

POLICE AND CRIME PANEL BUDGET REPORT**SUPPLEMENTARY INFORMATION****1. Provisional Police Grant Settlement**

- 1.1 The Provisional Police Grant report (England and Wales) 2018/19 and accompanying Written Ministerial Statement were laid in Parliament on 19th December 2017.
- 1.2 The police settlement covers just one year. In his written statement the Minister confirmed that police grant would be maintained at the 2017/18 level for 2018/19 and announced a relaxation of the precept referendum limit to allow an additional £12 per annum for a Band D property.
- 1.3 The Minister also sought to provide greater visibility on plans for 2019/20. He indicated his intention to maintain a broadly flat police grant in 2019/20 and the same precept flexibility in 2019/20. However, this would be dependent on the police service delivering clear progress against agreed milestones on productivity and efficiency in 2018.
- 1.4 As in previous years, the existing funding distribution will continue in 2018/19 and beyond. The Minister referred to the Core Grant Distribution Review (funding formula review) and indicated that this would be revisited in the next Spending Review, which means 2020/21 at the earliest.
- 1.5 The written statement refers to a number of top-slices from the Police Main Grant where the Minister considers there is a national policing interest. These include:
 - Specific funding for counter-terrorism policing will be increasing by £50m to £757m to help deal with the fast-changing and increasingly challenging threat from terrorism. This includes £29m for an uplift in armed policing.
 - £175m for the Police Transformation Fund in 2018/19, a cash standstill compared with 2017/18.
 - Emergency Services Network (ESN) will see the budget increase from £417m in 2017/18 to £495m. The aim of this programme is to give all officers priority access to 4G mobile broadband data on a single network.
 - A provision of £93m (increase from £50m in 2017/18) for the discretionary Police Special Grant contingency fund, which supports forces facing significant and exceptional events which might otherwise place them at significant financial risk (for example, helping forces respond to terrorist attacks).
- 1.6 The Ministry of Justice has announced the allocation of the Victim Services Grant to PCCs and has confirmed that funding for 2018/19 will remain the same in cash terms as for 2017/18. The budget includes commensurate ring fenced spending.

2. Lincolnshire's Position

- 2.1 The Provisional Grant Settlement is shown in the table below against the previous year and against the assumption in the MTFP.

Grant	2017/18 Actual £'000	2018/19 MTFP £'000	2018/19 Provisional Settlement £'000	Increase in Grant £'000
Police Grant	57,907	57,507	57,907	400
Council tax compensation	1,059	1,059	1,059	-
Council tax support	5,775	5,775	5,775	-
Total	64,741	64,341	64,741	400

2.2 The grant to Lincolnshire is maintained at the 2017/18 level, whereas a reduction of £400k had been assumed in the previous MTFP.

2.3 Future years are assumed to remain at the same level as 2018/19.

3. Revenue Budget 2018/19

3.1 The Revenue Budget for 2018/19 has been prepared in accordance with the Budget Strategy adopted by the PCC. This includes a set of key assumptions:

- Police Officers Pay - the budget has been set to provide for an establishment of 1,100 officers.
- Police Staff Pay - the Budget has been set to provide for established posts and includes a vacancy factor of 7%.
- PCSO Pay - the budget has been set to provide for an average establishment of 116 PCSOs.
- The Strategic Partnership Budget has been set in accordance with the contract and estimated inflationary clauses.
- A review of those running costs relating to premises, vehicles HR & training costs has been undertaken. In discussion with budget managers challenging targets have been set. This will require managers to prioritise spend across the financial year.
- Other Operational Policing costs have been similarly reviewed and challenging targets set for the provision of equipment and accoutrements.
- Capital financing charges have been reviewed resulting in the identification of a budget pressure following the assessment of spend in the current year and the future capital programme proposals.
- The Police Grant provisional settlement has been included.
- Council tax - in order to preserve future service levels and utilise the government's precept flexibility, an £11.97 (5.8%) increase per annum for a Band D property has been included for 2018/19. Going forward increases are assumed to be £12 in 2019/20 in line with the relaxation of the precept referendum limit, it then reverts back to a 2% per annum increase in 2020/21 and 2021/22.
- Use of Reserves has increased from £3.9m in 2017/18 to £5.3m in 2018/19. Further information on Reserves is provided at Section 7 below.

3.2 The following table summarises the proposed budget for 2018/19.

TABLE A Revenue Budget 2018/19

BUDGET	2017/18	2018/19
	Base Budget	Base Budget
	£000	£000
Income		
Government Grant	(64,741)	(64,741)
Use of Reserves	(3,868)	(5,288)
Council Tax	(46,392)	(48,988)
Other incl Custody Contract & Victims Services Grant	(3,258)	(3,358)
	(118,258)	(122,374)
PCC Expenditure		
Strategic Partnership	22,509	22,955
Community Safety and Victims Services	1,478	1,582
Historic Pensions & Financing Costs	3,286	3,964
Collaborative services	2,143	2,268
Other direct PCC budgets	1,379	1,640
	30,795	32,408
Chief Constable Expenditure		
Police officers	57,627	59,414
Police Staff	7,833	8,818
PCSOs	3,909	3,965
Operational Policing Costs	3,333	2,980
Premises, Vehicle, HR & ICT Running Costs	10,860	10,271
Regional collaboration	2,689	3,365
	86,251	88,812
Joint Services	1,213	1,154
Total	0	0

3.3 Whilst there are a number of individual increases and decreases, the key contributors to the change in spending requirement in 2018/19 are the revised workforce plans and overtime for police officers and staff (£1.829m); Strategic Partnership contractual changes (£0.853m); the LGPS deficit repayment (£0.154m) and an increase in capital charges (£0.524m).

4. Medium Term Financial Plan (MTFP)

4.1 The Medium Term Financial Plan covers the period 2018/19 to 2021/22.

4.2 Although the police settlement covers just one year, 2018/19, the Policing Minister has sought to provide greater visibility on plans for 2019/20. The stated intention is to maintain a broadly flat police grant in 2019/20 and the same precept flexibility in 2019/20. However, this is dependent on the police service delivering clear progress

against agreed milestones on productivity and efficiency in 2018. No indication has been given by the Government for future police grant allocations beyond 2019/20. Government grant has therefore been assumed to remain constant across the period of the MTFP.

- 4.3 Based upon Lincolnshire's current share of police grant, this results in a position where current service levels cannot be maintained. The following table shows the resulting budget gap for the medium term period:

TABLE B Projected Deficit based on current share of Police Grant

	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Projected Deficit	5,288	4,713	6,098	6,536

- 4.4 Planned cumulative savings of over £26 million have been delivered successfully over the last six years. There are limited opportunities for the achievement of further savings without adverse impact on service delivery. The budget for 2018/19 identifies a further £3.1m of savings which will require close monitoring and management through the year.
- 4.5 The Minister has indicated that the Core Grant Distribution Review (funding formula review) will be revisited in the next Spending Review, which means 2020/21 at the earliest. On this basis, the MTFP is based upon the prudent assumption that no additional formula grant will be forthcoming during the MTFP period.

TABLE C MTFP Budget Gap including Use of Reserves

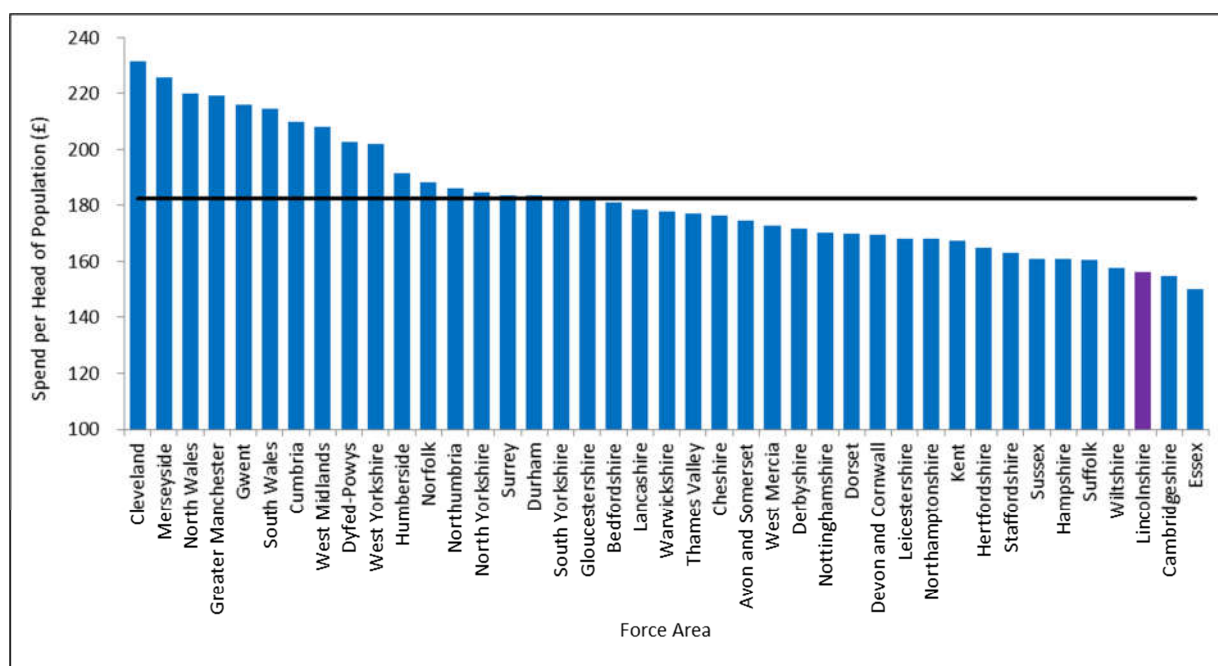
	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Projected Deficit	5,288	4,713	6,098	6,536
Funding Formula Review	-	-	-	-
Special Grant	-	(1,000)	-	-
Use of Reserves	(5,288)	(310)	-	-
Budget Gap	-	3,403	6,098	6,536

- 4.6 Use of reserve funding includes the remaining balance within the reserves earmarked for budget equalisation together with £3.1m of General Reserves.

5. HMICFRS VFM Profile

- 5.1 The HMICFRS Value for Money Profile published in January 2018 contained the following headlines in respect of Lincolnshire Police:
- Lincolnshire has the third lowest policing costs per head of population in the Country significantly below the national average.

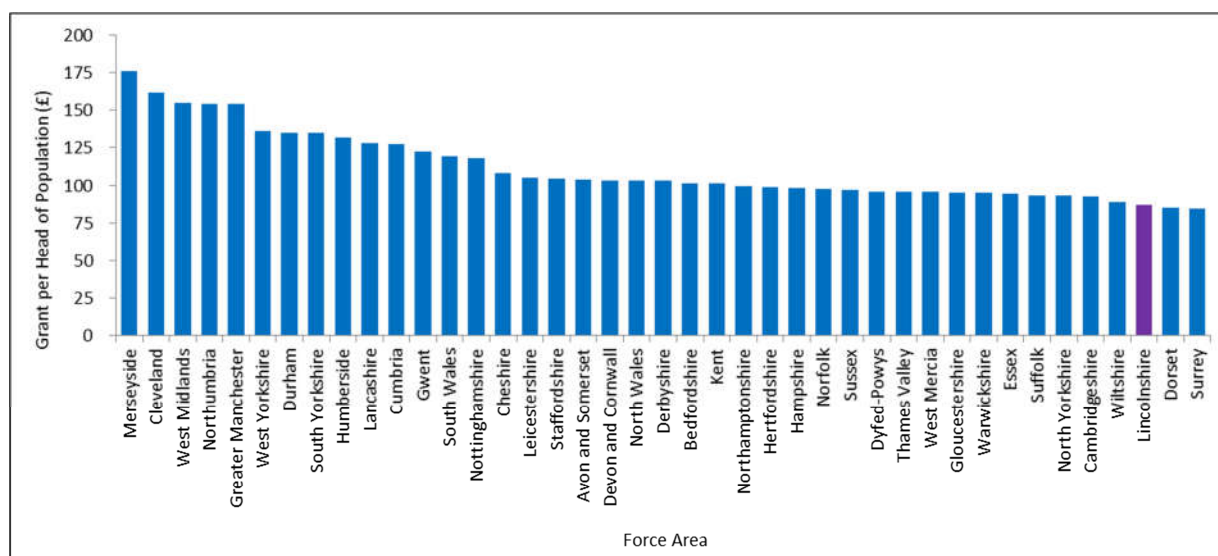
Figure 1: Spend per Head of Population (Estimated 2017/18)



Source: Estimated Net Revenue Expenditure 2017/18 (Gross revenue expenditure minus earned income) from POA (includes National Policing) and Office of National Statistics - Population estimates by force (mid-2016) ADR Note: excludes the City of London and Metropolitan Forces

- Lincolnshire receives one of the lowest levels of central funding per head of population

Figure 2: Formula Grant per Head of Population (Provisional Settlement 2018/19)

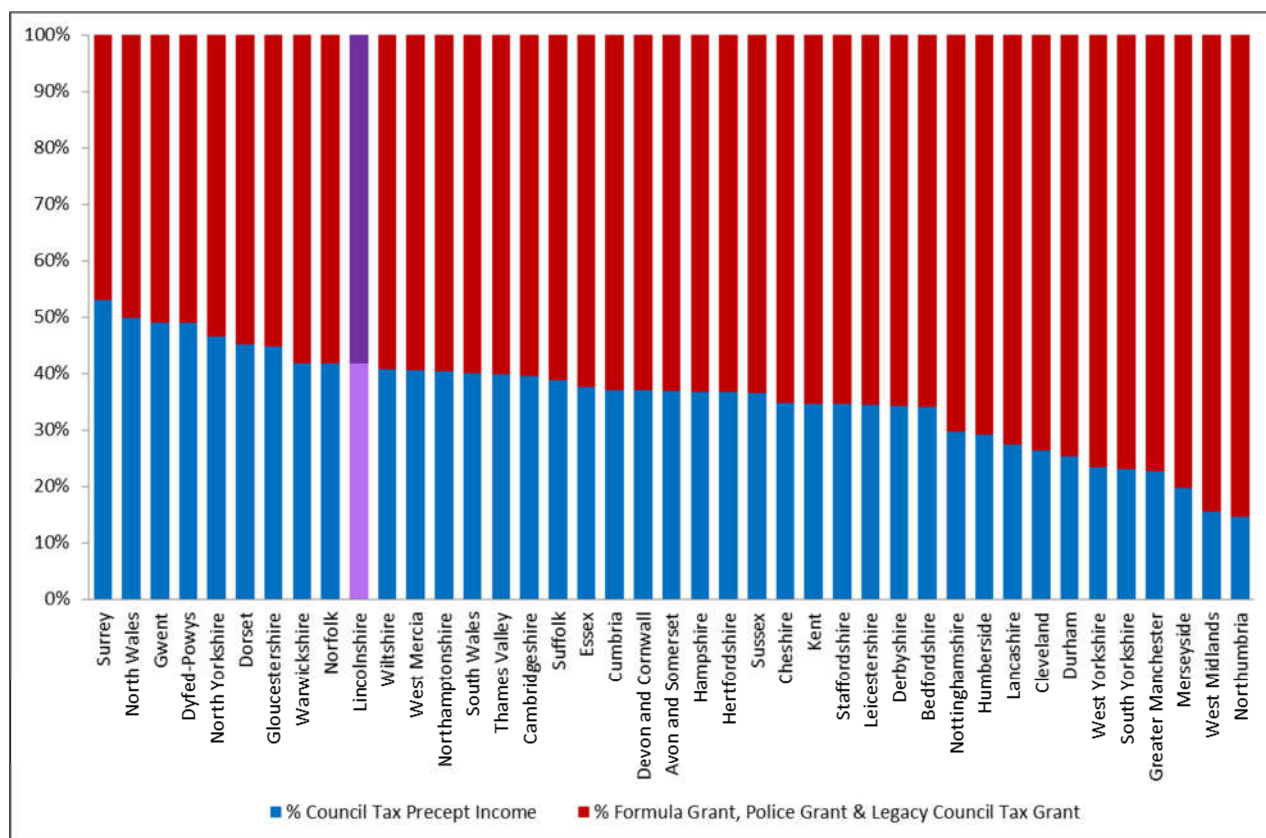


Source: Home Office Provisional Police Grant Report (England and Wales) 2018/19 and Office of National Statistics - Population estimates by force (mid-2016) ADR. Excludes the City of London and Metropolitan Forces. Welsh Forces receive additional Top Up Grants included above. Includes Legacy Council Tax Grants.

- Our local funding is one of the highest in the country, this is coupled with a below average yield per head of population from each £1 of tax levied. As Figure 3 demonstrates, the proportion of overall spend funded by the Police Precept varies

from 53% for Surrey to 15% for Northumbria with an average of 36%. In comparison Lincolnshire would be 10th out of 41 Authorities at 42% i.e. it is above average in terms of the contribution that Council Tax Payers make to overall spending.

Figure 3: Proportion of Grant and Precept (Estimated 2017/18)



Source: POA estimates 2017/18. Grant % includes Formula Grant, Police Grant and Legacy Council Tax Grant against the Council Tax Precept Income. Excludes Reserves and Specific Grants. Excludes the City of London and Metropolitan Forces.

- Police Officer cost per head of population is the fourth lowest in the country. The number of police officers per 1000 population is the 3rd lowest.
- PCSO Costs per head of population are £5.30 which is below the national average of £6.20 and lower than the most similar Group of Forces at £6.50.

5.2 The VFM Profile also examines the workload position of Forces and shows that Lincolnshire officer workload is slightly below the national average but above the average for the most similar Group of Forces, see below:

- The number of crimes per visible officer is 64.5 crimes, the 23rd highest in the country. The National average is 66.4 crimes per visible officer and the most similar Group of Forces are at 54.4 crimes.

6. Risks

6.1 The comparative data evidences the impact of Lincolnshire’s significant efforts to balance its budgets across a spectrum of approaches including extensive partnership working and ongoing reviews of spend.

- 6.2 Although Lincolnshire is working hard and innovatively to drive out savings, the ability to make further savings of the scale already delivered, cannot be pursued on a purely incremental basis.
- 6.3 The Chief Constable is currently formulating detailed plans to address the budget gap in future years in the event that additional funding is not forthcoming. A potential reduction over the period of the medium term plan of around 80 police officers and 80 PCSOs would have a significant impact on the ability to deliver a safe service to the public.

7. Reserves Strategy

- 7.1 The PCC currently holds a General Reserve of £5.6 million, although plans for 2018/19 assume that this will be reduced by £3.1m to support the revenue budget. The following is a summary of the risk based assessment that has been undertaken.

TABLE E Reserves & Risk

Risk	£m Min	£m Max
Budgetary/Financial risks – required provision for pay awards or price increases being higher than assumed, income from fees and charges being less than assumed, planned savings not being delivered fully, or poor budget management. Reduced yield in Council Tax Receipts. Default of Treasury Management counterparty. Result of pension scheme actuarial revaluation.	2.2	4.9
Business restructuring – costs incurred in downsizing the business, renewal of supplier contracts.	2.0	3.5
Major Incidents/Insurance – risk of events exceeding the revenue budget provision.	1.2	2.6
Total	5.4	11.0

- 7.2 The range of required Reserves is assessed as £5.4 million - £11.0 million against forecast risk based Reserves of £5.4 million. The proposed range of acceptability is wide with £5.6 million being the difference between the minimum and maximum acceptable levels. The PCC's current policy is that he should plan to hold Reserves to a level commensurate with the mid-point of the acceptable range. In monetary terms, this would be equivalent to £8.2 million which is not achievable based upon current plans. Given that planned reserves will be at the minimum of the acceptable range, the increased financial risk is evident.

8. Capital Programme

- 8.1 The forecasts for capital financing charges included within the budget calculations for 2018/19 and the MTFP are based on the capital programme shown below:

TABLE F Capital Programme

Capital Schemes	2017/18 Programme £m	2018/19 Proposed Programme £m	2019/20 Proposed Programme £m	2020/21 Proposed Programme £m	2021/22 Proposed Programme £m
Building maintenance/improvements	1.739	1.300	1.000	1.000	1.000
Vehicle replacement	1.600	1.100	1.200	1.200	1.200
Blue Light Collaboration Partner/PIF	5.605	6.010	-	-	-
Blue Light Collaboration Police	0.676	8.505	-	-	-
EM Non-Crime ICT Platform tbc	-	-	-	-	-
ICT projects	0.244	0.664	0.250	0.250	0.250
ICT refresh	-	1.755	-	-	-
Telephony Replacement	0.850	0.150	-	-	-
ESMCP	1.346	1.000	1.000	-	-
ANPR	-	0.400	-	-	-
Equipment replacement	0.039	0.250	0.250	0.250	0.250
Command & Control	-	3.540	1.320		
Policing Model	0.088	-	-	-	-
Mobile Data	0.010	-	-	-	-
Book On Book Off	0.096	-	-	-	-
Intranet Redevelopment	0.085	-	-	-	-
Drone Trial	0.025	-	-	-	-
EMOpSS Mobile Data	0.021	-	-	-	-
Firearms Digital Solution	0.155	-	-	-	-
Agile Working	0.060	-	-	-	-
Video Conference Facility	0.082	-	-	-	-
Tasers	0.198	-	-	-	-
Telematics	-	0.500	-	-	-
Total	12.919	25.174	5.020	2.700	2.700

- 8.2 The 2017/18 to 2021/22 draft capital programme proposes a significant level of expenditure in 2018/19, mainly due to the Blue Light Collaboration Programme (BLC).
- 8.3 The allocation in respect of ICT projects consist of two major projects, Command & Control (£3.540m) and ESMCP (£1.000m), plus the G4S contractual payment for an ICT refresh (£1.755m) and a number of smaller projects totalling £0.664m.
- 8.4 The revenue impact of the capital programme is significant due to the high level of investment in 2017/18 and 2018/19. The increase over the MTFP period is £2.334m, being roughly 50% debt repayment charges (minimum revenue provision) and 50% interest charges. This represents a significant increase arising from the need to take external borrowing of circa £33m over the next three years. This level of borrowing results from the borrowing requirements for 2018/19 to 2021/22 plus the need to replace internal borrowing, given that reserves are being used to balance the budget in 2018/19.