap)	-	-	(3,417,479)	(5,633,903)	(8,953,011)	
171,639,113	Net Revenue Budget	176,254,587	181,220,778	182,215,691	183,329,616	184,565,915	
	Funding						
64,432,578	Police Grant	64,432,578	64,432,578	63,405,489	62,392,779	61,394,247	
39,093,198	Business Rates	39,093,198	39,093,198	38,545,893	38,006,251	37,474,163	
7,020,391	Council Tax Support Grant	7,020,391	7,020,391	7,020,391	7,020,391	7,020,391	
1,910,530	Council Tax Freeze Grant	1,910,530	1,910,530	1,910,530	1,910,530	1,910,530	
1,093,561	Collection Fund Surplus	704,664	700,000	700,000	700,000	700,000	
58,088,855	Precept	63,093,226	68,064,082	70,633,388	73,299,665	76,066,584	
171,639,113		176,254,587	181,220,779	182,215,691	183,329,616	184,565,915	

Precept by Billing Authority			£	£	£	£	£
£		Tax Bases	£	£	£	£	£
6,075,369	Blaby	32,944.05	6,563,450	7,080,557	7,347,836	7,625,203	7,913,040
10,219,680	Charnwood	55,525.80	11,062,416	11,933,979	12,384,466	12,851,957	13,337,093
6,268,842	Harborough	34,663.80	6,906,076	7,450,177	7,731,409	8,023,255	8,326,117
6,995,295	Hinckley & Bosworth	38,118.00	7,594,257	8,192,577	8,501,833	8,822,761	9,155,803
13,260,579	Leicester City	71,632.00	14,271,258	15,395,631	15,976,791	16,579,885	17,205,743
3,390,776	Melton	18,379.50	3,661,751	3,950,246	4,099,361	4,254,104	4,414,688
5,853,191	North West Leicestershire	32,852.00	6,545,111	7,060,773	7,327,305	7,603,897	7,890,930
3,212,065	Oadby & Wigston	17,257.00	3,438,116	3,708,991	3,848,999	3,994,291	4,145,068
2,813,059	Rutland	15,312.90	3,050,792	3,291,152	3,415,387	3,544,311	3,678,102
58,088,855		316,685.05	63,093,226	68,064,082	70,633,388	73,299,665	76,066,584

Precept by Band			£	£	£	£	£
£		Apportionment	£	£	£	£	£
124.8201	Band A	6/9	132.8201	140.8201	143.6225	146.4805	149.3955
145.6235	Band B	7/9	154.9568	164.2902	167.5595	170.8940	174.2947
166.4268	Band C	8/9	177.0935	187.7602	191.4966	195.3074	199.1940
187.2302	Band D	9/9	199.2302	211.2302	215.4337	219.7208	224.0932
228.8369	Band E	11/9	243.5036	258.1702	263.3079	268.5476	273.8917
270.4436	Band F	13/9	287.7770	305.1103	311.1820	317.3745	323.6902
312.0503	Band G	15/9	332.0503	352.0503	359.0562	366.2013	373.4887
374.4604	Band H	18/9	398.4604	422.4604	430.8674	439.4416	448.1864

£187.2302	Band D Council Tax	£199.2302	£211.2302	£215.4337	£219.7208	£224.0932
1.99%	% Increase	6.41%	6.02%	1.99%	1.99%	1.99%
3.65	£ Increase	12.00	12.00	4.20	4.29	4.37
7.0p	Increase per week in Pence	23.1p	23.1p	8.1p	8.2p	8.4p

Summary of Assumptions

Reduction in Core Grant Funding	0.00%	0.00%	-1.40%	-1.40%	-1.40%
Precept increases	6.41%	6.02%	1.99%	1.99%	1.99%
Tax Base increases	2.07%	1.75%	1.75%	1.75%	1.75%
Pay Inflation	2.00%	2.00%	2.00%	2.00%	2.00%
Non-Pay Inflation		2.00%	2.00%	2.00%	2.00%

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CAPITAL PROGRAMME 2017/18 TO 2020/21**Background**

1. The Government support for capital spending includes the capital grant which directly supports the capital programme. Since 2004 the Prudential Code has given the police authority and now the PCC the freedom to set its own borrowing limit subject in compliance with the Code.

Prudential Code

2. The Local Government Act 2003 requires the OPCC to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.
3. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice.
4. The Prudential Indicators required by the Code are designed to support and record local decision making. They are not designed to be comparative performance indicators.
5. The main objective in consideration of the affordability of the capital programme is to ensure that total capital investment remains within sustainable limits, and in particular to consider its impact on the council tax.
6. In assessing affordability the Office of the Police and Crime Commissioner (OPCC) has to take into account all the resources currently available to the organisation and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the coming year and the following 2 years.
7. In relation to being prudent there is a need to ensure that, over the medium term, net borrowing will only be used for capital purposes. It is also prudent to ensure that treasury management is carried out in compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and limits are set on fixed and variable interest rate exposures, and on the maturity structure of borrowing.
8. The decisions on capital investment need to take into account option appraisal, asset management planning, strategic planning for both the OPCC and Force and the achievability of the forward plan.

Prudential Indicators

9. The actual 2016/17 capital expenditure and the estimated capital expenditure for the current year and future years are (further detail is provided in the Capital Programme see para 19)

	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	4.5	8.3	11.6	3.7	1.9

10. The estimates of the ratio of financing costs to the net revenue stream for 2016/17 and for the current and future years are:-

2016/17	2017/18	2018/19	2019/20	2020/21
Actual	Estimate	Estimate	Estimate	Estimate
%	%	%	%	%
1.31	1.27	1.66	1.75	1.87

11. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet the financing costs, net of investment income.
12. The actual capital financing requirement at 31 March 2017 and the estimates for the current and future years are:-

	31.3.17	31.3.18	31.3.19	31.3.20	31.3.21
	£m	£m	£m	£m	£m
Total	21.0	25.0	29.7	30.2	28.9

13. The capital financing requirement (CFR) measures the OPCC's underlying need to borrow for capital purposes. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the OPCC has to ensure that net external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus estimates of any additional CFR for the current and next two years. The OPCC met this requirement in 2016/17, and is expected to do so in future years. This is a key indicator of prudence.

14. In respect of external debt, the recommended authorised limits for total external debt, gross of investments, for the next three financial years are shown below:-

	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Borrowing	24.4	25.8	28.6	29.7
Long Term Liabilities	1.4	1.0	0.5	0.5
Total	25.8	26.8	29.1	30.2

15. These authorised limits are consistent with the OPCC's current commitments, existing plans for capital expenditure and its financing, and the approved treasury management policy. The authorised limit for 2017/18 is the statutory limit determined under section 3(1) of the Local Government Act 2003.
16. There is a need to have an approved operational boundary for external debt which is based on the same estimates as the authorised limit (para 14). The operational boundary reflects an estimate of the most likely level of debt. It does not include the additional headroom within the authorised limit that allows for unusual cash movements.

	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Borrowing	23.4	24.8	27.6	28.7
Long Term Liabilities	0.9	0.5	0.0	0.0
Total	24.3	25.3	27.6	28.7

17. The OPCC's actual external debt at 31 March 2017 was £13.3m. The amount is split between the Public Works Loans Board (PWLB) figure of £12.4m and Leicestershire County Council £0.9m (transferred debt from 1995 regarding the formation of police authorities as per the Police and Magistrates Courts Act 1994. This has now transferred to the OPCC).
18. It is planned that the 2017/18 'borrowing requirement' of £5.5m will be met by external borrowing however, the final decision will be made in March 2018.
19. The estimate of the incremental impact of the capital investments proposed in this report for Band D Council Tax per week are:

2018/19	2019/20	2020/21
0p	4p	0p

20. This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.
21. A monitoring system is in place and reports on progress against the indicators are taken to the OPCC.

Proposed Capital Programme

22. A summary of the proposed Capital Programme for 2018/19 is shown in the table below.

<i>Proposed Capital Programme 2018/19</i>			
Expenditure	£000	Funding	£000
Property	6,060	Capital Grant (provisional)	700
Information Technology	3,660	Borrowing Requirement	6,958
Emergency Services Network	643	Capital Receipts	950
Vehicle Fleet	1,204	Home Office Grants	219
CCTV	40	Revenue Contributions	2,630
		3 rd Party Contributions	150
Total	11,607	Total	11,607

23. The 'Estates' programme is based on the approved Estates Strategy and includes new schemes in relation to the 'property store' to provide a fit for purpose facility and a replacement neighbourhood office for Hinckley Road, providing a smaller efficient building. Provision is also included for the completion of the new Coalville property following co-location with the Fire Service and major refurbishments in the Contact Management Centre and Training Facility.
24. Following the withdrawal of Northants from the IT Tri-Force collaboration resulting in a number of the work streams no longer proceeding the Head of IT has reviewed the requirements for Leicestershire moving forwards.
25. The IT programme includes:
- significant investment in the data infrastructure and storage to support new services such as voice, Wi-Fi and agile remote access etc.
 - an upgrade to the current mapping software (IR3)
 - completion of the PC replacement programme with agile equipment
 - implementation of 'middleware' to support agile working
 - the roll out of the single telephony platform and video conferencing (Tri-force projects)
 - completion of the Contact Centre telephony project to exploit new methods of contact eg web chat, social media and email
 - Upgrades to the ICCS to support the roll out of the ESN programme
 - preparatory work in relation to the National Enabling Programmes Office 365.
26. Provision is also been made for the rolling programme of ANPR camera replacements (including vehicle fits), CCTV at Keyham Lane which is now at the end of its useful life.
27. The latest update suggests that transition to the Emergency Service Network (ESN) is delayed until June 2019. The costs associated with the implementation have therefore been re profiled. These are based on Home

Office estimates from circa 2 years ago and will be updated when more accurate figures become available from the Project Team. It is highly likely that the cost of the project will be higher than the original Home Office projections as more detail becomes available following the award of the national contracts etc.

28. Planned replacements for the existing vehicle fleet are also included.

Funding Arrangements

29. The provisional 2018/19 capital grant is £0.7m, which is no change on the 2017/18 allocation. After the utilisation of receipts arising from the sale of properties as part of the Strategic Estates Strategy, anticipated Home Office grants (transformation fund for IT), the application of revenue contributions to capital schemes and 3rd party contributions, the borrowing requirement is £6.958m for 2018/19.
30. The Capital Programme assumes that the 18/19 borrowing requirement of £6.958m is financed through loans from the PWLB at an indicative interest rates of 3.07% for 25 years (£6m) and 1.75% for 5 year loans (£1m). Revenue resources are set a side over the same loan period to repay the principal on maturity.

Minimum Revenue Provision Policy (2017/18)

31. All expenditure incurred by the Police and Crime Commissioner must be charged to the revenue account in the year it is incurred, with the exception of items which can be capitalised in accordance with proper accounting practice – usually items which have an expected life of more than one year.
32. Capital expenditure items such as land, buildings, IT, vehicles and equipment can be financed in a number of ways. In the case of capital grant, capital receipts, 3rd Party contributions and contributions from the revenue budget, the expenditure is effectively financed and paid for as it is incurred by the application of those resources.
33. Where the commissioner finances capital expenditure through borrowing (debt) resources must be set aside to repay that debt from the revenue account. The amount charged to revenue account for the repayment of borrowing is known as the Minimum Revenue Provision (MRP). The Statutory Guidance issued by the DCLG sets out the 4 options for calculating the annual provision.
34. The Guidance requires an annual statement of the policy adopted in calculating the MRP to be agreed each financial year.
35. The intention of the Guidance is to ensure that the repayment to revenue is made over a period bearing some relation to that over which the asset continues to provide a service.
36. The recommended MRP policy is:

- For capital expenditure incurred before the 1st April 2008 (which was supported capital expenditure) the policy will be based on 4% of the Capital Financing requirement
 - From the 1st April 2008 for all unsupported borrowing the MRP policy will be the Asset Life Method (Equal instalment approach) – the MRP will be based on the estimated life of the assets.
37. The commissioner's policy is to finance shorter life assets from capital receipts, grants and revenue contributions with borrowing reserved generally for Land and Buildings with an expected life of 25 years and significant IT projects.

TREASURY MANAGEMENT – INVESTMENT STRATEGY

1. Introduction

- 1.1 Treasury Management is defined as the management of the Police and Crime Commissioner's (PCC) investments and cash flows, banking and financing of capital expenditure; the effective control of the risks associated with those activities, balanced against the relative performance.
- 1.2 A key activity of Treasury Management is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Any surplus funds are invested in low risk counterparties in line with the strategy of providing security of the capital and sufficient liquidity before investment return.
- 1.3 Capital financing decisions provide a guide to the borrowing need of the PCC, essentially the longer term cash flow planning to ensure that the capital spending obligations can be met. The management of the longer term cash balances may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasions any current loans may be restructured to meet the PCCs risk or cost objectives.

2. Statutory Requirements

- 2.1 The 'Code of Treasury Management' published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and recommended by the Home Office, has been adopted by the Office of the Police and Crime Commissioner for Leicestershire ("the OPCC").
- 2.2 In addition, the Department for Communities and Local Government (CLG) issued revised guidance on Local Authority investments in March 2010 that requires the PCC to approve an investment strategy before the start of each financial year.
- 2.3 This report fulfils the OPCC's legal obligations under the Local Government Act 2003 to have regard to both the CIPFA Code and CLG guidance.
- 2.4 The Treasury Management Strategy is approved annually to run from 1st April to the following 31st March.
- 2.5 The Local Government Act 2003 included capital regulations that applied from 1st April 2004. These regulations allow the OPCC freedom to borrow to fund capital expenditure provided it has plans that are affordable, prudent and sustainable. The requirements are covered in the Prudential Code.

3. Treasury Management Strategy

- 3.1 The OPCC has potentially large exposure to financial risks including the loss of invested funds and the effect of changing interest rates. The

successful identification, monitoring and control risk is therefore central to the OPCC's treasury management strategy

3.2 Uncertainty in the financial markets is likely to continue during 2018/19 as the UK's progress in negotiating a smooth exit from the European Union and the single market continues. The consumer price inflation (CPI) index rose during 2017/18 and the Bank of England responded with a Bank of England interest rate increase of 0.25% in November 2017.

3.3 This has resulted in a minor increase in the interest rates available when investing surplus funds.

3.4 The core aim of the Treasury Management Strategy is to generate additional income for the OPCC but by balancing risk against return. The avoidance of risk to the principal cash amounts takes precedence over maximising returns.

3.5 Managing daily cash balances and investing surpluses

In order that the OPCC can maximise income earned from investments, the target for the uninvested overnight balance in the current account is a maximum of £15k.

At any one time, the OPCC has between £7m and £25m (depending on the cash flow) available to invest. This represents income received in advance of expenditure plus balances and reserves.

Currently most of the PCC's surplus cash is invested in short term unsecured bank deposits and money market funds.

In order to minimise exposure to credit risk, a minimum credit quality of counterparties for inclusion in the lending list is set.

The current lending list is as follows:-

<u>Institution</u>	<u>Maximum Loan</u> £m	<u>Maximum Period of</u> <u>Loan</u>	<u>Short-Term Credit</u> <u>Ratings</u> **
Royal Bank of Scotland plc	10.0	364 days	F2 / A-3 / P-3
Lloyds Bank plc	10.0	364 days	F1 / A-2 / P-2
Barclays Bank plc	10.0	364 days	F1 / A-1 / P-1
HSBC Bank plc	10.0	364 days	F1+ / A-1+ / P-1
Nationwide Building Society	10.0	364 days	F1 / A-1 / P-1
Debt Management Office	*	364 days	n/a

* No limit is set. The DMO tends to pay a low rate of return and hence are used only when funds can not be placed with other approved institutions.

** Short-term credit ratings (valid as at 12/01/2018) are as supplied by the OPCC's brokers - Tullet Prebon (Europe) Ltd. The highest potential ratings are F1+ (Fitch), A-1+ (Standard & Poor's) and P-1 (Moody's) respectively.

3.6 Borrowing

The OPCC currently holds £13.3m of loans. The amount is split between the Public Works Loans Board (PWLb) figure of £12.4m and Leicestershire

County Council £0.9m (transferred debt from 1995 regarding the formation of police authorities as per the Police and Magistrates Courts Act 1994. This has now transferred to the OPCC).

The main objective when borrowing funds is strike a balance between securing low interest costs and achieving certainty of those costs over the period for which the funds are required.

The strategy continues to address the key issues of affordability. With short-term interest rates currently lower than long term rates, it is likely to be more effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By borrowing internally, the OPCC is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk. The benefits of internal versus external borrowing will continue to be monitored.

In addition, the OPCC may borrow short term loans to cover unplanned cash flow shortages.

The recommended sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB)
- UK Local Authorities
- Any other bank or building society authorised to operate in the UK

Whilst the OPCC has previously raised all of its long term borrowing from the PWLB other options will be explored at the point of borrowing to ensure that the most favourable rates are secured.

Short term and variable rate loans can leave the OPCC exposed to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the Treasury Management Indicators

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The current loan portfolio will be reviewed during 2018/19 to see whether a saving could be achieved on the overall interest costs.

The PCC will not borrow more than or in advance of his needs purely in order to profit from the investment of extra sums borrowed. Any decision to borrow in advance will be within the forward approved Capital Financing Requirement estimates and will be considered carefully to ensure value for money can be demonstrated and the PCC can ensure the security of such funds.

4. Latest Position regarding Treasury Management

- 4.1 The banking sector continues to show signs of instability alongside the wider economy. In this context it is not yet advisable to consider a return to placing investments with the majority of Building Societies or European/Foreign banks. This is in keeping with the OPCC's stated aim of protecting the principal (cash) amount.
- 4.2 Funds are placed with institutions based on (a) available headroom and (b) rate of return – this is a daily decision-making process. A balance is struck between the desired level of return and the need to provide liquid funds to meet the OPCC's obligations i.e. supplier payments, payroll costs and tax liabilities.
- 4.3 Continued monitoring of the ratings agencies' assessment of institutions takes place and is reported to SAB throughout the year via the "Treasury Management Performance" report.
- 4.4 The Bank of England Base raised interest rates from 0.25% to 0.5% in November 2017 with the future outlook for a further 2 increases over the next 3 years. On this basis the investment income budget Rate has been set at £65k for 2018/19.

<u>Financial Year</u>	<u>Interest Income</u>	<u>Comments</u>
2015/16	£0.09m	Actual
2016/17	£0.07m	Actual
2017/18	£0.05m	Forecast
2018/19	£0.06m	Proposed Budget

- 4.5 Given the continued uncertainty in the economy a full review of the Treasury Management Strategy will be undertaken during 2018/19 to review whether there are other investment options available.

5. External Advice

- 5.1 External advisers have not been used over the last year. However they may be used on an ad-hoc basis if required.

6. Treasury Management Indicators

- 6.1 The OPCC measures and manages its exposures to treasury management risks using the following indicators.

7. Borrowing Limits

- 7.1 In accordance with the Prudential Code it is a requirement that the OPCC set borrowing limits for the next 3 years and an upper limits on fixed and variable interest rate exposures, expressed as the amount of principal borrowed or invested will be. These limits are intended to reduce risk. It is proposed that the limits should be as follows:

		2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
(i)	Total authorised borrowing limit*	24.4	25.8	28.6	29.7
(ii)	Long term liabilities	1.4	1.0	0.5	0.5
(iii)	Interest payable limit on borrowing at variable rates	0.2	0.2	0.3	0.3
(iv)	Interest payable limit on borrowing at fixed rates	0.6	0.7	0.8	0.9

* includes headroom for short term borrowing - £1m for each year.

7.2 The Prudential Code also recommends that the Police and Crime Commissioner sets upper and lower limits for the maturity structure of its fixed rate borrowing to control exposure to refinancing risk.. The following limits are proposed:-

	Upper Limit	Lower Limit
Under 12 months	20%	0%
Between 12 months and 24 months	20%	0%
Between 24 months and 5 years	20%	0%
Between 5 years and 10 years	50%	0%
Over 10 years	100%	25%

7.3 No investments are made for more than 365 days.

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POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE

POLICE AND CRIME PANEL

Report of	OFFICE OF POLICE AND CRIME COMMISSIONER
Subject	OPCC STRUCTURE UPDATE
Date	WEDNESDAY 31 JANUARY 2018 – 1:00 p.m.
Author	PAUL HINDSON

Purpose of Report

1. To update the Police and Crime Panel on the revised staffing structure of the Office of the Police and Crime Commissioner (OPCC).

Recommendation

2. That the Panel notes the revised structure.

Introduction

3. A staffing structure for the OPCC was presented to the Panel on the 5 December 2016. The posts within that structure were advertised, but not all posts were successfully filled. In addition, some existing posts were vacated during the year and remained unfilled for a significant part of 2017. For instance, the post of the Chief Executive was vacated on 17 February 2017, following a lengthy period of sickness absence, which began on 18 October 2016. The post was not successfully filled until December 2017. Other posts were also vacated during the year, including the post of the Chief Finance Officer. These, and other vacancies, have meant that a stable structure was not possible to achieve during most of 2017 and the OPCC was operating on a significantly reduced staffing establishment.
4. Bearing these changes in mind, the interim Chief Executive prepared a draft staffing structure in the autumn of 2017, which has undergone consultation with staff and unions. This structure is presented at Appendix A. However, it has not been possible to appoint people to all the posts outlined in this structure and therefore a further revision has been undertaken by the new Chief Executive following his appointment in December 2017. This report describes that further revision.

Revised Structure

5. The approach adopted in the latest revision (described as January 2018 version) is as follows:

6. To create an office that is lean but fit for purpose and able to fulfil the statutory requirements of the OPCC. Bearing this in mind the posts of Assurance Officer and Communications and Engagement Manager have been deleted from the chart in Appendix A. In addition the post of Resources Manager has been downgraded. On top of this, the posts of Chief Executive and Chief Finance Officer have now been filled at lower levels of remuneration.
7. To create a project management capacity within the office to enable the achievement of the objectives in the Police and Crime Plan. To this end a post of project officer has been created at a low grade, with the intention of appointing an intern grade to fill the role.
8. To integrate the partnerships, project management and communications work into a single post to oversee change and engagement work within the office. With this in mind the role of “Partnerships and Projects Manager” described in Appendix A has been enlarged to take on communications and the post of Partnerships Officer has been created at a lower grade to support the newly created Relationships, Projects and Communications Manager.
9. To create a flexible and responsive team that is able to adapt to demand. With that in mind the team has been configured around a weekly forum, which will monitor progress in delivering all the objectives in the Police and Crime Plan.
10. The January 2018 OPCC staffing structure has been agreed with unions and has undergone consultation with existing members of the team. It is presented in Appendix B.
11. Appointments to these posts are progressing and the table below describes the current position.

<u>OPCC Post-</u>	<u>Current Position / Update-</u>
Chief Executive	<i>In Post</i>
Finance Director	Starting on the 29 th Jan
Executive Director	<i>In Post</i>
Relationship & Change Manager	<i>In Post</i>
Commissioning Manager	<i>In Post</i>
Commissioning & Contracts Officer	<i>In Post</i>
Finance & Resources Officer	New Post - with HR for Grading
Engagement Officer	Starting on the 1 st Feb
Partnership Officer	New Post - with HR for Grading
Project & Development Officer	New Post - with HR for Grading
Research Officer	Awaiting Vetting
Executive Manager	<i>In Post</i>
Casework Officer	Awaiting Vetting
Volunteer Manager	<i>In Post</i>
Performance Manager	Awaiting Vetting
Business Staff Officer x2	<i>In Post</i>

Financial Impact

12. The staffing cost of the OPCC in Appendix A is £951,299. The staffing cost of the January 2018 OPCC structure is £927,630. This represents a saving of £23,669.

Risks

13. As the above table indicates, there is still a risk that not all posts will be appointed. However, this risk has now been mitigated by the revised staffing structure outlined in Appendix B.
14. There is also a risk that the new structure will have insufficient communications capability, bearing in mind the inability to appoint to the communications post. This risk has been mitigated by maintaining the role of the external consultants who currently support the PCC and drawing on the communication resource of Leicestershire Police as a backstop arrangement. The communication capacity of the OPCC will be reviewed after three months' operation of the new structure.

Implications

Financial :	The OPCC budget for 2017/18 is being managed within budget and transition reserve levels. The office structure outlined in Appendix B maintains the staff spending below the level proposed in the interim structure (Appendix A).
Legal :	None.
Equality Impact Assessment :	None.
Risks and Impact :	The key risk is not filling posts which are designed to deliver the work required for the Police and Crime Plan.
Link to Police and Crime Plan :	Discussed within report.

List of Appendices

Appendix A: Proposed Structure of the OPCC as at December 2017

Appendix B: Revised Structure of the OPCC as at January 2018

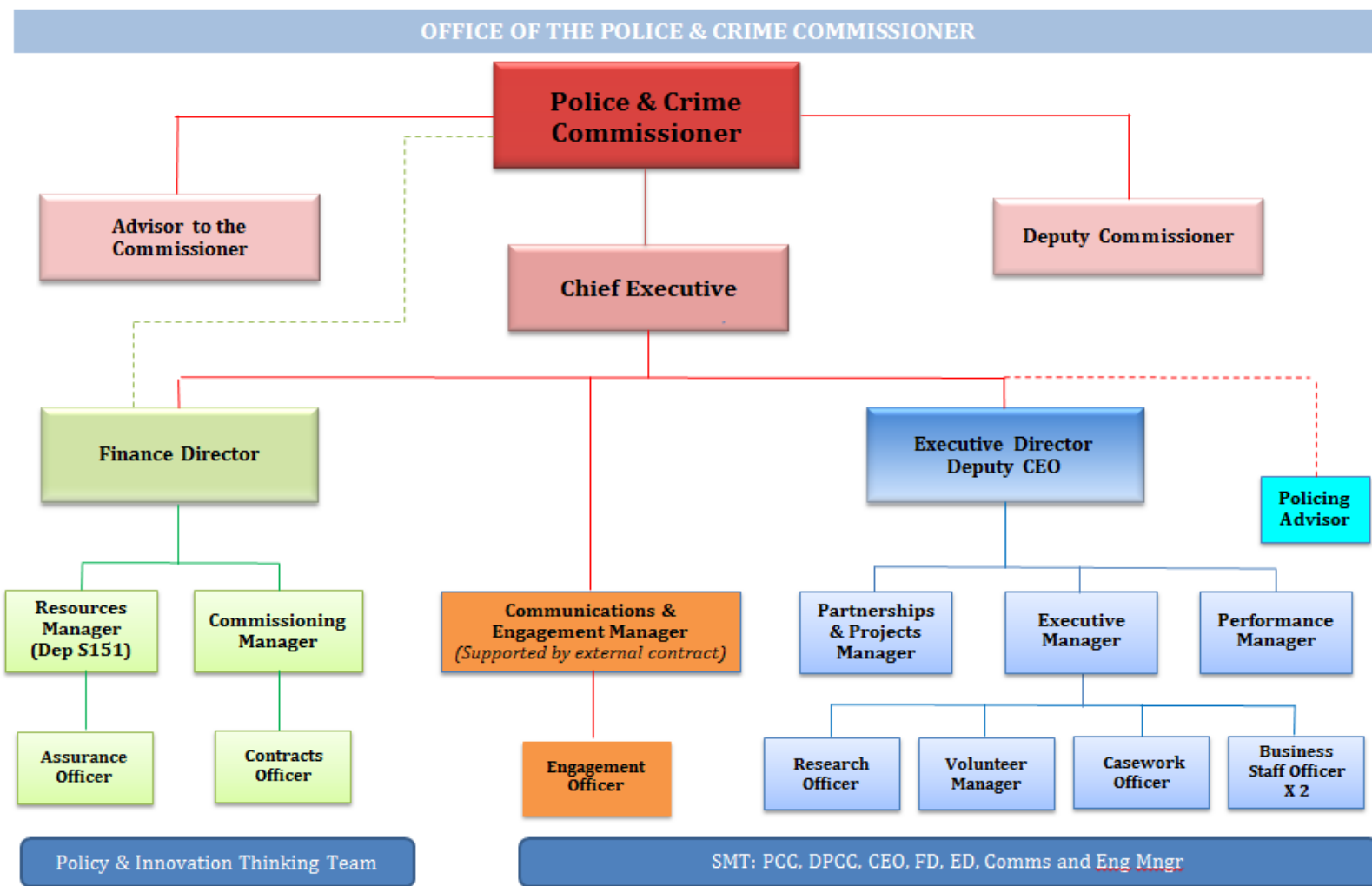
Background Papers

Police and Crime Panel Report – 5 December 2016

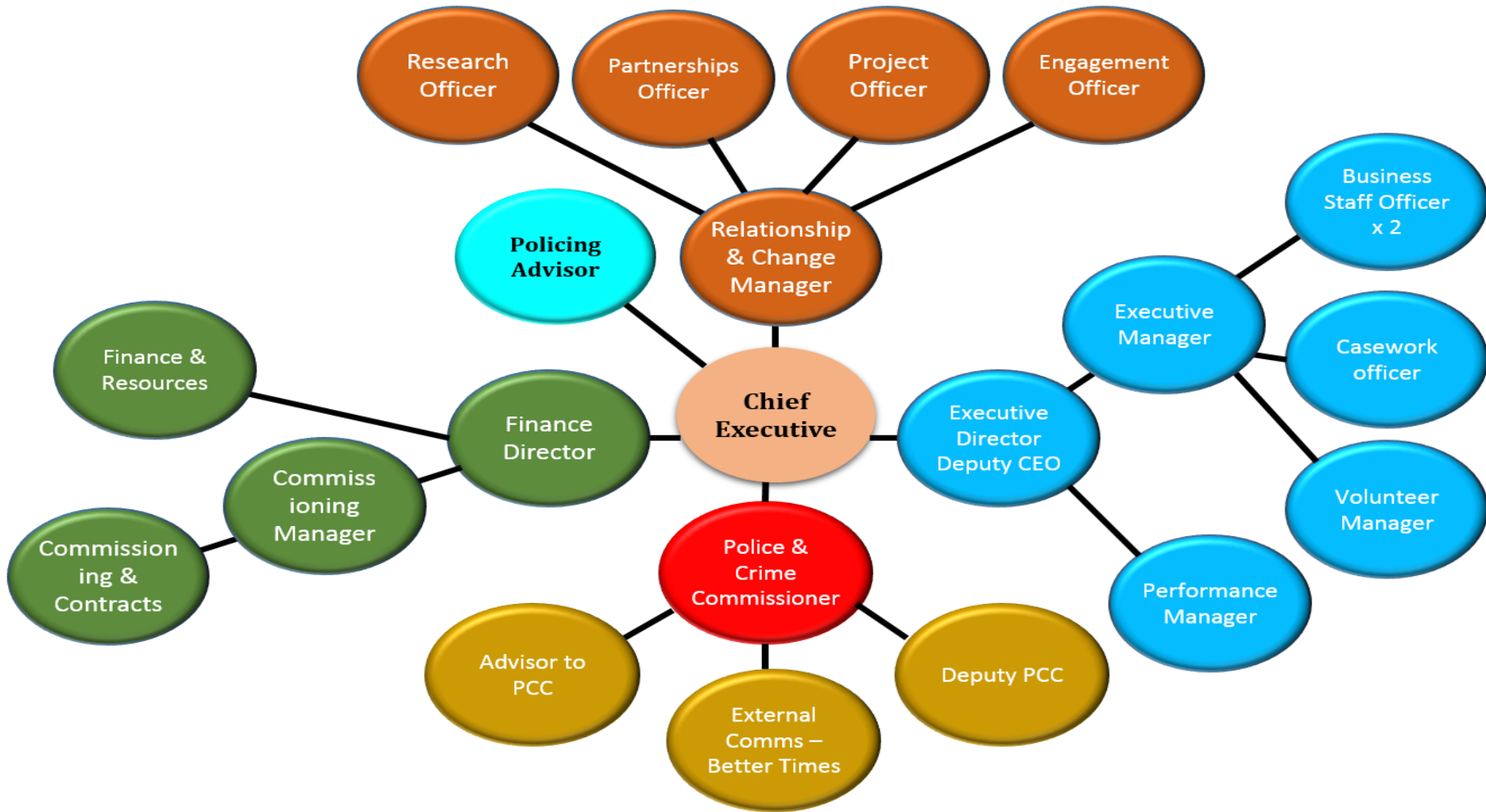
Person to Contact

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Appendix B



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**LEICESTER, LEICESTERSHIRE AND RUTLAND POLICE AND
CRIME PANEL – 31 JANUARY 2018**

**CROSS-FORCE COLLABORATION BETWEEN POLICE FORCES IN
THE EAST MIDLANDS**

REPORT OF THE SECRETARIAT

Purpose of this Report

1. The purpose of this report is to seek the views of the Panel concerning scrutiny of cross-force collaboration which is taking place between Police Forces and Police and Crime Commissioners (PCCs) in the East Midlands region.

Background

2. The Police Act 1996 provides the legal framework for collaboration and gave duties to Chief Constables. A chief officer may enter into a collaboration agreement only with the approval of the Police and Crime Commissioner responsible for maintaining the chief officer's force. The Police Reform and Social Responsibility Act 2011 strengthened the duties on Chief Constables and PCCs to keep collaboration opportunities under review and to collaborate where it is in the interests of the efficiency or effectiveness of their own and other police force areas. Where collaboration is judged to be the best option, they must collaborate – even if they do not expect their own Force to benefit directly itself. This was designed to ensure that collaboration takes place wherever it is in the wider public interest. The Policing and Crime Act 2017 further provided for cross-Force and Blue Light collaboration.
3. The reports from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (formerly HMIC) 'Increasing Efficiency in the Police Service: The role of collaboration' (2012) and 'Policing in Austerity: Rising to the Challenge' (2013) identified the benefits of collaboration in terms of increased efficiency and effectiveness.

Current collaborative arrangements

4. Currently Leicestershire Police and the Leicestershire Police and Crime Commissioner are involved in a number of regional collaboration projects with other Forces and Police and Crime Commissioners in the East Midlands Region. These are listed below:

Five Force Collaborations

(Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire)

East Midlands Special Operations Unit (EMSOU)

East Midlands Legal Services

HR Occupational Health (EMCHRS OH)

EM Police Collaboration Team

Regional ICT Project Management Office (Regional IS PMO)

Four Force Collaborations

HR Learning and Development (EMCHRS L&D) (*Derbyshire, Leicestershire, Northamptonshire and Nottinghamshire*)

East Midlands Operational Support Service (EMOpSS) (*Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire*)

East Midlands Criminal Justice Service (EMCJS)
(*Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire*)

Two-force collaboration

Shared HR Service Centre (**Derbyshire and Leicestershire**)

5. PCCs have established a Board for the East Midlands Regional Collaboration Programme and collaboration agreements are signed off by the Board.

Regional Network of Police and Crime Panels

6. In 2014, a Regional Network of Police and Crime Panels in the East Midlands was established, facilitated by Frontline Consulting. At each meeting of the Regional Network Officers and Members of Panels share information about their work programmes, explore challenges and problem solve together and discuss 'hot topics'.
7. At the Network meeting on 2 March 2017, it was proposed that a seminar on cross-Force collaboration be organised to ensure a common knowledge base across the Network and to receive an update on a recent review into governance of cross-Force collaboration. Although there is no reference within legislation to Police and Crime Panels collaborating, there also is nothing to prevent this.

Regional Collaboration Seminar

8. The Seminar took place on 28 November 2017 at County Hall, Nottingham and it was attended by Members and officers of the Derbyshire, Lincolnshire, Northamptonshire and Nottinghamshire Police and Crime Panels as well as the Nottinghamshire PCC Paddy Tipping. The key conclusions from the seminar were that there was:-
 - i) a perceived lack of clarity about cross-Force collaboration;
 - ii) a lack of readily accessible information about the extent of regional collaboration and its impact. (It was felt that Panels had struggled to cross-reference the views of their PCC with the other PCCs in the region about the current picture across the region.)
 - iii) a lack of coordination and a single point of contact for PCPs.
9. The issues identified for PCP scrutiny in relation to cross-force collaboration included:
 - governance arrangements;
 - cost of, benefits from and value for money of cross-Force collaboration;
 - work streams and leads from the Board;
 - monitoring arrangements and the ongoing collection of evidence;

- the best mechanism to challenge and support PCCs regarding their Forces' participation in cross-Force collaboration;
 - other collaboration eg blue light and fire.
10. At the conclusion of the Seminar, the various panels that were in attendance made the following proposals and requests of PCCs and their Offices:
- That there should be standardised ways of exchanging information between PCPs and PCCs including regular common presentations, reports, performance management, financial reporting and questions including regular progress reports, liaison and briefings from staff to be appointed to lead on cross-Force collaboration.
 - That each PCC should undertake routinely to report to their PCP, perhaps twice a year, on matters relating to cross-Force collaboration, including the development of a shared vision and business case, so that all Panels have access to the same information about strategy, approaches and outcomes. (This request would need to be made to the Leicestershire PCC in the same way other agenda items for Panel meetings are requested). A suggested list of questions were also developed which Panel members might wish to use and these are attached as an Appendix.
 - That a further seminar involving PCP representatives, PCCs, OPCCs and Chief Constables of the five Forces be held in 2018 to provide an update on the vision and business plan and progress with and outcomes from cross-Force collaboration.
 - The Panels also saw the value of holding a meeting of all PCC representatives from time to time to consider the nature and governance of and the impact and outcomes from cross-Force collaboration by their PCCs and the five Forces. Some members at the seminar made reference to the parallels with joint scrutiny, especially around health, although the powers clearly differ.

Conclusions

11. Attendance at meetings of the Regional Network of Police and Crime Panels has provided useful information on regional collaboration by PCC's in the region. As such there would be merit in continued attendance at these Network meetings. Currently attendance from the Leicester, Leicestershire and Rutland Police and Crime Panel is by the chairman and the officer supporting the Panel. The Panel may wish to consider requesting the Vice-Chairman of the Panel or one of the two independent members to attend. A report on issues discussed at the Network would be made to the Panel.
12. The list of questions suggested for Panel members when scrutinising collaborative arrangements is welcomed as is the suggestion that each PCC should report to their respective PCCs at least every six months on the operation and effectiveness of collaborative arrangements. This would enable

the Panel to form a view of the benefits and impact of such arrangements on local communities.

13. Scrutiny of such collaborative arrangements at regional level was also discussed. One suggestion put forward is that a Seminar is held in 2018 when an update would be provided on the vision, business plans and outcomes of regional collaboration. In addition, it has been suggested that a regional scrutiny body should be established. The view of the Chairman of the Leicester, Leicestershire and Rutland Police and Crime Panel is that an annual regional seminar where members are briefed at a high level on collaborative arrangements coupled with the bi-annual reports from respective OPCCs and Chief Constables should suffice and a new regional body is not necessary. This position could be kept under review and if it is decided to proceed with developing regional scrutiny in due course, it will be necessary to carefully consider the governance for such an arrangement bearing in mind the statutory role of the Panel is to exercise its functions with a view to supporting the functions of the PCC for its own (geographical) police area.

Recommendations

14. If members concur with the conclusions the following recommendations are put forward:-
 - a) That the Chairman and one other representative (Vice-Chairman or an Independent Member) be requested to attend meetings of the Regional Network of Police and Crime Panels and report back on issues raised at such meetings;
 - b) That the PCC be asked to submit six monthly reports on regional collaborative arrangements and the impact and effectiveness of such arrangements;
 - c) That at this point in time the need for a regional scrutiny body has not been made and that the Seminar proposed for 2018 when an update would be provided on the vision, business plans and outcomes of regional collaboration should provide sufficient oversight.

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Appendix

List of questions to ask PCCs regarding cross-border collaboration.

Appendix**Questions to ask PCCs regarding cross-border collaboration.**

- 1) Vision
 - a) Is there a clear vision for collaboration and what is the current strategic direction?
 - b) Could Panels be provided with a map of collaboration activity?
- 2) Governance
 - a) What is the process for making decisions about and evaluating outcomes from regional collaboration?
 - b) We understand that the Board exists and PCCs and their Chief Constables take different lead responsibilities.
 - i) How often do you meet?
 - ii) Could documentation made available to PCPs?
 - iii) Are the documents relating to the Board made public in any way?
 - c) A review of the East Midlands Joint PCC Board was undertaken in 2017.
 - i) What were the key outcomes of the review?
 - ii) Does the revised governance structure include links to the PCC Audit Committees?
 - iii) Does the revised governance structure include links to the Police and Crime Panels?
- 3) Outcomes
 - a) What are the overall planned savings for collaboration initiatives and to what extent are they being achieved?
 - b) Are there any aspects of collaboration which have not delivered the expected operational improvements?
- 4) Liaison with Panels
 - a) How do you envisage reporting to your PCP about regional collaboration – proposals, activities and outcomes?
 - b) Would you support future seminars, briefings and discussions across the region given the nature of collaboration?

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