

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE & CRIME PANEL

Report of	POLICE & CRIME COMMISSIONER
Date	FRIDAY 1 FEBRUARY 2019 AT 10:00am
Subject	PROPOSED PRECEPT 2019-20 AND MEDIUM TERM FINANCIAL PLAN (MTFP)
Author :	MARTIN HENRY, CHIEF FINANCE OFFICER OF THE OFFICE OF THE POLICE AND CRIME COMMISSIONER

Purpose of the Report

1. To present the 2019-20 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 2019-20 net budget requirement of £187.139m, including
 - a council tax (precept) requirement for 2019-20 of £72.062m.
 - b. Support the proposal to increase the 2019-20 Precept by £24.00 per annum (12.05%) for police purposes to £223.2302 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/or 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 Medium Term Financial Plan contained in Appendix 1.

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) and 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 Police and Crime Commissioner (PCC) 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 been briefed on the current and emerging operational challenges, both nationally and locally by the Chief Constable and has considered this advice in preparing the budget for 2019-20. The budget is focussed upon the PCC's priorities as contained within the Police and Crime Plan, the Strategic Policing Requirement and ensures there are strong links with the developing target operating model (Blueprint 2025).
7. The PCC has received briefings and updates on the provisional grant settlement which included additional core funding and pension grant to cover the unavoidable costs associated with changes in the pensions' valuation which will come into effect in 2019-20.
8. It should be noted that the total of the additional funding provided in Government grant is insufficient to meet the additional cost burden of pensions by approximately £500,000 and therefore this amount will need to be met by local taxpayers.
9. The PCC is recommending that he increases the precept by £24.00 per Band D equivalent property across Leicester, Leicestershire and Rutland in order to protect the current level of service provided by the Police and make further significant investments in Policing Services. This is in line with his Police and Crime Plan and is also in line with the expectations of the Government.
10. The Commissioner has determined that the following priorities should be focussed upon:

Frontline Police Officers

- An ambition to deliver an additional 107 Police Officers, increasing the number from 1,806 to 1,913. It is anticipated that 80 officers will commence in 2019-20 with the remaining 27 being recruited in 2020-21.
- The intention is for the 107 additional officers to be deployed as follows:
 - 60 Neighbourhood Patrol Officers based in the NPA's
 - 24 NPA Detectives – Three in each of the NPA's
 - 8 Beat Officers – One in each of the NPA's
 - 8 Officers to advance and refine the proactive capability of the force, specifically targeting current areas of concern which require an additional and proactive resource
 - 7 officers to be used to target criminal exploitation across the area

- It can be seen that the majority of the additional officers will be based in Neighbourhood Policing Areas (NPA), significantly increasing the number of officers operating out of local police stations and therefore ensuring greater visibility of officers in and around the neighbourhoods.
- This approach will be complemented by re-locating current officers to work out of the neighbourhood police areas. This will further increase the visibility and presence of the police in each of the areas.
- The proposals detailed above will see significant recruitment activity taking place and therefore the Human Resources team and Training budget will need to be increased to support this level of additional Police Officers being achieved.

Other Investment Proposals

- The criminal world is changing rapidly and exploiting technology to commit crime. It is imperative that Policing remains at the forefront of these advancements. To do this the force seeks to have an increased focus on digital policing methods. There is also considerable investment in technology taking place nationally which need to be understood and implemented well so that we can get the best from the emerging systems and make officers as effective and efficient in their roles as possible. Therefore the proposals seek to create a digital team to increase the pace and use of technology within the force along with an increase in project management resource to ensure digital and other projects are delivered on time and within budget.
 - Within the proposals are also plans to reduce the amount of 'abstractions' within the Police Force. An abstraction is where an officer is reallocated to deal with another incident. Often these abstractions come from within the neighbourhood policing areas, thereby reducing their presence in and around the neighbourhoods. The proposal complements the drive to increase the number of Police Officers in the neighbourhoods, thereby increasing their visibility and activity which is a central theme of the investment included within the budget.
 - In January 2019 HMICFRS published a report on Crime Data Integrity and whilst the report showed some improvements since the last report in 2017 it still assessed performance in this area as 'inadequate'. From the previous report a plan was already in place and has contributed to this improvement but it is recognised that more resource is required in this area to continue to address the issues highlighted. The intention within the proposals is to increase the number of staff working within the Crime Bureau on a short term basis to address the main areas of weakness highlighted within the report. This will reduce the opportunity for error and will play a significant role in improving compliance with the National Crime Recording Standards. There is also the intention to add an additional Dedicated Decision Maker (DDM) who will focus upon the areas identified through the recent HMICFRS Inspection.
11. 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 volunteer police cadets, special constables, police volunteers or independent custody visitors. Up until this point volunteers in policing had been funded partly through the base budget and partly through the use of earmarked reserves. From

2019-20 the cost will be fully funded through the base budget as reliance on the one off reserves has been written out, this provides greater certainty for this service going forward.

12. In November 2018 a fundamental review of reserves took place and a Reserves Strategy was drafted and adopted by the PCC. As part of this budget the PCC has reviewed the adequacy and level of Reserves and is planning to responsibly use reserves over the medium term, in line with his priorities. In addition to the use of reserves for specific projects up to £5.1m of the Budget Equalisation Reserve will be used to support the revenue budget requirement.
13. Last year, the budget report set out the need to devise a new Target Operating Model (TOM) to meet current and future challenges. This work has progressed well throughout the year and the new target operating model is well advanced. The OPCC continues to work with the force to understand and seek to influence the approach and this will continue in 2019-20.
14. In considering the proposed level of precept, the PCC carried out a budget consultation exercise. The survey asked if residents of the area were prepared to pay up to £2.00 extra per month for policing services. There were 1,101 responses to the survey. Of these, 1,077 responses were from Council Tax Payers across the area and 72% of those were in favour of an increase of up to £2.00 per month (£24.00 for the year).
15. After careful consideration of these factors, the PCC is proposing a Band D precept increase of £24.00 per annum for the 2019-20 financial year. The PCC has allocated 97.8% in 2019-20 (97.8% in 2018-19, 96% in 2017-18 and 95.6% in 2016-17) of the net revenue budget requirement of £187.139m 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.

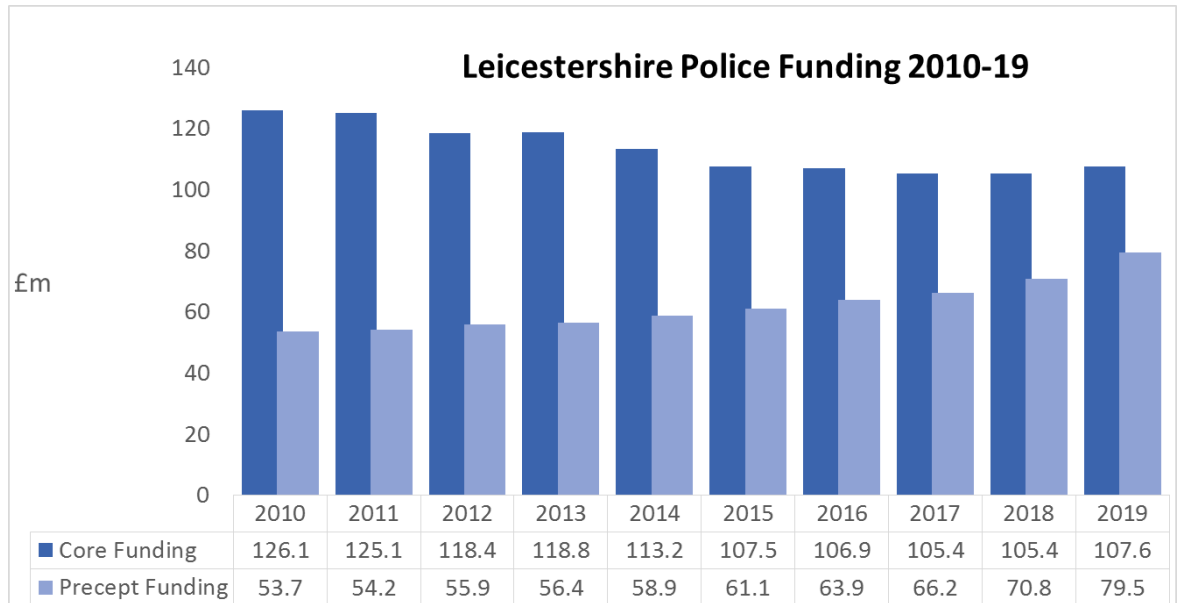
16. Leicestershire Context

17. This section sets out some key information in relation to the policing area in order for the Panel to be aware of the external factors that are driving demand and have a significant impact on Policing in Leicester, Leicestershire and Rutland.
18. Chart 1 shows what has happened to core grant funding and the locally raised precept since 2010-11. It shows the actual cash grant received each year and does not take into account the real terms reduction in funding.
19. The chart shows that core grant funding has reduced from £126.1m in 2010-11 to £107.6m for 2019-20 a reduction of 15%. A study by the National Audit Office on "Financial sustainability of police forces in England and Wales 2018"¹ estimated that the real terms reduction in funding for Leicestershire between 2010-11 and 2018-19 was 30%.
20. The graph also shows that the funding raised locally has increased significantly over the same period. In 2010-11 £53.7m was raised directly from residents of the area

¹ <https://www.nao.org.uk/wp-content/uploads/2018/09/Financial-sustainability-of-police-forces-in-England-and-Wales-2018.pdf>

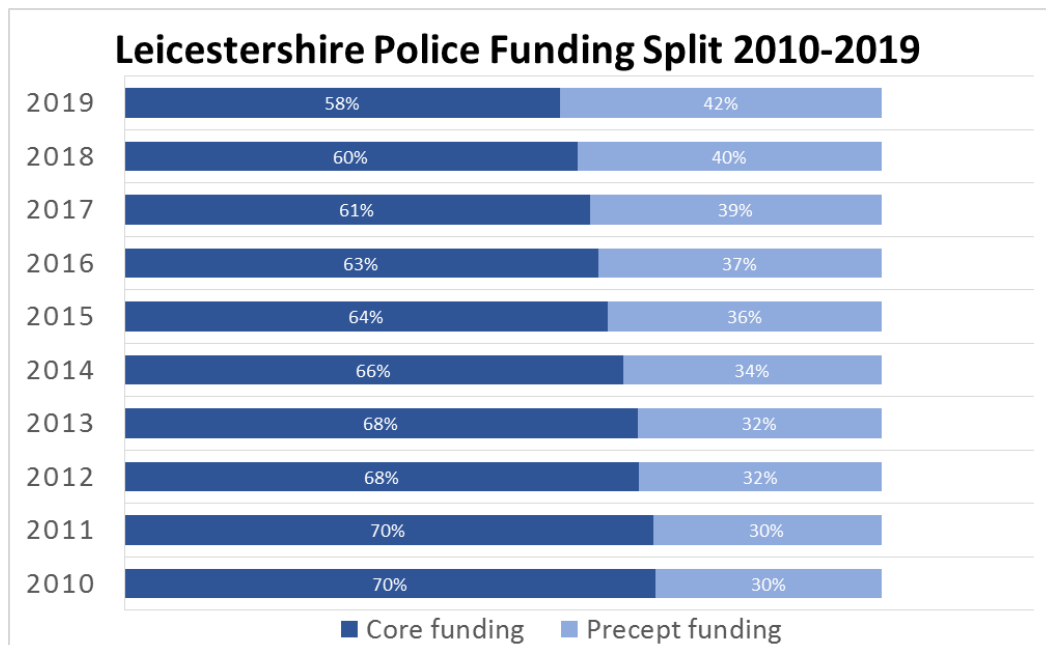
(and related grants) and for 2019-20 this is expected to increase to £79.5m². An increase of £25.8m or 48% over the period.

Chart 1



21. Chart 2 demonstrates how the total funding has moved between Core Grant and Precept Funding since 2010-11. It shows that in 2010-11 70% of the funding came from Core Grant with the balance of 30% coming from the local precept. For 2019-20 this has moved significantly to show that 58% of the total funding will come from Core Grant and that 42% of funding now comes directly from the local taxpayer (and related grants).

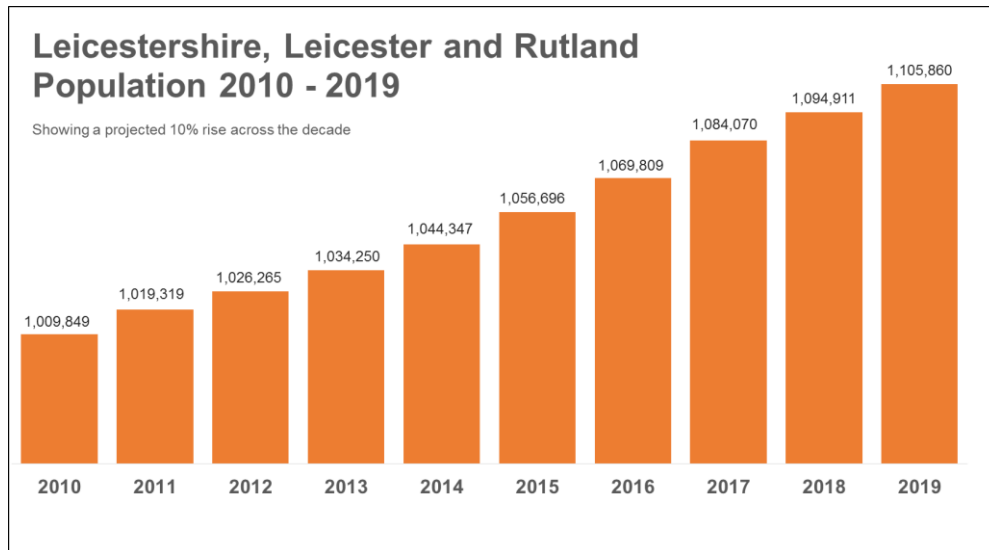
Chart 2



² This figure is made up of £72.1m precept, £7.0m Council Tax Support Grant and £0.4m Collection Fund Surplus

22. Chart 3 shows that whilst core grant has decreased significantly since 2010-11 the population within Leicester, Leicestershire and Rutland has increased significantly.

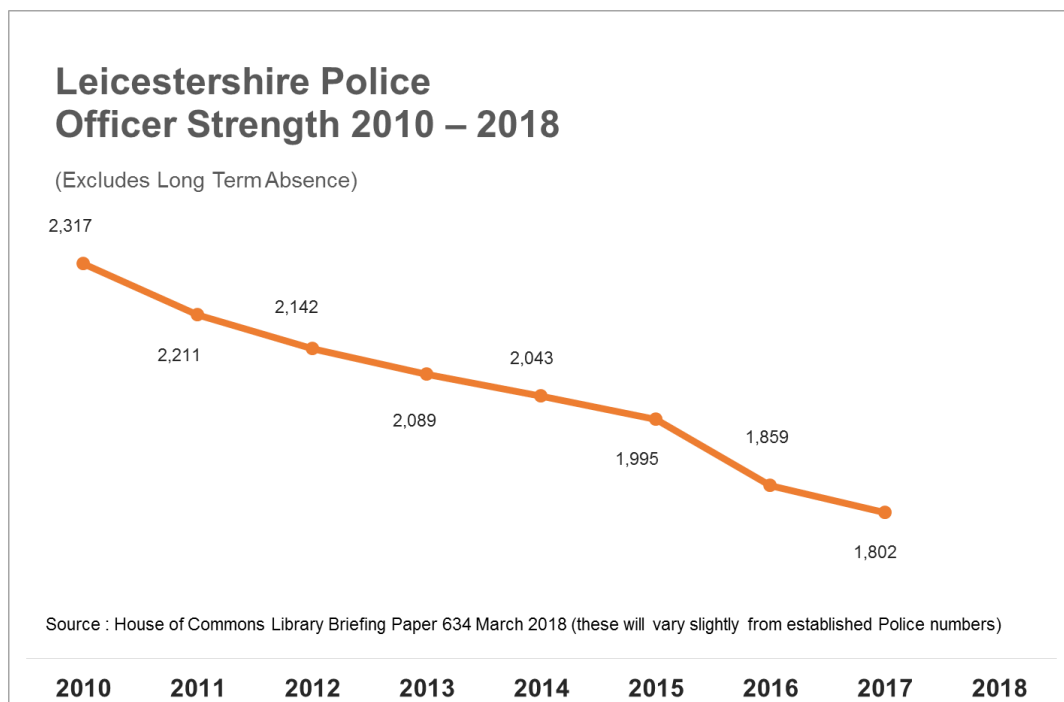
Chart 3



Source: ONS Population Estimates mid-2001 to mid-2017 detailed time series. 2018 and 2019 extrapolated assuming 1% growth

23. Chart 4 illustrates the reduction in Police Officers over the same time period. In 2010-11 the force employed approximately 2,317 Police Officers. The comparable figure for 2017-18 is 1,802. A reduction of 515 officers or a 22% reduction in Police numbers. This budget seeks to increase the established number by 107 officers but it is still a striking reduction in numbers compared to 2010-11.

Chart 4



24. It should be noted that whilst funding has reduced significantly demand for the service is very high. This is no surprise when the increase in population in the area is taken into account. A selection of information taken from the Force Management Statement further underlines the point as detailed below:

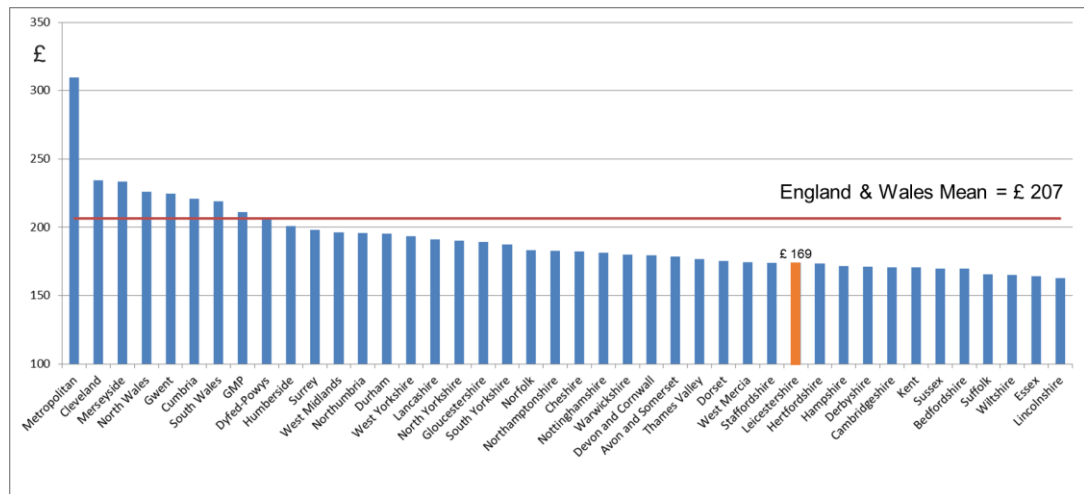
Number of 999 Calls received	138,893
Number of 101 Calls received	501,342
Number of referrals to Child Protection Teams	15,372
Number of reported domestic incidents dealt with	7,030
Number of missing people found	4,224

The above are just a small selection of the total number and variety of incidents dealt with by the Force in the last financial year.

25. Chart 5 below shows how much funding in total is received per head of population for each of the policing areas across England and Wales. This shows that Leicester, Leicestershire and Rutland receives approximately £169 per head of population which is the 12th lowest in England and Wales and £38 per head of population lower than the average. If funding was lifted to the average approximately £42m more funding would be available for investing in policing in the area.

Chart 5

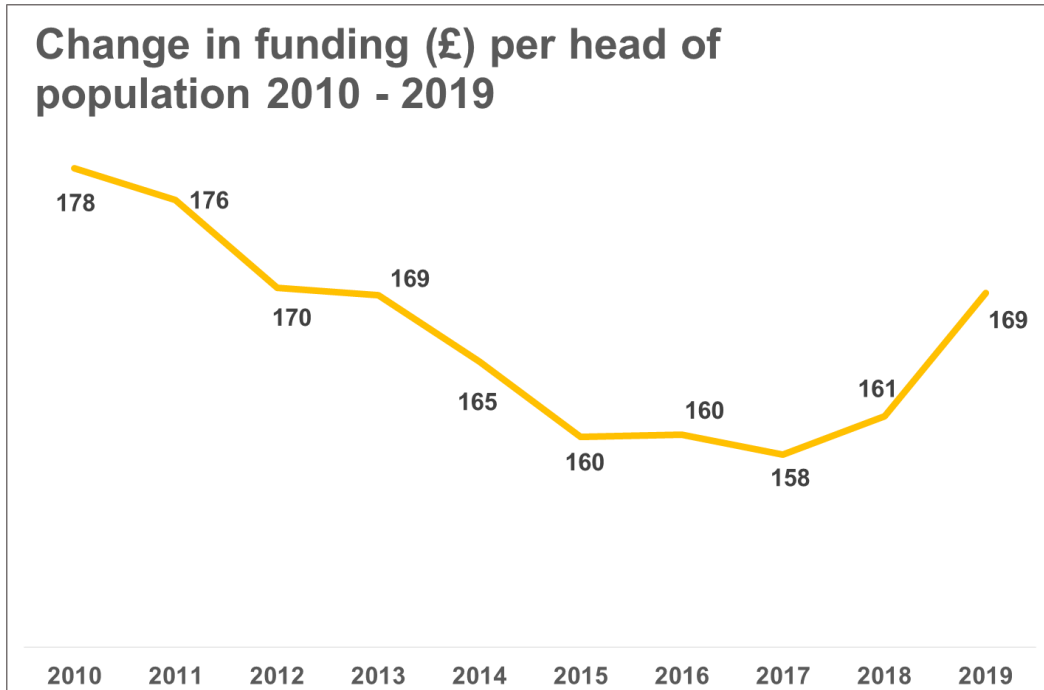
Funding per head of population in England and Wales 2019-20



Source: National Police Chiefs' Council

26. Chart 6 maps how the funding per head of population has changed since 2010-11. This shows that the funding per head of population in 2010-11 was £178. This reduced to £158 for 2017-18 and has increased for the final two years to £161 in 2018-19 and £169 in 2019-20.

Chart 6



The Provisional Grant Settlement 2019-20

27. On 13 December the Government issued details of the provisional Police Funding for 2019-20. This section provides the headlines from the announcement and then sets out the implications for Leicestershire.

28. At a national level the headlines were as follows.

Total increase in funding available for Policing equates to **approximately £971m**. This can be broken down as follows:

- Core Grant funding increasing by **£161m** or 2.1%
- Additional Council Tax Precept allowing increases on a Band D property up to £24 generates **£509m**
- Specific Funding for Pensions Costs **£152m**
- Additional **£59m** for Counter Terrorism
- Additional **£90m** for Serious and Organised Crime Strategy
- **Total £971m**

29. In addition to this it was announced that:

- Police Transformation Fund would be maintained at **£175m**
- Major digital projects funding of **£495m** would be available

- Special Police Grant for special events, significant incidents and major investigations will be **£73m**

30. Alongside the proposals, the Government also set out four priority areas to drive efficiency, productivity and effectiveness next year. They are:

- Further efficiency savings through collective procurement and shared services with forensics highlighted as an area to concentrate on.
- Resolution of investigative challenges as highlighted by HMICFRS
- Smarter use of data and digital services with an ambition to deliver £50m of productivity gains in 2019-20
- Maintenance of a SOC response which identifies and manages local threats as well as supporting national and regional priorities.

It is believed that we are already well placed to evidence significant progress against each of these priority areas.

31. Leicestershire Position

32. The figure for increased funding quoted for Leicestershire was £12.7m and can be broken down as follows:

	2018-19	2019-20	£m	%
	£m	£m	Increase	Increase
Home Office Core Funding	64.4	65.8	1.4	2.2%
Ex-DCLG Formula Funding	39.1	39.9	0.8	2.0%
Legacy Council Tax Grants	8.9	8.9	0	0.0%
Pension Grant	0	1.9	1.9	-
Precept	63.1	71.7	8.6	13.6%
	175.5	188.2	12.7	

33. The precept figure is an estimate made by the Government based on an assumed level of growth. The Government have assumed the taxbase will grow by 1.4% to 321,193. This is slightly less than the confirmed taxbase which is 322,816.

34. It can be seen from the above analysis that the majority of the additional funding is only delivered if the Commissioner chooses to increase the Policing element of the Council Tax bill by the full £24.00 for a Band D property. This generates £8.6m or approximately 68% of the additional funding calculated by the Government.

35. An increase of £24.00 on a Band D property would see the Policing element of the Council Tax bill increase from £199.23 to £223.23 which represents an increase of approximately 12%.

36. Pensions

37. Of the additional funds detailed in the table above approximately £4.6m will be required to fund the additional costs associated with the increased pension liability for 2019-20.

38. It should be stressed that the additional income received in the form of Core Grant and Pensions Grant to fund the additional pension liability does not meet the cost for

Leicestershire by approximately £500,000. Therefore this underfunding will have to be met through the increased local precept, the burden of which will fall on local taxpayers.

39. Other Cost Pressures

40. Similarly, there are other cost pressures which will need to be funded relating to staff pay, inflationary increases and other contractual increases. As the core grant and pensions grant does not meet in full the additional pension costs then these costs will also need to be funded through the increased precept flexibility.

41. Impact on Precept

42. If the precept is increased by £24.00 for each Band D property in the area it is currently estimated that that will generate £7.7m in addition to the income generated as a result of the natural increase in the taxbase of £1.2m (these two figures added together are broadly equivalent to the increase in precept calculated by the Government of £8.6m).

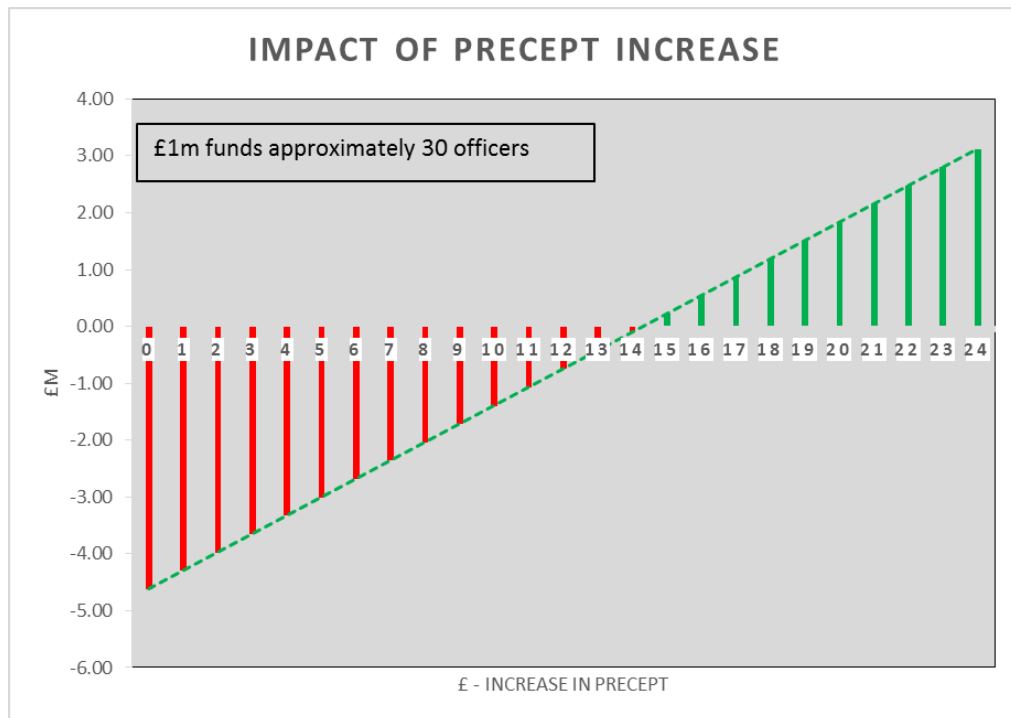
43. After all of the additional burdens and other existing cost pressures have been taken into account the remaining funding available for investing in services is £3.1m.

44. It can be seen that if the Commissioner chooses to increase the precept by £24.00 for a Band D equivalent the vast majority of it will be required to meet existing cost pressures, funding of the pensions deficit, inflationary increases and other unavoidable cost pressure. It is estimated that approximately £14.00 of the £24.00 will be required for this purpose.

45. The balance of approximately £10.00 of the £24.00 increase is therefore available for additional investment in policing services.

46. Chart 7 seeks to show what the reduction or investment in services would be for each £ of the additional precept increase that is proposed. This demonstrates that if the precept was not increased for next year there would need to be £4.62m worth of reductions to services which would equate to a decrease of approximately 140 officers.

47. It also demonstrates that £14.00 of the precept is required to maintain services at the current level after taking into account inflationary increases, pensions underfunding, contractual increases and other unavoidable cost pressures. Finally it demonstrates that if the precept is increased by the full £24 it enables investments of £3.12m as set out in the report.



Taxbase and Collection Fund details

48. Leicester City Council, Rutland County Council and the District Councils are responsible for estimating the taxbase in their area and the Council Tax collection fund surplus or deficit.
49. The total taxbase is used to calculate the total precept that will be collected by billing authorities on behalf of the Police and Crime Commissioner.
50. The total collection fund surplus or deficit is shared between the major preceptors and therefore the Commissioner receives a share of this.
51. In 2018-19 the taxbase used in setting the budget for the Commissioner was 316,685.05 band D equivalent properties. For 2019-20 this has increased by 1.9% to 322,815.68 band D equivalent properties.
52. Across the LLR there is an estimated collection fund surplus totalling £446,193. This compares to an estimated surplus in 2018-19 of £704,664
53. The majority of the taxbase and collection fund surplus or deficit calculations have been confirmed but there is just one figure that at the time of writing this report is subject to formal confirmation. It is not anticipated that the figure provided will change as a result of the formal confirmation but should there be any changes the adjustments required will be made through the budget equalisation reserve.

Council Tax Referendum Limit

54. 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.

55. From 2012-13, the Secretary of State is required to set principles annually, determining what increase is deemed excessive. For 2019-20 Police and Crime Commissioners can increase their precept on a Band D property by up to £24.00 without triggering a referendum.

56. The level of precept proposed is in line with this threshold and will not trigger a referendum.

Risks

57. There are number of financial risks within the draft budget requirement, as summarised below:

- Police Staff Job Evaluation – The Force is currently undertaking an evaluation of its Police Staff posts. Based on the experience of other employers a provision of £1.1m has been included to cover the implementation of the scheme. This remains a financial risk until the pay assimilation is completed and the actual costs are confirmed.
- Pay inflation – Given the move away from the 1% pay cap, the current inflation indices and the recommendation of the Police Negotiating Board for a 3% increase for 2018 (which was not supported by the Government), provision has been made for a 3% pay award from 1st September 2019 for both officers and staff (£2.6m part-year). However, the actual increases will not be known until pay negotiations are completed later in the year. Pay inflation for 2020/21 onwards is included at 2%.
- Emergency Services Network (ESN) – The latest update suggests that the transition to the ESN is delayed until 2020-21. The financial consequences have therefore been re-profiled to 2020-21 and beyond. The costs are based on Home Office estimates from approximately three years ago and will be updated when more accurate figures become available. 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. This therefore represents a financial risk.
- Regional Collaboration – At the time of writing this report discussions continue regarding the funding for regional units in 2019-20 and the level of capabilities provided. The budget provided for within these proposals carries an operational risk regarding the future capacity of the teams.
- Microsoft Office 365 – A provision has been included for all of the Force's Microsoft licences being migrated to Office 365 for 2019-20. This includes regional user licence costs, the recharging of which, is subject to further discussion. The transition to Office 365 relies upon the National Enabling Programme delivering on their aspects of the project which could result in increased licence costs with delayed benefits.
- The National Police Air Service (NPAS) is currently being reviewed and the cost allocation model may change as a result. This could lead to a reduction or increase in costs, the extent of which is currently unknown. This is therefore highlighted as a risk.

Base Budget preparation, approach, and scrutiny

58. 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.
59. The Force continues to consider key corporate risks when setting the budget.
60. Essentially these risks are operational and organisational around managing people, infrastructure assets, information and so on. 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. The Corporate Risk Register is regularly reported to the Joint Arrangements Risk and Assurance Panel which is a public meeting.
61. 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.
62. 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.
63. 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 have been allocated to address a substantial risk thereby creating a significant risk gap.
64. The revised five-year financial forecast and, in particular, the 2019-20 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.
65. 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 2019-20. 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.
66. The PCC, together with his Senior Management 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.
67. This has resulted 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.
68. 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 15th January 2019, at which, agreement of the Force budget for 2019-20 between the PCC and the Chief Constable was reached.

Revenue Budget 2019-20

69. The base budget for 2019-20 has been built based upon the 'budget rules' which are consistent with previous years and the risk based approach outlined earlier in the report.

70. In line with this approach, the Panel is advised that the total net budget requirement in 2019-20 is £187.139m. This equates to an increase of £10.88m (6.2%) from the 2018-19 net budget requirement level of £176.255m (see Appendix 1).
71. 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 eight new police officers built into the budget for 2017-18 and a further 24 added to the establishment for the current year (2018-19) the Commissioner has decided to significantly increase the number of Police Officers for 2019-20 and 2020-21 by 107 officers.

Recruiting this number of officers in one year will be a significant challenge and therefore it has been determined that the aim will be to recruit 80 new officers in 2019-20 with the balance of 27 officers being recruited in 2020-21. The medium term financial plan has been updated to reflect this level of officer growth. A significant majority of the additional officers will be based in Neighbourhood Police Areas.

- **Police Community Support Officers (PCSOs)** – There is currently provision for 181 PCSO's within the budget proposals. The PCC has agreed with the Chief Constable that this number of PCSO's will be protected for 2019-20 and new PCSO's will be recruited as and when current PCSO's leave the service. It should also be noted that the funding for PCSO's is almost entirely funded through the base budget giving greater certainty for this resource. Previously a significant contribution was made from reserves to fund PCSO's. This reliance on one-off funding has been reduced significantly for 2019-20.
- **Support Staff** – The budget is based on 1,097 full time equivalents (excluding PCSO's) and includes an estimate for the impact of job evaluation.
- **Regional Budgets** – Regional collaboration budgets relate to the Leicestershire share of collaborative arrangements which include the cost of shared Police Officer posts. The budget for regional collaboration in 2019-20 has been set at £9.5m
- **Information Technology** – A significant element of the non-pay budget increase relates to IT enhancements and innovation. This is aligned to 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”. The budget includes:
 - Licensing costs associated with Microsoft Office 365 - £0.480m (the budget has been prepared on the basis of a 100% of the estate moving to Office 365 during 2019/20).
 - Telephony, communications and agile working - £0.238m (this includes increasing the capacity of WAN circuits to support the roll out of Office 365, a provision to maintain the 'airwave' terminals until ESN is delivered, and a temporary resource to assist with roll out of agile equipment).
 - The ongoing costs of the middleware software have been consolidated into the IT budget for 2019-20.

Investment

72. 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:

	2019-20	2020-21	2021-22	2022-23	2023-24
	£'000	£'000	£'000	£'000	£'000
i) Police Office Growth	1,219	3,573	3,737	3,924	4,121
ii) Crime Bureau Staff Growth	692	692			
iii) Training Capacity	265	175	178	182	185
iv) New Policing Degree	-	240	480	480	480
v) Digital Strategy & Change	468	115	-	-	-
vi) Wellbeing Budget	10	10	10	10	10
vii) Single online Home	223	100	100	100	100
viii) Scene Guarding	75	100	150	150	150
ix) Evidential Property	172	-	-	-	-
	3,124	5,005	4,655	4,846	5,046

i) The ambition of the OPCC and Force is to increase the police officer establishment to 1,913 FTEs by the end of 2020-21. As a result, 80 additional PC posts are included within the 2019-20 investment proposals, with an additional 27 planned to be recruited in 2020-21. Recruitment infrastructure costs are also included. These plans will need to be kept under review following the announcement, in December 2019, of the next Comprehensive Spending Review (CSR) and subsequent settlement for 2020-21 onwards.

ii) In January 2019 HMICFRS published a report on Crime Data Integrity and whilst the report showed some improvements since the last report in 2017 it still assessed performance in this area as 'inadequate'. From the previous report a plan was already in place and has contributed to this improvement but it is recognised that more resource is required in this area to continue to address the issues highlighted. The intention within the proposals is to increase the number of staff working within the Crime Bureau on a short term basis to address the main areas of weakness highlighted within the report. This will reduce the opportunity for error and will play a significant role in improving compliance with the National Crime Recording Standards. There is also the intention to add an additional Dedicated Decision Maker (DDM) who will focus upon the areas identified through the recent audit. The additional resource will also assist in managing demand whilst IT and business process transformation solutions are being progressed.

iii) Two additional Police Staff training posts are included to support Driver and Taser training to front line officers. In addition, an investment of £100,000 leadership and management development and a further £100,000 in other training budgets is included to build capability and skills.

iv) Costs associated with supporting the new arrangements for recruiting Police Officers from 2020-21 have been built into the medium term forecast.

v) The criminal world is changing rapidly and exploiting technology to commit crime. It is imperative that Policing remains at the forefront of these advancements. To do this the force seeks to have an increased focus on digital policing methods. There is also considerable investment in technology taking place nationally which need to be understood and implemented well so that we can get the best from the emerging systems and make officers as effective and efficient in their roles as possible. Therefore the proposals include provision to create a digital team to increase the pace and use of technology within the force along with an increase in project management resource to ensure digital and other projects are delivered on time and within budget.

vi) Allocation of additional resources to support the wellbeing programme for staff and officers.

vii) Introduction of the national 'Single on Line Home' programme to enable members of the public to use self-service in their contact with the Force, in support of the digital strategy. This is a more efficient way of managing contact and should free up resources that can be re-deployed elsewhere.

viii) Creation of a budget to enable the Force to provide amended scene guarding arrangements, where appropriate, to reduce the abstraction of frontline officers.

ix) One-off investment in equipment and staffing to complete the transition to the new Evidential Property store.

73. It is also worth reiterating that the budget proposals provide funding to:

- Sustain the number of PCSOs at 181.
- Fully fund the Volunteers in Policing budget which was previously part funded through the use of reserves.
- Increase the base budget in order to contribute to reducing the level of abstractions in front line policing.
- Baseline proposals that have been supported in the year by the Change Board.

Office of the Police and Crime Commissioner

74. The total cost of the Office of the Police and Crime Commissioner is £1.2m. The main costs are summarised below:

	<u>£000</u>
Staffing	1,038
Transport	22
Supplies and Services	<u>252</u>
Total Expenditure	1,312
Income	<u>(77)</u>
Net Expenditure	<u><u>1,236</u></u>

75. Staffing costs represent 79% of total expenditure and covers salary, pension, national insurance and training costs. The office employs 18 members of staff and also provides budget for the Commissioner and Deputy Commissioner's costs.

76. The office was restructured approximately a year ago and the majority of the posts in the new structure have been recruited to. There has been an addition to the office structure in the year which is a fixed term Commissioning and Partnership Analyst. The cost of this additional post is built into the budget for next year. This is the only change to the office structure that was previously reported to the panel.

77. There are currently two vacant posts in the structure. The Resources Manager's post and a Business Staff Officer's post.

78. Supplies and Services includes budget for items of expenditure such as internal audit costs, external audit costs and subscriptions to external associations. Detailed budgets for the office are available upon request.

Commissioning

79. The Commissioning Framework for 2019-20 aligns to the priorities contained within the Police and Crime Plan. The Framework provides a budget for Commissioning in 2019-20 of £4.297m.

80. The budget is funded as follows:

	<u>£000</u>
Base budget	2,877
Ministry of Justice Grant	1,175

Contribution from Commissioning Reserve	245
Total funding	<u>4,297</u>

81. The 2019-20 Commissioning Budget includes £250,000 for small grants to Community Organisations which are awarded at the discretion of the Commissioner.
82. The Framework assumes £0.245m will be drawn from the Commissioning Reserve for the year.
83. The Ministry of Justice (MoJ) Victims and Witnesses Grant has been provisionally confirmed for 2019-20.

Capital Strategy, Capital Programme and Treasury Management Strategy

84. The Capital Strategy 2019-20 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.
85. This Capital Programme was considered by both the OPCC and the Force at the Strategic Assurance Board on the 15th January 2019. The Programme includes investment in operational areas of premises, IT and vehicle fleet.
86. 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.
87. The Treasury Management Strategy 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 Strategy in relation to reserves and balances. The strategy was fundamentally reviewed in November 2018 and agreed by the Strategic Assurance Board. The agreed version has been updated for 2019-20.

Medium Term Financial Plan (MTFP)

88. 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.
89. However, it is good financial management to have a medium term financial plan that covers a period of at least four financial years. The financial information detailed in Appendix 1 covers a five year period, until the end of March 2024. This provides 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 2019-20 and a Comprehensive Spending Review due in the next financial year and applicable from 2020-21.
90. However, a medium term financial plan has to be formulated using the best intelligence that is available at the time of producing it. The attached MTFP has been

produced on this basis, accepting that it is subject to change as new information emerges that can and will change the assumptions inherent in the plan.

91. In 2019-20, the PCC has continued to allocate 97.8% of the net budget requirement to the Chief Constable for use on local policing and regional collaborations.
92. 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
 - b. All existing council tax freeze grants continue up to and including 2023-24
 - c. Core Government funding remains the same for the life of the plan.
 - d. The precept increases by £24.00 per Band D equivalent property for 2019-20 and £12.00 per Band D equivalent property thereafter.
 - e. Pay awards for officers and staff are included at 3% for 2019-20 and 2% for each remaining year of the plan
 - f. Non-pay inflation is included at 2% for the life of the plan
 - g. At this stage, there are no significant impacts on grant funding incorporated into the MTFP from the Funding Formula Review;
 - h. No additional, unfunded responsibilities are given to the PCC;
 - i. Further borrowing beyond the capital programme is not required.
93. Taking into account the above assumptions, following the detail of the provisional grant settlement, the MTFP has been reviewed and runs until the financial year 2023-24. The position is as follows:

See Appendix 1 for detailed analysis

	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m
Net Budget Requirement	187.1	192.4	197.8	203.3	209.0
Net Funding	187.1	192.4	197.8	203.3	209.0
Funding Gap	0.0	0.0	0.0	0.0	0.0

94. Through the prudent use of reserves the MTFP shows a balanced position over the life of the plan. The current spending plans assume the use of £5.1m of the Budget Equalisation Reserve (BER).
95. At this point (31 March 2023) it is estimated that there will be £0.1m remaining in the BER. The final year of the plan estimates that the BER can be replenished by £1.8m based on current assumptions.

96. It is evident in the MTFP projection that based on the current assumptions and the prudent use of reserves the budget is balanced over the medium term.
97. However, with the Comprehensive Spending Review looming large and huge uncertainty about the impact of Brexit there is potential for significant changes to the assumptions which would impact upon the medium term position.
98. As a result, the MTFP will be regularly reviewed to update the assumptions as new information emerges.

Use of Reserves and Balances

99. In considering the 2019-20 budget, the Commissioner has reviewed all of the reserves held. As detailed above, the Medium Term Financial Plan is predicated on the prudent use of reserves over the first four years of the plan. On current assumptions and forecasts it is estimated that this reliance will not be required by the fifth year of the plan and in fact a financial contribution will be able to be made to reserves should the current assumptions hold.
100. In November 2018 a Reserves Strategy was agreed which set out the following 'guiding principles' for managing reserves:
- General fund reserves should be in the range of 2% to 5% of the total net budget (Between £3.7m and £9.4m based on the 2019-20 budget).
 - The budget equalisation reserve can be used to support the budget but there must be a strategy to move reliance away from the reserve over a period of time.
 - Other earmarked reserves should only be used for specific time limited projects, to provide financial cover for potential future financial liabilities and for 'invest to save' projects
 - Ongoing reliance should not be placed on reserves to deal with the funding of financial deficits and a clear plan should be in place to move reliance away from one off reserves.
 - There should be an annual review of reserves

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

a. General Reserve

There is a General Reserve which will be held at £6m. This represents 3.2% of the net budget requirement for 2019-20 and is within recommended limits referred to above. 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 2019-20.

b. Budget Equalisation Reserve (BER) – 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 £8.7m at 31 March 2019, and its purpose when established 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 March 2019 are estimated to total £4.8m (excluding the General Reserve and BER) and those to note are as follows:

OPCC Commissioning Reserve £1.5m – This contributes towards supporting the cost of the Commissioning Framework.

Civil Claims £1.0m – This reserve holds funds set aside where considered prudent for Civil Claims (Public and Employer liability) in line with professional advice.

Capital Reserve £0.4m – to support future Capital expenditure.

Proceeds of Economic Crime - £0.5m – reserve funded from proceeds of crime, used to support Force's capability in specific investigative areas.

102. The following transfers to and from reserves form part of these budget proposals:

<u>Transfers from Reserves</u>		<u>Transfers to Reserves</u>	
	£m		£m
<u>Budget Equalisation Reserve</u>			
Job Evaluation	(1.073)	Equipment Reserve	0.200
Op Medway/Enamel/Chrome	(0.233)	Fleet Insurance Claims	0.300
PCSOs	(0.043)	Civil Claims Liability	0.230
General transfer from reserves	(0.403)	Other	0.189
	<u>(1.752)</u>		<u>0.919</u>
<u>Other Earmarked Reserves</u>			
Economic Crime (POCA)	(0.058)		
Equipment Reserve	(0.254)		
	(0.312)		
<u>OPCC</u>		Net Transfers to/from	£m
Commissioning	(0.245)	Earmarked Reserves	<u>(1.390)</u>
	(0.245)		
	<u>(2.309)</u>		

Precept proposal

103. After careful consideration of all the factors highlighted within this report, the PCC is proposing a £24.00 Band D Precept increase to maximise resources for operational policing.

104. 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.
105. 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

106. In proposing the precept the PCC has sought views from the Chief Constable and his statement on the PCC's precept proposal for 2019-20 is as follows:-
107. *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 also should have regard to the Police and Crime Plan, assist the planning of the force's budgets, have regard to the Strategic Policing Requirement set by the Home Secretary 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 agreed with the PCC.*
108. *My preferred option is an increase in the precept of £24. This will best enable the Force to deliver the Police and Crime Plan and meet the requirements of the Strategic Policing Requirement going forward.*
109. *In coming to that conclusion I do note that what is proposed passes an increasing share of the funding requirement for policing onto local tax payers from central government. However, the opportunity to raise the precept gives us the realistic prospect of growing back some of the capacity that we have lost in recent years. As I have previously reported to the Panel, Leicester, Leicestershire and Rutland are amongst the fastest growing populations in England and Wales. This rapid population growth, coupled with the increasing complexity of the challenges that policing faces put real pressure on our capacity to cope with demand. With the budgets of our partner agencies also being reduced by significant amounts, I reported to the Panel last year a potential total reduction of some £650M in those budgets across partners in Leicester, Leicestershire and Rutland, we are seeing the pressures on policing increase. Since 2010 we have saved in excess of £38M. What that means in effect is that in 2010 we had approximately 2,300 police officers whereas we approach this budget with a current establishment of 1,774 FTE whilst we head towards an agreed establishment of 1,806 officers. If the Panel were minded to support growth of £24 this would enable us to recruit 107 extra police officers. Our aspiration would be to reach 1,913 police officers. Whilst this is still lower than the 2,300 we had previously it would increase our ability to patrol, deter crime and investigate offences.*
110. *The breadth of the police mission remains significant with some 75% of incoming calls from the public not being crime related. In seeking to maintain a strong neighbourhood presence, a resilient 24/7 response capability, and investigative capacities that are able to deal with the complexities of a digital and cyber enabled*

world, we also need to ensure that our contact management is strong and focused on the public, as well as supporting all of that with digital investigation and forensic analysis. In effect our mission covers everything from anti-social behaviour through to counter terrorism. It should be noted that the threat level from terror nationally remains at “severe”. We are also working hard with partners to combat serious and organised crime and to mitigate its impact on local communities which we see through modern slavery, economic crime, violence and the drugs trade.

111. *Our frontline efforts are supported by functions that are notably lean. HMICFRS produce comparative data which shows that our provision of estates, fleet, procurement, etc. are amongst the very leanest in the country. We have also equipped our officers and staff with mobile technology including laptop computers, body worn video. The investment last year in the Pronto middleware solution, supported by this Panel, has resulted in enabling more efficient completion of some of the necessary bureaucracy that we have to carry out.*
112. *In a context of a complex workload, increasing numbers of recorded crimes, and a growing population I strongly support the proposal to increase the precept by £24. I make that recommendation as both a local resident and the Chief Constable responsible for delivering policing across Leicester, Leicestershire and Rutland within the terms laid out within the Policing Protocol Order 2011.*

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

113. 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 15th January 2019, 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 “Base Budget preparation, approach, and scrutiny” and “Revenue Budget 2019-20”, 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. I have agreed with the assumptions being made, and where there were any differences of opinion they were discussed until a consensus was reached.

Together with the Chief Officer Team, OPCC Chief Executive, the PCC and the deputy 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 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 or deficits.

The Chief Constable has discussed the revenue and capital operational and Police and Crime Plan requirements for 2019-20 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 Strategy (Appendix 2) and Treasury Management (Appendix 3).

This report details that the budget can be balanced over a period of time with the prudent use of the Budget Equalisation Reserve. Reliance on this reserve diminishes over time with reliance on the reserve is completely written out by the end of the financial year 2022-23. At this point it is estimated that there will be a balance in this particular reserve of £0.1m. The budget equalisation reserve was set up to help smooth variations in the budget and therefore it is being used for the purpose it was intended. It should be noted that there are no plans to utilise any of the £6m held in general reserves which should be held as a 'contingency of last resort' or to provide funds on a very short term basis. This level of general reserve is within the range expected defined by the Reserves Strategy as set out earlier in the report.

I conclude that the budget for 2019-20 has been prepared on a robust basis and that whilst the prudent use of reserves is planned over the medium term period the reliance on these reserves diminishes and is no longer required by the end of the plan based on current assumptions.

Beyond 2019/20, there is a high level of uncertainty as to how the finance settlement might look, particularly with the Comprehensive Spending Review planned in Autumn 2019. However, the assumptions contained within the MTFP are reasonable and prudent and will be updated as new information emerges. As such the MTFP contains the best estimates available at this point in time.

I conclude, therefore, that the budget for 2019-20:

- 1. Has been prepared on a robust and prudent basis;*
- 2. Includes investment into a number of areas as detailed in the report which are all in line with the PCC's Police and Crime Plan priority;*
- 3. Includes an appropriate use of reserves and that the planned level of reserve remaining are adequate and sufficient.*

However, we always need to be mindful of emerging issues and challenges which will change the assumptions in the medium term financial plan and therefore the estimated budget requirements for those years. We also need to be cognisant of the approaching Comprehensive Spending Review which is due to take place in the

Autumn of 2019 and will be applicable from the financial year 2019-20. Clearly, this will have a significant impact on Government Spending and therefore potentially on Police funding too.”

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.
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 2019-20 to 2023-24

Appendix 2 Capital Strategy 2019-20

Appendix 3 Treasury Management Strategy

Background Papers

Provisional Police Grant Report –December 2018

Leicestershire Police and Crime Commissioner Survey

Persons to Contact

Mr Martin Henry, Chief Finance Officer, Office of the Police & Crime Commissioner.

Tel: 0116 229 8705

Email: martin.henry8143@leicestershire.pnn.police.uk

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