

POLICE AND CRIME PANEL BUDGET REPORT

SUPPLEMENTARY INFORMATION

1. Provisional Police Grant Settlement

- 1.1 The Police Grant Report 2020/21 was announced by Written Ministerial Statement and was laid before Parliament on 22 January 2020. The provisional settlement was delayed due to the general election in December 2019, so Home Office ministers opted to dispense with a provisional settlement followed by consultation and go straight to a final settlement.
- 1.2 The police settlement covers just one year. In his written statement the Minister confirmed that police grant for Lincolnshire would be increased by £4.4m (7.5%) in 2020/21; plus an allocation of pension top-up grant of £1.2m in 2020/21 (continued from 2019/20).
- 1.3 The Minister announced the precept referendum limit to allow an increase up to an additional £10 per annum for a Band D property.
- 1.4 The Minister's statement sets out the national priorities for 2020/21, such that funding will be directed towards counter-terrorism, serious and organised crime, serious violence, technology programmes, national capabilities and forensics. The statement also confirmed the cessation of the Police Transformation Fund.
- 1.5 The statement also confirms that capital grant funding to PCCs has been reduced by 74%, with the balance being held centrally in what the Minister referred to as 'rebalancing'. This is a reduction of £0.3m to £0.1m for Lincolnshire.
- 1.6 The Minister's statement does not refer specifically to the timing of the Core Grant Distribution Review (funding formula review).
- 1.7 As a consequence of omitting the provisional settlement stage there was no consultation period for me to respond, unlike in previous years. The Home Secretary is not obliged to consult on the police funding allocations.
- 1.8 The Ministry of Justice has announced the allocation of the Victim Services Grant to PCCs and has confirmed that funding for 2020/21 will remain the same in cash terms as for 2020/21. The budget includes commensurate ring fenced expenditure.

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	2019/20 Actual £'000	2020/21 MTFP £'000	2020/21 Settlement £'000	Increase in Grant compared to MTFP £'000
Police Grant	59,123	59,123	63,548	4,425
Council tax compensation	1,059	1,059	1,059	-
Council tax support	5,775	5,775	5,775	-
Pension Top-Up	1,175	1,175	1,175	-
Total	67,132	67,132	71,557	4,425

- 2.2 The grant to Lincolnshire is increased due to the uplift funding allocation, whereas a flat cash settlement had been assumed in the previous MTFP because the national uplift was not announced until July 2019.
- 2.3 Future years are assumed to remain at the same level as 2020/21.
- 2.4 The pension top up grant allocation has been maintained in 2020/21 at the same level as for 2019/20 and will be reconsidered at the next spending review. There is also the prospect of an additional £1.4m specific grant, to be paid quarterly in arrears and subject to conditions, to meet infrastructure costs associated with the uplift.

3. Revenue Budget 2020/21

- 3.1 The Revenue Budget for 2020/21 has been prepared in accordance with the Budget Strategy adopted by the PCC. This includes a set of key assumptions:
 - Police Officers – the baseline budget has been set to provide for an establishment of 1,100 officers as this is the force target operating model. The reductions required to balance the budget in 2019/20 meant that the affordable establishment was 1,020 FTE before the national uplift. The uplift target for Lincolnshire in tranche one is an increase 50 FTE by March 2021 bringing the total establishment to 1,070 FTE.
 - PCSOs – the target operating model for PCSOs is 85 FTE, the current establishment is 100 FTE. The additional 15 are deployed on various pilot projects around the force. With minor fluctuations, the budget is based on maintaining this establishment.
 - Police Staff – The budget has been based on 2019/20 less the achieved savings of £0.8M, fully costed with a vacancy factor of 5% included to allow for staff turnover. Further changes were the transfer back of police staff posts from EMOpSS, the non-recurrent investment provided by the special grant funding and cost pressures including incremental drift and the additional 0.5% pay award.
 - The Strategic Partnership Budget has been set in accordance with the contract and estimated inflationary clauses, at £23.3m and includes provision to support the ongoing project exploring the option of contract extension
 - Capital financing charges are in the process of being reviewed following the assessment of expenditure in the current year and the future capital programme proposals. The expectation is that the cost will exceed the existing budgetary provision as a result of requirements to increase investment in fleet and ICT.
 - The Police Grant settlement published in January has been included.
 - Council tax - in order to preserve future service levels and use the government's precept flexibility, a £9.99 (4.1%) increase per annum for a Band D property has been included for 2020/21. Going forward increases are assumed to be 2% per annum from 2021/22 onwards.
 - No use of reserves is planned in balancing the 2020/21 budget; there are a number of prioritised cost pressures and service developments to be considered for inclusion when the final budget is set. Further information on Reserves is provided at Section 7 below.

3.2 The following table summarises the proposed budget for 2020/21.

TABLE A Revenue Budget 2020/21

BUDGET	2019/20 Base Budget £000	2020/21 Base Budget £000
Income		
Government Grant	(65,957)	(70,334)
Pension top up grant	(1,175)	(1,175)
Use of Reserves or Special Grant	(500)	(275)
Council Tax	(55,890)	(58,288)
Other incl Custody Contract & Victims Services Grant	(3,359)	(3,376)
	(126,881)	(133,448)
PCC Expenditure		
Strategic Partnership	22,475	23,310
Community Safety and Victims Services	1,656	1,656
Historic Pensions & Financing Costs	4,408	5,265
Collaborative services	2,268	2,268
Other direct PCC budgets	2,733	2,308
	33,540	34,807
Chief Constable Expenditure		
Police Officers	60,040	61,374
Police Staff	9,917	10,104
PCSOs	3,796	3,153
Operational Policing Costs	5,064	5,858
Premises, Vehicle, HR & ICT Running Costs	9,455	10,901
Regional collaboration	3,803	4,066
	92,075	95,456
Joint Services	1,266	1,182
Total Expenditure	126,881	131,445
Service developments budget yet to be allocated	-	2,003
Total (Surplus)/Deficit	0	0

3.3 Whilst there are a number of individual increases and decreases, the key contributors to the change in spending requirement in 2020/21 are:

- Increase in overtime and mileage costs £0.250m;
- South Park service charge £0.250m;
- Unmet demand in training £0.240m;
- ICT - including renewal of and upgrade to Microsoft office 365 £0.500m, DAMS £0.227m, MDT's replacement £0.165m and various other £0.200m;
- Investment in the Lincolnshire Domestic Abuse Perpetrator programme £0.1m;

Offset by reductions as follows:

- LGPS pension historic payments following the triennial valuation £0.567m

- Increase in investment income target £0.050m

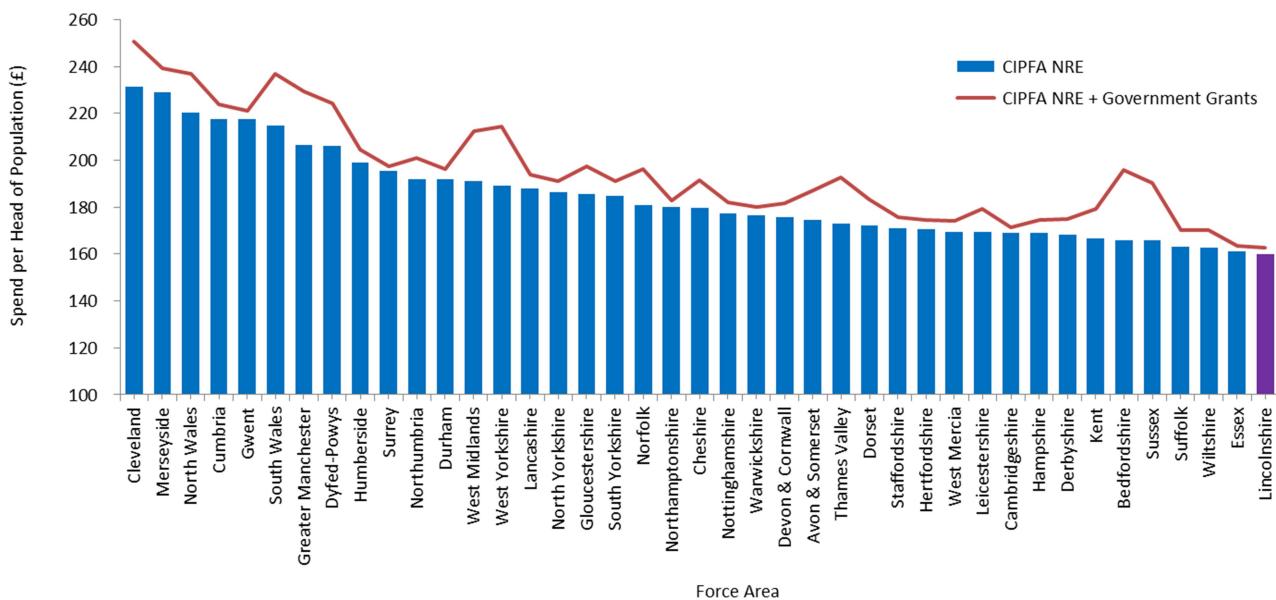
4. Medium Term Financial Plan (MTFP)

- 4.1 The Medium Term Financial Plan covers the period 2020/21 to 2023/24.
- 4.2 The police grant settlement covers just one year, 2020/21, no indication has been given by the Government for future police grant allocations beyond 2020/21. Government grant has therefore been assumed to remain constant across the period of the MTFP.
- 4.3 Planned cumulative savings of over £31 million have been delivered successfully over the last eight years. There are limited opportunities for the achievement of further savings without adverse impact on service delivery.
- 4.4 The Minister has previously indicated that the Core Grant Distribution Review (funding formula review) will be revisited in the next Spending Review, which means 2021/22 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.
- 4.5 No use of reserves is included in the MTFP.

5. HMICFRS VFM Profile

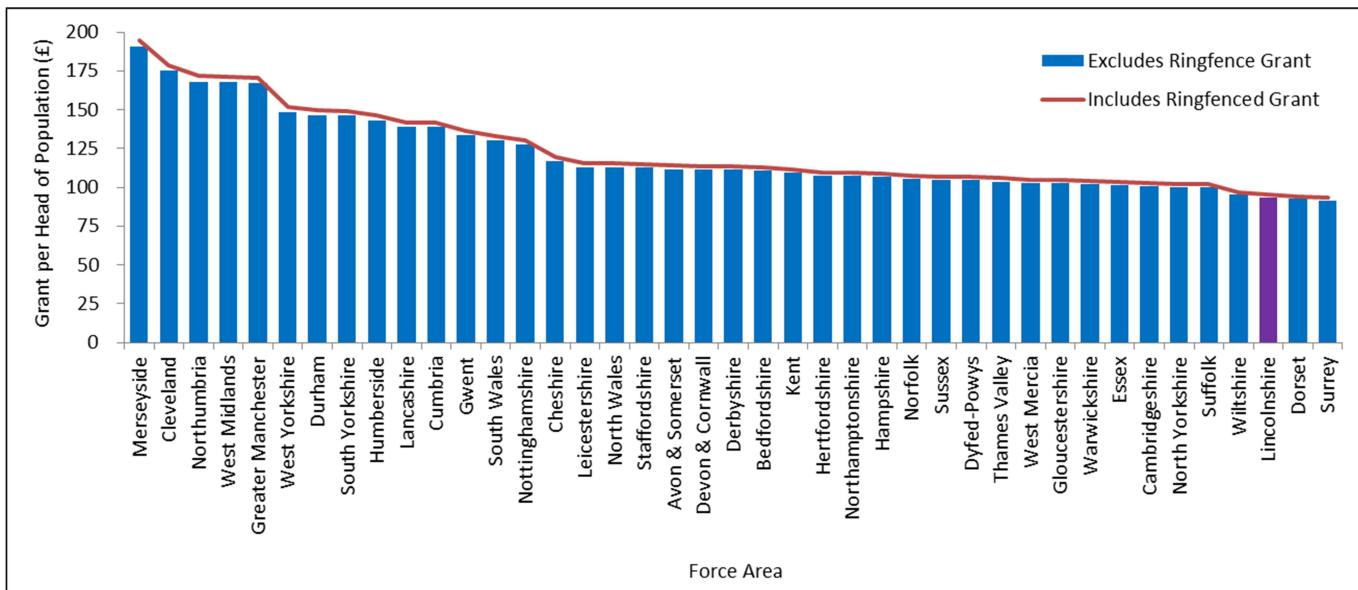
- 5.1 The HMICFRS Value for Money Profile published in October 2019 contained the following headlines in respect of Lincolnshire Police:
- Lincolnshire has the lowest policing costs per head of population in the Country.

Figure 1: Spend per Head of Population (Estimated 2019/20)



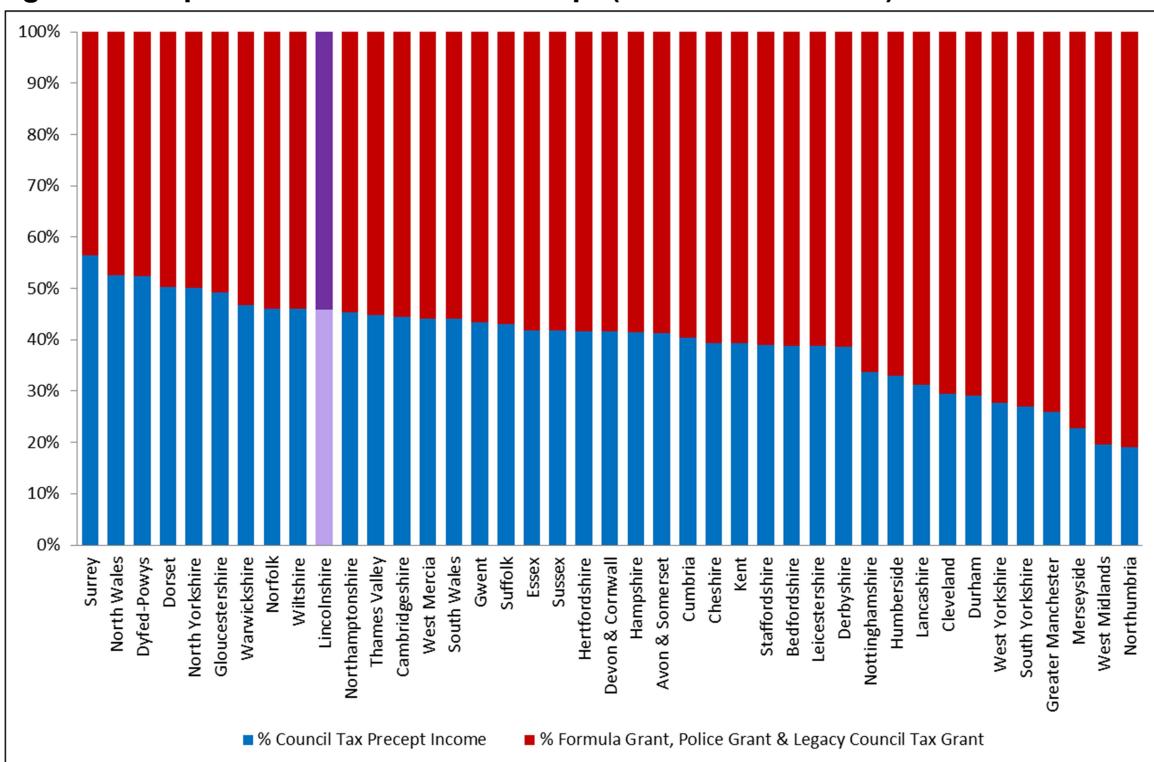
Source: Estimated Net Revenue Expenditure 2019/20 (CIPFA definition of NRE, excludes Government Grants and Reserves) from POA. 2019/20 Population Estimates calculated by assessing the trend for the last five years from HMICFRS VFM data. Note: excludes the City of London and Metropolitan Forces.

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

Figure 2: Formula Grant per Head of Population (2020/21)

Source: Home Office Police Grant Report (England and Wales) 2020/21 and Office of National Statistics - Population estimates by force (mid-2017) ADR. Welsh Forces receive additional Top Up Grants included above. Includes Legacy Council Tax Grants. Excludes Pension Top Up Grant. Excludes the City of London and Metropolitan Forces.

- Lincolnshire's 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 56% for Surrey to 19% for Northumbria with an average of 40%. In comparison Lincolnshire would be 10th out of 41 Authorities at 46% 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 2019/20)

Source: POA estimates 2019/20. Grant % includes Formula Grant, Police Grant and Legacy Council Tax Grant against the Council Tax Precept Income. Excludes Reserves and Government Grants. Excludes the City of London and Metropolitan Forces.

- Police Officer cost per head of population is the 2nd lowest in the country. The number of police officers per 1,000 population is the 5th lowest.
 - PCSO cost per head of population is the 8th lowest in the country. The number of PCSOs per 1,000 population is 21st highest.
- 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 most similar Group of Forces average see below:
- The number of crimes per visible officer is 83.66 crimes, the 20th highest in the country. The National average is 86.13 crimes per visible officer and the most similar Group of Forces are at 67.47 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 expenditure.
- 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 Future pay awards could exceed the provision included within the budget.
- 6.4 The capital programme has not yet been agreed and includes an uplift in allocation for fleet vehicles, an element of which relates to catch-up expenditure to replace aging vehicles, the affordability of which remains a risk.

7. Reserves Strategy

- 7.1 The PCC currently holds a General Reserve of £3.2m, following a £0.7m top up in 2018/19 to replenish previously utilised funds to support the revenue budget; there are no plans for future use to support the revenue budget. The following is a summary of the risk based assessment that has been undertaken.

TABLE B 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.	3.2	6.3
Business restructuring – costs incurred in downsizing the business, renewal of supplier contracts.	1.3	3.0
Major Incidents/Insurance – risk of events exceeding the revenue budget provision.	0.9	2.4
Total	5.4	11.7

- 7.1 The range of required reserves is currently assessed as £5.4m - £11.7m against forecast risk based reserves of £6.1m representing 4.6% of the 2020/21 revenue budget: General Reserve £3.2m, Major Incident Reserve £1.9m and Insurance Reserve £1m. As part of the 2019/20 budget decision it was concluded that the reserves policy be amended to require risk-based reserves at the minimum of the target range. This remains unchanged at the present time, although £0.7m of the general fund was replenished in 2018/19. This increases the financial risk being carried by the PCC and is a consequence of the desire to accept minimal risk based reserves to mitigate the operational risk. The reserves policy will be reviewed again when the budget is finalised.

8. Capital Programme

- 8.1 The forecasts for capital financing charges included within the budget calculations for 2020/21 and the MTFP are based on the provisional capital programme shown below:

TABLE C Draft Capital Programme

Capital Schemes	2019/20 Current Programme £m	2019/20 Expected Carry Fwd to 2020/21 £m	2020/21 Proposed Programme £m	2021/22 Proposed Programme £m	2022/23 Proposed Programme £m	2023/24 Proposed Programme £m
Building maintenance/improvements	1.328	-	1.170	1.020	1.000	1.000
Vehicle replacement	1.000	-	2.175	1.273	0.664	1.200
Blue Light Collaboration Partner	2.165	0.072	0.072	-	-	-
Blue Light Collaboration Police	2.960	0.010	0.010	-	-	-
ICT Transformation	2.412	-	0.843	0.250	1.250	0.250
Command and Control	3.997	3.497	3.497	-	-	-
Telematics	0.125	-	-	-	-	-
Telephony Replacement	0.100	-	-	-	-	-
ESMCP	1.840	1.490	2.000	-	-	-
ANPR	0.054	-	-	-	-	-
Equipment replacement	0.337	-	0.250	0.250	0.250	0.250
LRSP Camera Upgrade	-	-	-	-	-	-
Gymnasium Upgrades	0.297	-	-	-	-	-
Total	16.615	5.069	10.017	2.793	3.164	2.700

- 8.2 The 2020/21 to 2023/24 draft capital programme proposes a significant level of expenditure in 2020/21, mainly due to vehicle replacements, Command & Control and ESMCP (Emergency Services Mobile Communications Programme).

The revenue impact of the capital programme is significant due to the high level of investment since 2018/19. The significant increases for vehicle replacement and ICT in 2020/21 means that shorter life assets are being funded from borrowing, this gives rise to a significant increase in capital charges (£0.5m) from 2021/22 onwards which may not be affordable. The increase has been further exacerbated by the recent increase in PWLB rates. The impact on the revenue budget is currently being reviewed and will be included in the final budget.