

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)
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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.

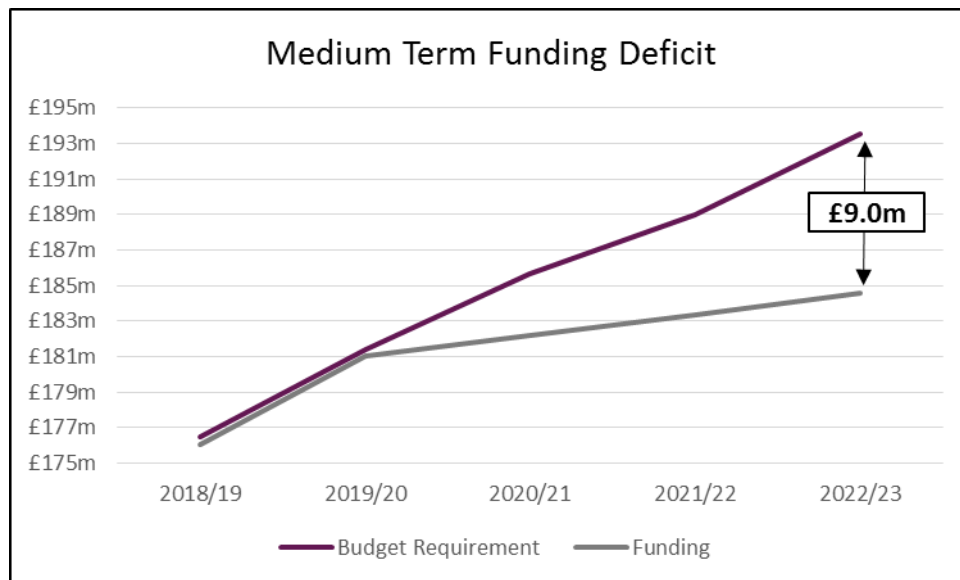
Medium Term Financial Plan (MTFP)

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

Persons to Contact

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