

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE

CORPORATE GOVERNANCE BOARD

Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF THE CHIEF CONSTABLE
Date	WEDNESDAY, 17 th JANUARY 2024
Subject	PROPOSED PRECEPT 2024-25 AND MEDIUM-TERM FINANCIAL PLAN (MTFP)
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Purpose of the Report

1. To present the 2024-25 Band D Precept Proposal and the additional considerations contained within it.
2. To present the Medium-Term Financial Plan (MTFP).

Recommendations

3. The Board is asked to:
 - a. Note the information presented in this report, including:
 - the total 2024-25 net budget requirement of £243.153m,
 - a council tax (precept) requirement for 2024-25 of £98.544m,
 - b. Support the transfer of £1.511m from Budget Equalisation Reserve towards Investments.
 - c. Provide a contribution of £0.4m from the Commissioning budget towards the Force's Prevention Strategy.
 - d. Support the proposal to increase the 2024-25 Precept by £13.00 per annum (4.76%) for police purposes to £286.2302 for a Band D property.
 - e. Note the future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational considerations identified.
 - f. Note the Home Office grant allocations notified through the provisional settlement and the Band D council tax base and estimated collection fund deficit received from the billing authorities.
 - g. Note the current Medium-Term Financial Plan (MTFP) contained in Appendix 1, the Review of the Medium-Term Financial Plan Budget Setting 2024-25 and the

operational implications at Appendix 2, the Capital Strategy at Appendix 3 and the Treasury Management Strategy at Appendix 4.

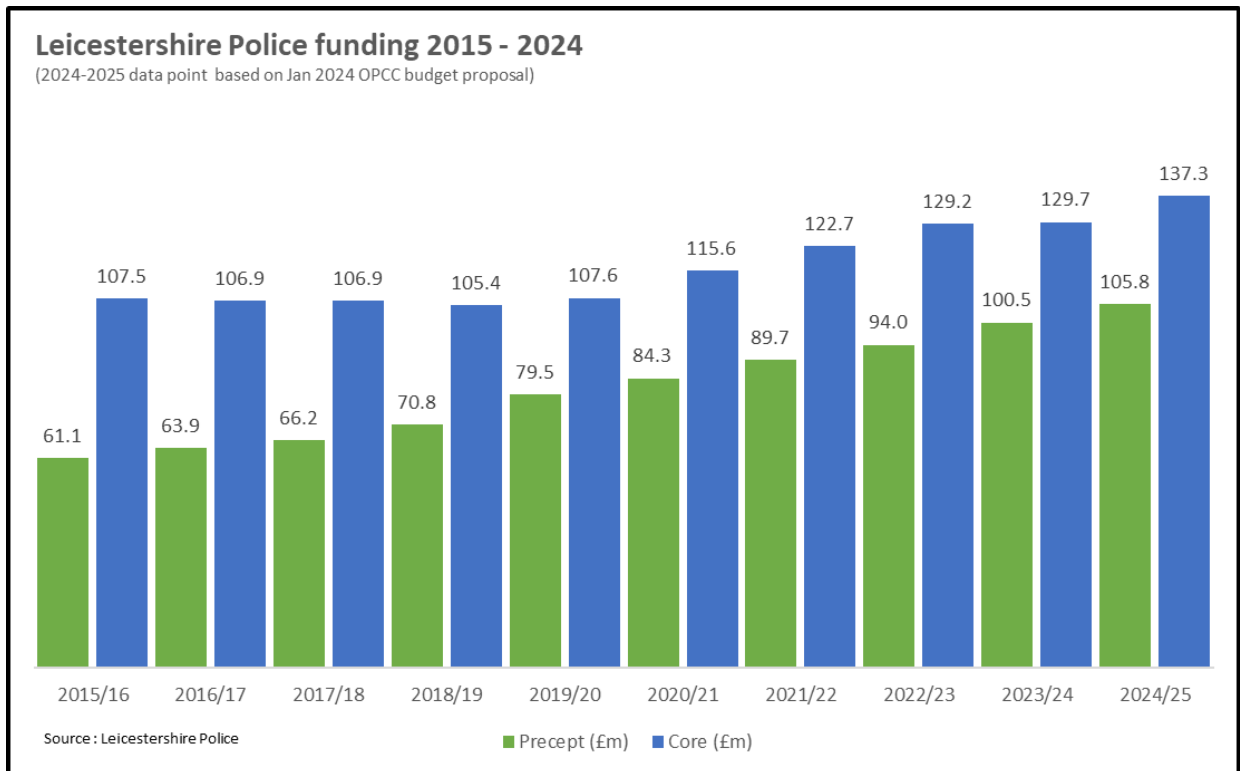
Executive Summary

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, key government announcements and economic pressures.
5. The Police Grant Provisional Settlement was announced on 14th December 2023 and confirmed a £7.7m increase in revenue grant funding. The precept referendum threshold has been confirmed at £13 for a Band D property.
6. The Commissioner 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 2024-25 (See Appendix 2 – Review of the Medium-Term Financial Plan Budget Setting 2024/25 and the operational implications).
7. The Commissioner has been briefed on the current financial landscape, which has become a challenging one for policing. A nationally-set pay agreement for all Police Officers and Police Staff, higher inflation, volatility in the energy and fuel markets and other inflationary pressures have put significant pressure on the Force's budget.
8. The budget is focussed upon the Commissioner's priorities as contained within the Police and Crime Plan and the Strategic Policing Requirement, and ensures there are strong links with the Force Target Operating Model (TOM).
9. Other investment items totalling £1.611m are contained within the budget proposals for 2024-25. This is to meet the demand in the Call Management Centre, investment in a new Head of Prevention and Partnership post, resources to meet additional training needs and investment in the HR system.
10. The Commissioner was keen to consult with local residents regarding their perception of Crime and Policing with particular reference to public trust and confidence and funding. The aim was to give the PCC the insight needed to target scarce resources in the areas where the public perception is that the Leicestershire Police needs improvement. As part of this survey the PCC wanted to consult with residents; via an online survey and through focus groups; on the level of precept they were prepared to pay. To this end he offered all residents of Leicester, Leicestershire and Rutland the opportunity to give their views.
11. The survey asked if residents of LLR were prepared to pay more towards policing. There were 2,283 responses to the survey/focus groups. Of these, 58% indicated that funding for Leicestershire Police, collected through Council Tax, should be increased. 34% favoured a funding freeze.
12. The Commissioner will continue to allocate approximately 97.3% of the net revenue budget requirement of £243.153m 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.

Leicestershire Context

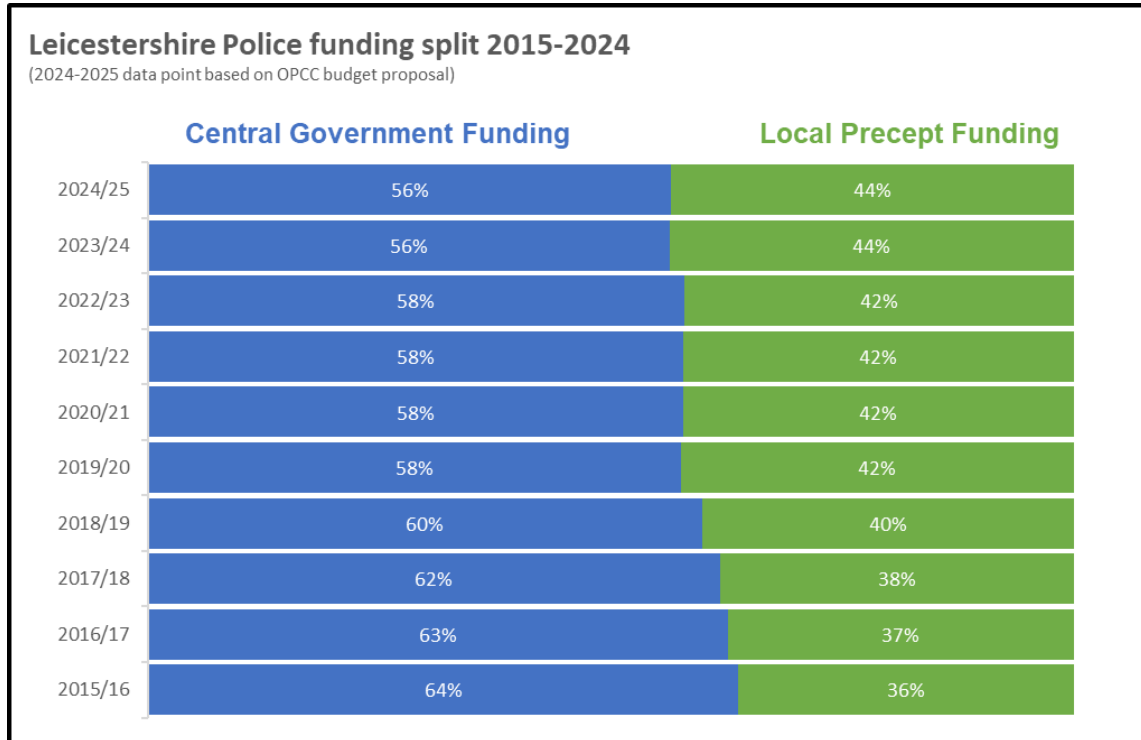
- 13. This section sets out some key information in relation to the policing area and the external factors that are driving demand which have a significant impact on policing in Leicester, Leicestershire and Rutland.
- 14. Chart 1 shows what has happened to core grant funding and the locally raised precept since 2015/16. It shows the actual cash grant received each year and does not consider the real terms reduction in funding.
- 15. The chart shows that core grant funding has increased from £107.5m in 2015-16 to £137.3m for 2024-25 an increase of 27.7%.
- 16. The graph also shows that the funding raised locally has increased significantly over the same period. In 2015-16 £61.1m was raised directly from residents of the area (and related grants) and for 2024-25 this will increase to £105.8m. An increase of £44.7m or 73.2% over the period.

Chart 1 - Leicestershire Police Funding 2015-2024



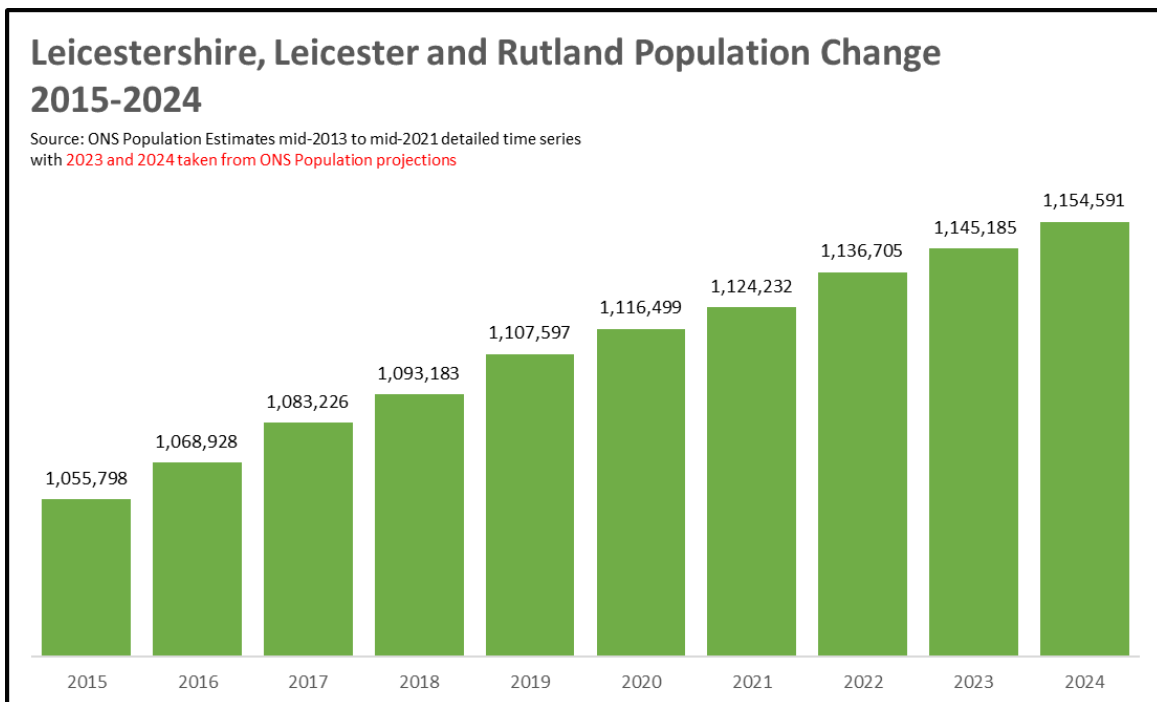
- 17. Chart 2 demonstrates how the total funding has moved between Core Grant and Precept Funding since 2015-16. It shows that in 2015-16 64% of the funding came from Core Grant with the balance of 36% coming from the local precept. For 2024-25 this has moved significantly to show that 56% of the total funding will come from Core Grant and that 44% of funding now comes directly from the local taxpayer (and related grants).

Chart 2 - Leicestershire Police Funding Split 2015-2024



18. Chart 3 shows how the population within Leicester, Leicestershire and Rutland has increased significantly since 2015.

Chart 3 – LLR Population Change 2015-2024

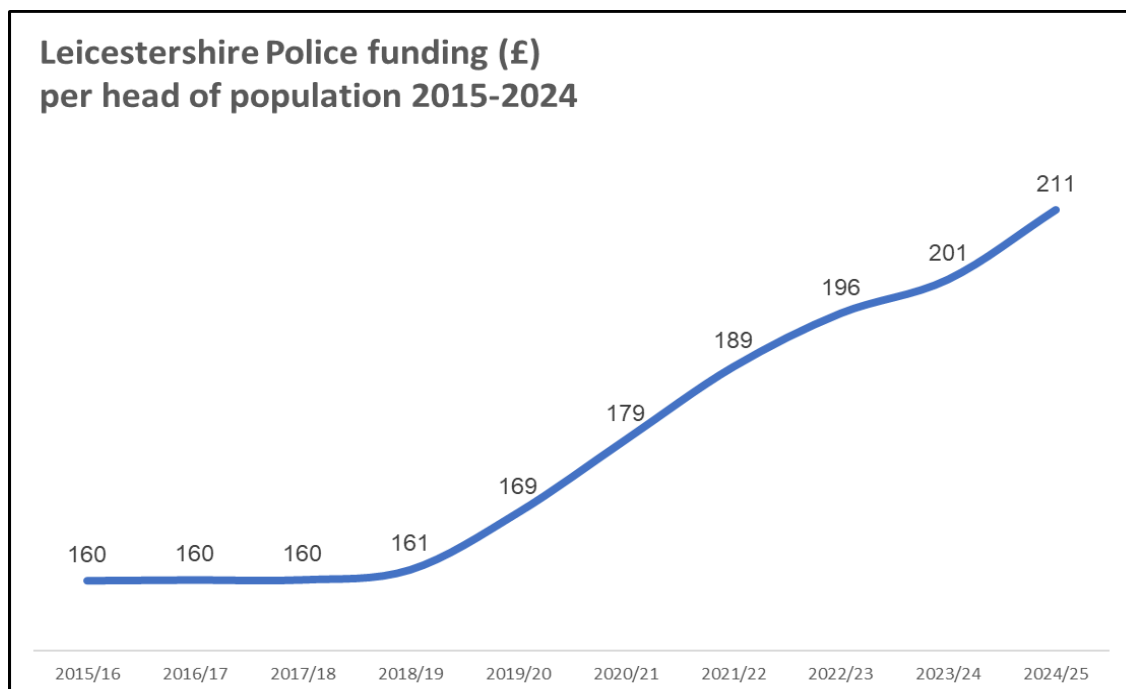


19. Chart 4 below shows how much of total funding (core grant and precept) is received per head of population for Leicester, Leicestershire and Rutland (LLR). This shows that LLR receive approximately £211 per head of population which is lower than the national

average. If funding was lifted to the average around £8m more funding would be available for investing in policing in the area.

20. Leicestershire Police funding per head of the population is the 11th lowest in the country.

Chart 4 - Leicestershire Police Funding by Population 2015-2024



Grant Settlement 2024-25

21. On the 6th December 2023 the Government released local government finance policy statement 2024 to 2025, which set out its intentions for local government finance settlement. The policy statement states:

1. A £13 referendum principle on Band D bills for Police and Crime Commissioners.
22. The Provisional Police Grant Settlement was announced on 14th December 2023. The Home Office are obtaining feedback from stakeholders on the contents of the provisional settlement and the final settlement is expected in January 2024.
23. The increased Core and Ex-MHCLG funding quoted for Leicestershire is £7.7m. The overall increase in funding is broken down as follows:

	2023-24	2024-25	€m	%
	€m	€m	Increase	Increase
Home Office Core Funding	80	86.7	6.7	8.4%
Ex-MHCLG Formula Funding	47.7	48.7	1.0	2.1%
Council Tax Support Grant*	7.0	7.0	0.0	0.0%
Council Tax Freeze Grant	1.9	1.9	0.0	0.0%
Precept & Collection Fund	93.3	98.8	5.5	5.9%
Total	229.9	243.1	13.2	5.7%

NB. Excludes €6.5m Home Office Uplift Grant & €6.6m Home Office Pension Grant

24. The additional precept funding is only delivered if the Policing element of the Band D Council Tax bill increases by €13.00 (4.76%) from €273.23 to €286.23. This generates an

extra £5.5m in revenue funding based on a Band D tax base of 344,284 and an estimated Collection Fund surplus of £0.250m.

25. There are other cost pressures which will need to be funded relating to staff pay, inflationary increases and other contractual increases.

Tax base and Collection Fund details

26. Leicester City Council, Rutland County Council and the Borough and District Councils are responsible for estimating the tax base in their area, and the Council Tax Collection Fund surplus or deficit.
27. The total tax base is used to calculate the total precept that will be collected by billing authorities on behalf of the Commissioner.
28. In 2023-24 the tax base used in setting the budget for the Commissioner was 340,271 Band D equivalent properties. For 2024-25 this has increased to 344,284 Band D equivalent properties.
29. The collection fund surplus for 2024-25 is currently estimated at £0.25m. This is currently an estimate as awaiting confirmation from billing authorities which is expected late January/early February 2023.

Council Tax Referendum Limit

30. 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.
31. From 2012-13, the Secretary of State is required to set principles annually, determining what increase is deemed excessive. The Home Office has confirmed that in order to maximise council tax income for 2024-25, Police and Crime Commissioners can increase their precept on a Band D property by up to £13.00 without triggering a referendum.

Risks

32. There are number of financial risks within the draft budget requirement, as summarised below:
1. Pay inflation – is included for 2024-25 at 2.5% and for each year over the MTFP period. The Policing Minister has suggested that PCC’s should plan for a 2024 pay award of 2.5% and anything in excess will be reimbursed by the Treasury. The pay award will be subjected to independent pay review and treasury ratification in the Autumn.
 2. Police Staff Job Evaluation – The Force continues to progress the evaluation of its Police Staff posts. There are £0.2m of revenue costs included in the base budget to cover the job evaluation team cost. Pay protection and ongoing pay costs have been estimated at £6.3m over the MTFP period to 2027-28. However, further work is ongoing in relation to pay modelling which is likely to alter this estimate. It is not envisaged that Job Evaluation will be implemented before 1st September 2024.
 3. The Chief Constable, along with other Chief Constables nationally and the Home Office, currently have a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. Claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons. The Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims have been stayed until the remedy is brought into force from 1

October 2023. The settlement of the injury to feelings claims for Aarons sets a helpful precedent. With regards to Penningtons, it is not possible to reliably estimate the extent or likelihood of these claims being successful, and therefore no liability in respect of compensation claims is recognised in the Force's MTFP at present.

4. Emergency Services Network (ESN) – The Emergency Services Mobile Communications Programme (ESMCP) have announced a further delay of at least 3 years. The earliest transition date for the Force is now September 2030. The continuing airwave costs have been included in the IT budget. Due to the delay, budgetary provision has been made in the Capital Programme for a complete refresh of the airwave vehicle terminals as these are now beyond economic repair at a cost of £340k.
5. Digital transformation and Cloud migration – the Force has developed a digital transformation strategy, part of which includes the move from on premise data storage to Cloud storage which will enhance operational analytical capability. The risks and costs associated with this are factored into the funding envelope but are likely to change through time as the migration evolves.

Base Budget Preparation, Approach, and Scrutiny

33. 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.
34. The Force continues to consider key corporate risks when setting the budget.
35. 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.
36. 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.
37. 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.
38. 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.
39. The revised four-year financial forecast and, in particular, the 2024-25 budget contained within this report aligns the Force and Commissioner's financial resources to risk and therefore, is fundamental to the Force's performance management regime.
40. The OPCC Chief Finance Officer (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 2024-25. 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.
41. The Commissioner, 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.

42. This has resulted in a number of discussions of the budget requirement, the national and local operational and financial challenges, the precept options available and a review of the MTFP and associated risks.

Revenue Budget 2024-25

43. The base budget for 2024-25 has been built based upon the 'budget rules' which are consistent with previous years and the risk based approach outlined earlier in the report.

44. In line with this approach, the Board is advised that the total net budget requirement in 2024-25 is £243.153m. This equates to an increase of £13.2m (5.7%) from the 2023-24 net budget requirement level of £229.979m (see Appendix 1).

45. The table overleaf summarises the 2024-25 draft budget requirement:

	£	£
2024-25 Base Budget Requirement (Gross)		
Police Officer Pay & Allowances	141,656,410	
Staff & PCSO Pay & Allowances	67,490,406	
Regional Collaboration	10,775,177	
Police Officer Pensions	4,109,567	
Non-Pay Expenditure	50,326,126	
Inflation Contingency	4,335,217	
Income	(19,323,678)	
Office of the Police and Crime Commissioner	1,993,904	
Commissioning	4,654,011	
Specific Grants	(1,278,828)	
TOTAL		264,738,312

There are other budget streams which when added to the above makes up the 2024-25 net budget requirement. These are listed below.

	£	£
2024-25 Base Budget Requirement (Gross)		264,738,312
Home Office Pension Grant	(6,194,804)	
Home Office Pension Remedy - One Off Grant	(391,280)	
Home Office Uplift Grant	(6,463,666)	
Investment	1,611,188	
PCC Contribution towards Force Prevention Strategy	(400,000)	
Efficiency Savings	(5,406,871)	
Transfer from BER for specific projects	(3,641,520)	
General transfer to / (from) reserves	(698,141)	
2024-25 Base Budget Requirement (Net)		243,153,218

46. There are a number of significant aspects of the budget to highlight in line with the Police and Crime Plan priorities as follows.

- **Police Officers** – The Police Officer pay and allowances budget is calculated based on the latest recruitment and attrition forecasts, taking into account:
 - An authorised establishment of 2,242 officers, this includes 45 officers located in regional teams. Police pay reflects the cost of 2,197 FTE officers with the cost of the remaining 45 officers included in the Regional budget line.
 - To receive the 2024-25 Police Uplift Grant of £6.5m the Force needs to have 2,298 officers (headcount) on the 31st March 2025.
 - Rank and incremental changes.
 - Externally funded and seconded officers.
 - Allowances.
 - The 2023 pay award of 7%
 - Changes to the Employers Pension contribution rate. The rate applied (after adjustment for ill health retirements) has increased by 4.3%. This has been funded through an increase in the Home Office specific Grant, and for 2024/25 covers the budgeted costs.

The officer establishment of 2,242 includes a number of funded posts. Where future transformation and modernisation is required to mitigate future funding deficits, the establishment may need to be reviewed.

Financial year 2022-23 was the last year of the Government's uplift programme for police Officers. 2024-25 will again be focussed on maintaining the uplift numbers of 300 officers. Receipt of the Police Uplift Grant will be linked to the maintenance of police officer numbers during the year.

- **Support Staff & Police Community Support Officers (PCSOs)** – The budget is based on 1,402 FTEs this includes both the investment posts approved in 2023-24 to meet demand and the removal of 21 FTE posts to meet the 2023-24 efficiency target. The

savings associated with the efficiency target are £828k. The September 2023 pay award of 7% has been budgeted for.

The Force is also currently undertaking Job Evaluation of its police staff posts and estimated pay protection and related costs of £6.3m have been included within the MTFP.

- **Pay Awards** – Police Officers, PCSOs and Police Staff, were awarded a £1900 pay increase from 1 September 2022 and 7% pay increase from 1 September 2023. The cost of these pay increases in 2024/25 is £7.1m more than the Home Office grant funding provided. This has placed significant strain on the Force’s budget and has caused the projected funding deficits in the MTFP from 2024/25 onwards.
- **Regional Budgets** – Regional collaboration budgets relate to Leicestershire Police’s share of collaborative arrangements which include the cost of 45 police officer posts. The budget for regional collaboration in 2024-25 is £10.8m which is still subject to ratification by regional PCCs at the time of writing this report. This includes the cost of the Regional Organised Crime Unit (ROCU) uplift officers.
- **Non-pay** – In common with other public sector organisations the Force has had to manage the consequences of higher inflation rates than forecast in the MTFP. This has caused particular pressures for IT and contract related expenditure. However, it has been possible to reduce the expenditure on utilities and fuel following stabilisation in the markets. The most significant increases include:
 - IT systems / hardware maintenance £0.385k
 - Network and radio equipment hire £0.1m
 - Software Licences / Purchases £0.7m, 0.5m of this relates to the year 1 costs of the Digital Hub transformation project which is funded through reserves.
 - Infrastructure maintenance £0.2m
 - Dangerous dogs £0.1m
 - Custody Detention Officer Contract £0.1m following extension of contract
 - Forensic Services contract £0.2m
 - Implementation of Pension Remedy contractual costs £0.1m
 - Cleaning, Trade Waste and cleaning consumables contracts £0.145m
 - Estate Repairs and planned maintenance £0.2m (price increases on estates work have been significant due to increases in material costs)

The Force’s gas and electricity for the financial year 2024-25 is currently being purchased by Crown Commercial Services. Based on the energy purchased to date the electricity and gas budgets have been reduced by 40% and 25% respectively resulting in savings of £1.3m.

The vehicle fuel budget has been reduced by £0.2m.

Investments

47. Investment items totalling £1.611m are contained within the budget proposals for 2024-25. This includes additional resources for 12 months to meet demand in the Call Management Centre whilst the work on ‘right care right person’ is embedded, investment in a new Prevention and Partnership Head of Department to assist in reducing long term demand, resources to meet additional training needs to ensure officers have the right skills for the role as a result of retirements and new legislation (accreditation) and the upgrade of the HR System. Of the £1.611m investments, it is proposed that £1.511m is funded through the Budget Equalisation Reserve. The investments include:

- a) Resources for Contact Management of £1.208m

- b) Head of Prevention and Partnerships of £0.1m
- c) External Training Requirements £0.17m
- d) HR system upgrade £0.132m

Capital Strategy, Capital Programme and Treasury Management Strategy

- 48. The Capital Strategy 2024-25 is set out in Appendix 3. The revenue consequences of the proposed programme have been considered in the development of the revenue budget, and the required prudential indicators are set out.
- 49. The Capital Programme includes investment in operational areas of premises, IT and vehicle fleet.
- 50. The Emergency Services Mobile Communications Programme (ESMCP) have announced a further delay of at least 3 years. The earliest transition date for the Force is now September 2030. The continuing airwave costs have been included in the IT budget. Due to the delay, budgetary provision has been made in the Capital Programme for a complete refresh of the airwave vehicle terminals as these are now beyond economic repair at a cost of £340k.
- 51. The Treasury Management Strategy report is set out at Appendix 4. 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.

Medium Term Financial Plan (MTFP)

- 52. It is a requirement that the Police and Crime Plan and budget must cover the period until the end of the financial year of the next election for PCCs. Elections are due to take place in May 2024. Thus the relevant date is 31st March 2025.
- 53. However, prudent financial management requires the Commissioner to have an MTFP that covers a period of at least four financial years. The financial information detailed in Appendix 1 covers a four year period, until the 31 March 2028. This provides a longer term view which will enable informed decision making to take place over the period of the plan. This is not without its challenges, given that there is only a firm Government announcement of funding for 2024-25 and no indication of potential funding beyond next financial year.
- 54. However, an MTFP has to be formulated using the best information 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.
- 55. In 2024-25, the Commissioner will allocate approximately 97.3% of the net budget requirement to the Chief Constable for use on local policing and regional collaborations.
- 56. 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 1.2% for financial years 2025-26, 2026-27 and 2027-28 respectively.
 - b. All existing council tax related grants continue up to and including 2027-28.

- c. Core Government funding increases by 7.10% in 2024-25 and 1.5% in 2025-26. The uplift grant has been increased from £4.1m in 2023-24 to £6.5m in 2025-26 to support the growth in officer numbers.
- d. The precept increases by £13.00 per Band D equivalent property for 2024-25 and by £13 each year thereafter in line with the prevailing national view, and modelling assumptions in each of the other East Midlands region Force areas. It should be noted that no decision on future years precept has yet been taken.
- e. Pay awards for officers and staff are included at 2.5% for 2024-25, and each year thereafter. The 2024-25 pay award could be higher than 2.5% but this will not be confirmed until the Autumn. It has been indicated by the Policing Minister that any increase above 2.5% would be met by the Treasury.
- f. Non-pay inflation is included at 2% for certain goods and services for 2024-25 and for each year thereafter. Utility and vehicle fuel inflation is included at significantly higher rates in line with market forecasts. IT contractual inflation is included at actual rates averaging 10%.
- 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 Commissioner.
- i. Further borrowing beyond the capital programme is not required.
57. Taking into account the above assumptions, the position is as follows:

Summary of the Budget Requirements (see Appendix 1 for detailed analysis)				
	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
Budget Requirement	248.5	260.4	269.7	277.0
Net Funding	243.1	251.1	259.4	267.8
Funding Gap / (Surplus)	5.4	9.3	10.3	9.2
Reductions:				
Efficiency Savings	-5.4			
Revised Funding Gap / (Surplus)	0.0	9.3	10.3	9.2

Efficiency Savings

58. In considering the Government Grant and budget pressures which have materialised in-year, Leicestershire Police has a £5.4 million budget deficit for 2024/2025.
59. The Force would emphasise that Policing in 2024 requires a broad range of skills to be effective. It would be irresponsible to remove or reduce the Force's capabilities in specific areas without understanding the disproportional impacts it would have on operational capability.
60. In that context, the following areas will be explored to close the deficit. None of the below are final and should be treated with sensitivity and caution.
1. £1.2m from reductions to non-salary budgets
 2. £0.5m of efficiencies from regional partnerships

3. £3.7m from pay budgets excluding police officers

61. This therefore presents the challenge to the Force of finding approximately £5.4m in savings in 2024/25 having already found in excess of £3.9m in 2023/24 to balance the books (part of £42m in efficiencies in recent years).

62. As a contingency, the Force will begin to explore the impact of reducing officer numbers after September/October 2024 as the sustainability of 2242 beyond that point may become untenable.

Use of Reserves and Balances

63. In considering the 2024-25 budget, the Commissioner has reviewed all of the reserves held.

64. In March 2023 a Reserves Strategy was agreed which set out the following 'guiding principles' for managing reserves:

- As per the Home Office guiding principles the General fund reserves should be in the range of 2% to 5% of the total net budget (between £4.86m and £12.15m based on the 2024-25 budget).
- The BER 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.

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

a. General Reserve

There is a General Reserve which currently stands at 2.06% based on a NRE of £243.153m. In line with Reserve strategy, which was approved in March 2023, it is the intention that that General Reserve balance will be increased to 2.3% of the net revenue expenditure for 2024-25 and is within the recommended limits referred to paragraph 64. The Reserve Strategy will be reviewed in February and a plan put in place to increase the reserve to 2.3%. It is prudent to have such a reserve to enable the organisation to withstand unexpected events which may have financial implications. There is no further planned use of this reserve during 2024-25 or beyond.

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 £12.9m at 31st March 2025, decreasing to £7.8m by 31st March 2028. Its purpose when established was twofold:

1. To fund 'invest to save' and other new initiatives and investments.

2. To recognise that some savings would take time to implement and to smooth the impact of these changes

It was agreed in July 2022 that the £7.5m of the BER will be used during the MTFP period to fund ongoing historical investigations of £0.3m, Job Evaluation Pay protection costs of £0.1m and Business Transformation costs of £7m. It is anticipated that £2.1m will be spent in 2024-25.

It is proposed that an additional £1.511m is used to fund investments outlined in paragraph 47. This will reduce the BER to £6.2m at the end of the MTFP period.

c. Earmarked Reserves

The Commissioner currently holds a number of Earmarked Reserves which at 31 March 2024 are estimated to total £8.8m (excluding the General Reserve and BER) and those to note are as follows:

OPCC & Commissioning Reserve £1.4m – This contributes towards supporting the cost of the Commissioning Framework. There is no proposed use of this reserve for 2024-25

Civil Claims £1.45m – This reserve holds funds set aside, where considered prudent, for Civil Claims (Public and Employer liability) in line with professional advice. It is proposed that this reserve is increased by £130k for 2024-25 to ensure that there is sufficient level of reserve to mitigate the risk of civil claims. This will result in a balance of £1.57m.

Capital Reserve £0.3m – to support future Capital expenditure. There is no plan use of this reserve.

Proceeds of Economic Crime - £1.4m – reserve funded from proceeds of crime, used to support the Force's capability in specific investigative areas. It is proposed that £0.13m is used during 2024-25 to fund a Volume Fraud Team Administrator and a Drugs & Alcohol Misuse Officer to support the work of the Economic Crime Unit. It is also proposed that a contribution is made from this reserve toward an ANPR Sergeant. This will result in a balance of £1.29m at the 31 March 2025.

Carry Forwards - £0.76m - This reserve includes those sums that the OPCC has approved to carry forward to finance specific expenditure in 2024/25 and beyond. It is estimated that £0.51m of carry forward will be drawn down on 2024-25.

Team Leicestershire Academy - £0.26m – this reserve was created from funds bequeathed to the Force and is to fund Team Leicestershire Academy. It is proposed that £0.17m is used in 2024-25 to fund 5 posts, reducing the balance to £0.09m.

MAPPA - £0.01m - Funds set aside for MAPPA projects and activity. It is proposed that £3k is utilised in 2024-25 as the funds received from partners is less than the planned expenditure.

Equipment Reserve - £1.37m - Funds held for the periodic replacement of personal equipment such as body worn video, taser equipment and personal protective equipment. It is proposed that £0.14m is drawn down in 2024-25 to support the transition from DHL to bringing the uniform back into Force, reducing the balance to £1.23m at 31st March 2025.

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

<u>Transfers from Reserves</u>	
	£m
<u>Budget Equalisation Reserve</u>	
23/24 Ongoing Investments	-2.029
Job Evaluation - Protection	-0.102
24/25 Investments	-1.511
	<u>-3.642</u>
<u>Other Earmarked Reserves</u>	
Economic Crime (POCA)	-0.130
Carry Forwards	-0.510
Team Leicestershire Academy (Legacy)	-0.169
MAPPA	-0.003
Equipment Reserve (Uniform)	-0.140
	<u>-0.953</u>
	<u>-4.595</u>

<u>Transfers to Reserves</u>	
	£m
<u>Specific Reserves</u>	
Fleet Insurance Claims	0.125
Civil Claims Liability	0.130
	<u>0.255</u>

	£m
Net Transfers to/(from)	
Earmarked Reserves	<u><u>-4.340</u></u>

Office of the Police and Crime Commissioner

67. The amount of funding allocated to the Chief Executive for the OPCC including commissioning equates to 2.7% of the total net budget requirement; the remaining 97.3% is allocated to the Chief Constable. The percentage allocation to the force remains unchanged from 2024-25.
68. Overall the budget for the OPCC has increased by £456k and has increased in line with the total increase in available funding through core grant and precept
69. The total budget for the Office of the Police and Crime Commissioner is £5.3m and is made up of:

	£000
Staffing	1,615
Office running costs	379
Commissioning of external parties	4,017
Commissioning of the force	637
	<u>6,648</u>
Ministry of Justice Grant	<u>(1,279)</u>
Total OPCC budget	<u><u>5,369</u></u>

70. The increase in staffing budget is due to a change of budgeting line. The Office has posts to deliver specific commissioned projects. Last year these posts were included in the Commissioning of External Parties Line, this year they have been moved into the Staffing line to ensure all staffing is visible within the same budget line.
71. The FTE of the office has increased by two due to the permanent appointment of a Director of Strategy, Partnership and Commissioning and a Communications Officer which is offset by grant income. This role was previously in place but was filled by a seconded Police Officer, which did not show in the figures last year.
72. The staffing and running costs of the OPCC represents 30% of the funding allocated to the Chief Executive and 0.8% of the overall available funding.
73. The OPCC budget is built on a model which allows the OPCC to:
1. fulfil it's statutory functions;
 2. hold the Chief Constable to account more effectively;

3. deliver on the Police and Crime Plan objectives;
 4. commission services to support the people of Leicester, Leicestershire and Rutland;
 5. understand better the views and expectations of the public and
 6. communicate more effectively with stakeholders; such as Councillors, Community groups and the wider criminal justice system.
74. The Commissioning Framework for 2024-25 aligns to the priorities contained within the Police and Crime Plan and provides a budget of £4.654m.
75. The 2024-25 Commissioning budget includes £0.4m for small grants to community organisations which are awarded in line with the Police and Crime Plan priorities.
76. The OPCC commissions the Force to deliver a number of services including Integrated Offender Management, Police Offender Management and contributes towards Multi Agency Risk Assessment Conference (MARAC) posts. The OPCC has agreed to provide a further £400k towards the Force's Prevention and Partnership Strategy.
77. The Ministry of Justice (MoJ) Victims and Witnesses Grant has been confirmed at £1.279m for 2024/25.
78. It is important to note that in addition to the published budget each year, the Commissioner has opportunities to submit bids to funding bodies (normally government departments) for additional, normally in year, funding. It is anticipated that further significant additional funding will be acquired for 2024-25. The OPCC has already secured additional funding of £5.4m for 2023-24, £5.6m for 2024-25 and £0.4m for 2025-26.

Statement of the Chief Constable

79. In proposing the precept the PCC has sought views from the Chief Constable and his statement on the PCC's precept proposal for 2024/25 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 also give regard to the Police and Crime Plan, actively 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.

I do this within the framework of the Scheme of Consent agreed budget allocation and levels of authorisation agreed with the PCC.

My advice to the PCC is that he should seek a £13.00 increase for Band D properties and its equivalents for other bands.

This should:

- *sustain the investments we have made to uplift officer numbers and strengthen leadership in local policing to support our young-in-service workforce.*
- *continue our drive to improve service and standards as part of the Leicestershire Police Pledge.*

- support our ability to invest in technology to be more effective and efficient in how we deliver the Pledge and the Police and Crime Plan.

This increase would be to sustain and manage existing commitments against growing demand. It is not additionality. If the PCC were not to seek a £13.00 increase for Band D properties (and its equivalents), my advice is that the investments and efforts mentioned above could be undermined in the short- and medium-term.

The external environment and the pay awards in 2022/23 and 2023/24 are central to the Force's budget deficits in 2024/25 and beyond. In 2022/23 Government agreed a pay increase of £1,900 per annum for all police officers and staff. However, Government grant only provided funding for half of the officer increase and none of the staff increase. This created a funding deficit of £4.8 million in 2023/24 rising by £300k year-on-year thereafter.

The pay award in 2023/24 was also not fully funded by the Government. The grant towards the centrally set 7% pay rise only covers 77% of the actual cost for both Police Officers and Staff. This leaves a further shortfall of £2.3 million in 2024/25 and will continue to rise by more than £400k year-on-year over the period of the Medium Term Financial Plan. Therefore, the total shortfall in pay award grant funding is £7.1m in 2024/25 and undermines the medium term sustainability of police officer, PCSO and Staff numbers.

As Chief Constable, it is necessary for me to point out that the Force continues to see: an increase in demand and complexity; additional national requirements linked with accreditation; and the latest census confirmed a 10% growth in population. It is also incumbent on me to point out that, prior to the budgets being set, each Force is required to submit their payroll data to the Home Office to give an accurate view of the costs of running Leicestershire Police. These costs are then aggregated up to national level and allocated back out to Forces through a formula for grant funding.

The challenge Leicestershire Police experiences is that the funding formula results in the Force not receiving enough grant to meet its payroll costs. This applies to 18 of the 43 Forces in England and Wales. Whilst it has been recognised that the funding formula needs to be reviewed, little progress has been made. This means Leicestershire Police has had to disproportionately make savings and reduce capability compared to some other Forces.

Despite this, Leicestershire Police has worked hard to overcome the budget deficit in 2023/24 and found another £3.9 million of cash efficiency savings into 2024/25. It is recognised that there are a number of funding restrictions linked with maintaining officer headcount.

My advice to the PCC is that we sustain officer numbers in 2024/25 in order to maintain and manage our service to local communities in line with the Police and Crime Plan and the Leicestershire Police Pledge. We have modelled maintaining 2,242 police officers in 2024/25. This means the Force continues to receive grant funding linked with maintaining the national 'police uplift' programme and we will seek to pass those benefits on to the people of Leicester, Leicestershire and Rutland, operationally, efficiently and sustainably.

The Force is currently assessed by HMICFRS to be one of the most efficient in the country. Given that 81% of the Force budget is invested in our people, the funding gap means that the Force will have to manage shrinkage into the future. This also means that, in the short term, the cuts and efficiencies will disproportionately fall on Staff roles because officer numbers are ringfenced at this time. Reducing staff is not a sustainable option in the longer term, because many staff are in specialist roles many staff which contribute greatly to the overall performance of the Force.

An increase is therefore necessary and essential. In my opinion, the level of funding allocated does not meet the Force's requirements and further cuts are inevitable. The approval of the full £13.00 Band D precept increase plays a significant role in minimising some, but not all, of the reductions that will be necessary.

The Force will also need to find efficiencies and reductions through a range of measures, implemented carefully, in a manner which protects performance and service. Despite these challenges the Force will continue to focus on good quality service and high standards in delivery of policing.

I remain deeply grateful for the work of the Panel who have invested their time and energy to support the PCC and the Force in their responsibilities. I must reiterate my advice to the PCC that this year's request for a precept increase of £13.00 is not to give additionality to the service the Force gives. Instead, because of an unfair funding formula, in-year cashable savings we have already had to make, and will have to make next year, the maximum precept increase is a necessity to merely sustain a good service and the investments already made."

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

80. The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2011, requires the Commissioner'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 Commissioner 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:

"The budget setting process hasn't been without it challenges. With the current economic backdrop, unfunded pay awards relating to 2022/23 and 2023/24, inflationary increases and increases in resources due to demand pressures, increases in available funding are not sufficient to offset increases in expenditure.

In the sections above, titled "Base Budget Preparation, Approach, and Scrutiny", it outlines the approach taken to setting the budget. 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.

I have attended a number of Corporate Governance Board meetings as the OPCC Section 151 Officer to provide assurance that these factors have been considered. During the process dialogue, scrutiny and challenge has continued where new factors or information have been highlighted and discussed.

I have also reviewed the detailed calculations in arriving at the budget requirement, 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 tax base and council tax surplus or deficits.

Together with the Commissioner, Chief Executive, the Chief Officer Team, and the OPCC I have reviewed, scrutinised, and challenged the case 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 Corporate Governance Board.

The Chief Constable has discussed the revenue, capital, operational and the Police and Crime Plan requirements (Appendix 2) for 2024-25 and future years. Together, we have been able to develop a budget that supports the delivery of the priorities set out in the Police and Crime Plan.

This report details that the budget can be balanced for 2024-25 through the delivery of £5.4m efficiency savings. The Force has identified a number of areas for potential savings and a detailed plan will be worked up in the next few months. In my opinion the efficiency savings plan needs to be looked at in conjunction with the overall transformation project to ensure that the savings are sustainable but minimises the impact on service delivery.

The level of General Reserve, which should be held as a 'contingency of last resort' or to provide funds on a very short-term basis, is held at 2.06% based on the 2024-25 Net Revenue Expenditure. Although this level is within the recommended range, I have recommended to the Commissioner that the balance is increased to 2.3% (which equates to an increase of £591K) in order to have an adequate level of reserve to mitigate the risk from any unforeseen events. The Reserve Strategy will be reviewed in February and a plan put in place to increase the reserve.

This will result in a sufficient level of 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 and adequacy of reserves I have also reviewed the separate papers on Capital Strategy (Appendix 3) and Treasury Management (Appendix 4).

Whilst a balanced budget is presented for 2024-25 with the use of an efficiency target, the MTFP shows that in 2025-26 and beyond there are financial deficits. The PCC has asked the Chief Constable to develop plans with a view to creating further efficiencies and to achieve further cashable savings. It is reasonable to assume that the financial and operational challenges will change over the course of the medium term. As such the MTFP contains the best estimates available at this point in time and assumptions contained within the MTFP are reasonable, prudent and will be updated as new information emerges.

I conclude, therefore, that the budget for 2024-25:

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 Commissioner's Police and Crime Plan priorities.
3. Includes an appropriate use of reserves and that the planned level of reserves remaining are adequate and sufficient.
4. Includes an achievable efficiency savings target however, the financial landscape after 2025-26 is challenging and further savings will need to be realised in order to close the budget deficit.

However, it is prudent 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."

Implications

Financial:	The precept proposal, the financial position, uncertainties and timescales.
Legal:	The Commissioner 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 2024-25 to 2027-28

Appendix 2 Review of the Medium-Term Financial Plan Budget Setting 2024-25 and the operational implications

Appendix 3 Capital Strategy 2024-25

Appendix 4 Treasury Management Strategy 2024-25

Background Papers

Provisional Police Funding Settlement 2024-25 – December 2023

Leicestershire Police and Crime Commissioner Public Consultation

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