

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

- 1.1 The Police Grant Report 2021/22 was announced by Written Ministerial Statement and was laid before Parliament on 17 December 2020. The police settlement covers just one year and the funding in respect of the national police officer uplift has been incorporated into the core grant settlement.
- 1.2 The total core grant for Lincolnshire is now £67.5m, an increase of £4.0m. In addition, a ringfenced allocation of £0.8m is available to Lincolnshire on achievement of the uplift target. The pension top up grant allocation (£1.2m) has been maintained in 2021/22 at the same level as for 2020/21 and will be reconsidered at the next spending review.
- 1.3 The Minister announced the precept referendum limit to allow an increase up to an additional £15 per annum for a Band D property.
- 1.4 The Minister's statement sets out the national priorities for 2021/22 which include:
  - to reduce serious violence and crime and clamp down on county lines;
  - to expand police capacity to tackle online drivers of violence and build stronger evidence on how to prevent homicides;
  - to invest in addressing violence against women and girls, and the scourge of domestic abuse;
  - to strengthen the National Crime Agency (NCA) to target drug trafficking, child sexual exploitation and abuse, economic crime and organised immigration crime.
- 1.5 Following the reduction in capital grant funding to PCCs in 2019/20 of 74%, capital grant funding is being maintained at £0.1m for Lincolnshire in 2021/22.
- 1.6 The Minister's statement does not refer specifically to the timing of the Core Grant Distribution Review (funding formula review).
- 1.7 The Ministry of Justice has announced the allocation of the Victim Services Grant to PCCs will continue in 2021/22, it has been assumed this 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	2020/21	2021/22	2021/22	Increase in
	Actual	MTFP	Settlement	Grant compared
	£'000	£'000	£'000	to MTFP
				£'000
Police Grant	63,548	63,548	67,533	3,985
Council tax compensation	1,059	1,059	1,059	-
Council tax support	5,775	5,775	5,775	-
National Uplift Funding (Horizons)	-	-	800	800
Pension Top-Up	1,175	1,175	1,175	-
<b>Total</b>	<b>71,557</b>	<b>71,557</b>	<b>76,342</b>	<b>4,785</b>

- 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 second tranche of the national uplift was not known until December 2020.
- 2.3 Future years are assumed to remain at the same level as 2021/22.
- 2.4 The pension top-up grant allocation has been maintained in 2021/22 at the same level as for 2020/21 and will be reconsidered at the next spending review.

### 3. Revenue Budget 2021/22

- 3.1 The Revenue Budget for 2021/22 has been prepared in accordance with the Budget Strategy adopted by the PCC. This includes a set of key assumptions:
- Police Officers – the target establishment was 1,070 FTE after tranche 1 of the national uplift. Tranche 2 allocates a further 49 officers for Lincolnshire bringing the total establishment to 1,119 FTE.
  - PCSOs – the current establishment is 85 FTE. With minor fluctuations, the budget is based on maintaining this establishment.
  - Police Staff – The budget has been based on 2020/21 fully costed with a vacancy factor of 5% included to allow for staff turnover. Further changes include the non-recurrent investment provided by the special grant funding and cost pressures including incremental drift.
  - The Strategic Partnership Budget has been set in accordance with the contract and estimated inflationary clauses, at £25.4m and includes provision to support the ongoing project to transition from the G4S contract by March 2022.
  - Capital financing charges have been updated in line with the proposed capital programme which will be agreed as part of the budget. Capital charges are increasing each year due to significant investment in ICT systems such as Office 365, Command & Control, Business Intelligence tool and Digital Asset Management (DAMS), which will improve operational efficiency.
  - The Police Grant provisional settlement published in December has been included.
  - Council tax - in order to preserve future service levels and use the government's precept flexibility, a £14.94 increase per annum for a Band D property has been included for 2021/22. Going forward increases are assumed to be 2% per annum from 2022/23 onwards.
  - No use of reserves is planned at this stage in balancing the 2021/22 budget; however this will depend on both the performance of the collection fund and council tax base, and the precept. Further information on Reserves is provided at Section 7 below.

3.2 The following table summarises the proposed budget for 2021/22.

**TABLE A Revenue Budget 2021/22**

BUDGET	2020/21 Base Budget £000	2021/22 Base Budget £000
<b>Income</b>		
Government Grant	(70,382)	(74,367)
Pension Top Up Grant	(1,175)	(1,175)
National Uplift Funding (Horizons)	-	(800)
Use of Reserves or Special Grant	(1,236)	-
Council Tax	(59,153)	(62,053)
Other incl Custody Contract & Victims Services Grant	(3,374)	(1,108)
	<b>(135,320)</b>	<b>(139,503)</b>
<b>PCC Expenditure</b>		
Strategic Partnership	23,310	25,416
Community Safety & Victims Services	1,656	1,606
Historic Pensions & Financing Costs	5,265	6,021
Collaborative Services	2,268	-
Other Direct PCC Budgets	3,221	2,145
	<b>35,720</b>	<b>35,188</b>
<b>Chief Constable Expenditure</b>		
Police Officers	61,466	64,366
Police Staff	10,104	11,550
PCSOs	3,153	3,007
Operational Policing Costs	4,406	5,440
Premises, Vehicle, HR & ICT Running Costs	11,468	13,432
Regional collaboration	3,977	4,061
	<b>94,574</b>	<b>101,857</b>
Joint Services	1,182	1,428
<b>Total Expenditure</b>	<b>131,476</b>	<b>138,473</b>
<b>Earmarked Service Investments</b>	<b>3,844</b>	<b>1,030</b>
<b>Total (Surplus)/Deficit</b>	<b>0</b>	<b>0</b>

3.3 Whilst there are a number of individual increases and decreases, the key contributors to the change in spending requirement in 2021/22 are:

- Increase in police officer numbers as a result of the national uplift programme;
- Increase in overtime £0.453m;
- Specialist Ops £0.249m – investment in tasers, armed police training and increase in NPAS charges;
- Unmet demand in training £0.240m;

- ICT - including full year effect of upgrade to Microsoft office 365 £0.400m, investment in Business Intelligence Tool £0.500m, Home Office charges and other contract price increases £0.235m;
- Increase in insurance premiums £0.232m.

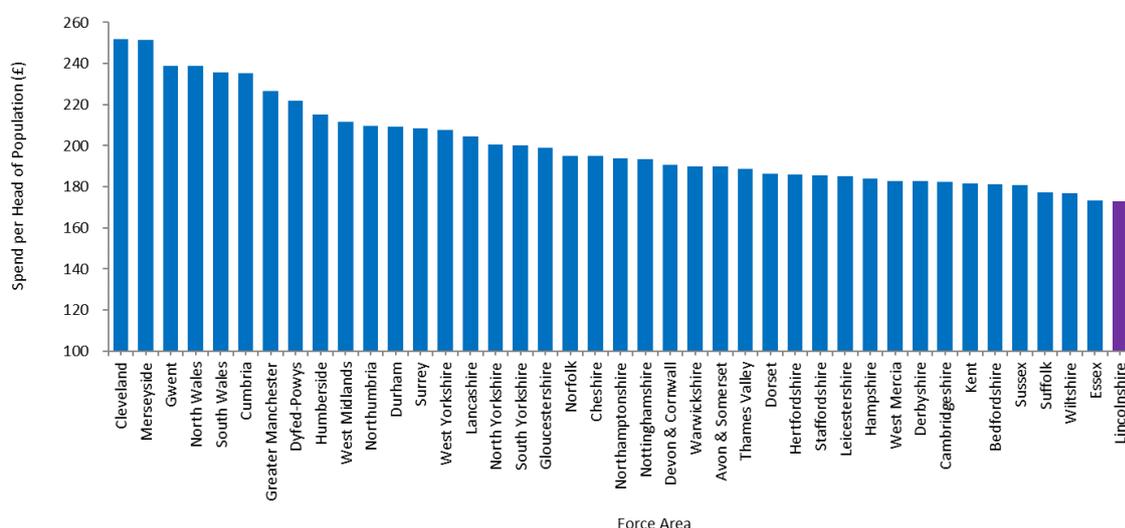
#### 4. Medium Term Financial Plan (MTFP)

- 4.1 The Medium Term Financial Plan covers the period 2022/23 to 2024/25.
- 4.2 The police grant settlement covers just one year, 2021/22, no indication has been given by the Government for future police grant allocations beyond 2021/22. Government grant has therefore been assumed to remain constant across the period of the MTFP.
- 4.3 Planned cumulative savings of over £34 million have been delivered successfully over the last nine years. There are limited opportunities for the achievement of further cashable 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 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. Benchmarking

- 5.1 Lincolnshire has the lowest policing costs per head of population in the Country.

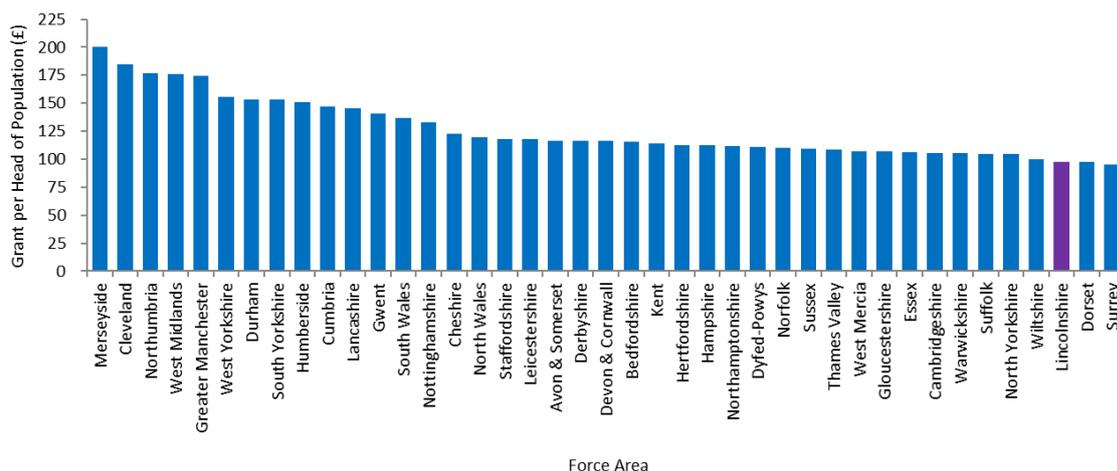
**Figure 1: Spend per Head of Population (Estimated 2021/22)**



Source: *Estimated Net Revenue Expenditure 2021/22 (CIPFA definition of NRE, excludes Government Grants and Reserves) from PACCTS. Office of National Statistics - Population estimates by force (mid-2019). Note: excludes the City of London and Metropolitan Forces.*

- 5.2 Lincolnshire receives one of the lowest levels of central funding per head of population in the Country.

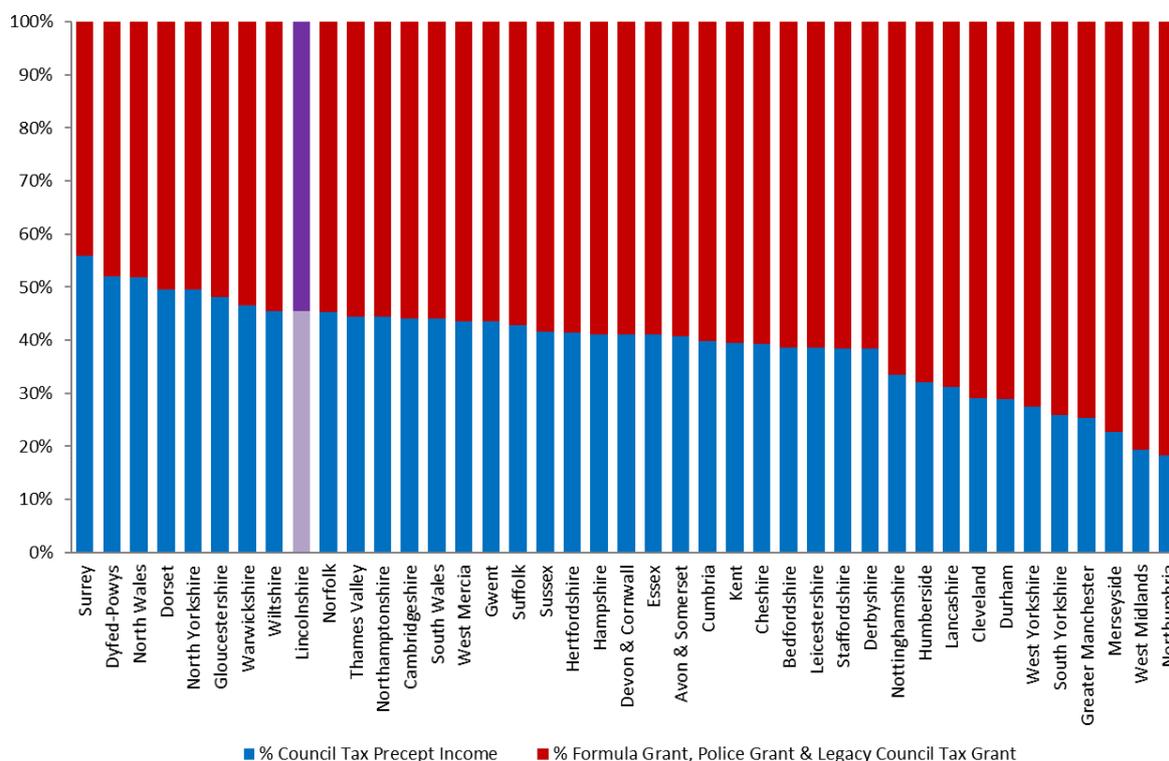
**Figure 2: Formula Grant per Head of Population (2021/22)**



Source: Home Office Police Grant Report (England and Wales) 2021/22 (PACCTS data) and Office of National Statistics - Population estimates by force (mid-2019). Welsh Forces receive additional Top Up Grants included above. Includes Legacy Council Tax Grants. Excludes Pension Top Up Grant and Ringfenced PUP Grant. Excludes the City of London and Metropolitan Forces.

- Lincolnshire’s local funding is one of the highest in the country. As Figure 3 demonstrates, the proportion of overall spend funded by the Police Precept varies from 56% for Surrey to 18% for Northumbria with an average of 41%. In comparison Lincolnshire would be 9th out of 41 Authorities at 45% 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 2021/22)**



Source: PACCTS Data. Grant % includes Formula Grant, Police Grant and Legacy Council Tax Grant against the Council Tax Precept Income. Excludes Pension Top Up Grant and Ringfenced PUP Grant. Excludes the City of London and Metropolitan Forces.

5.3 The HMICFRS Value for Money Profile published in October 2019 contained the following headlines in respect of Lincolnshire Police:

- 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.

5.4 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 & Issues

6.1 There are a number of risks and issues to consider which have not yet been incorporated into the budget, including:

- The council tax deficit for 2020/21 is not yet known. Although MHCLG have provided mitigation support, 25% of the deficit will still be borne by the precepting body, recoverable over three years. This has not yet been included in the budget.
- The Government and CIPFA are working together to consider the accounting treatment for this support, therefore there is some uncertainty on how this will impact Lincolnshire Police.
- The council tax base for 2021/22 is not yet known. The budget assumption is nil growth for 2021/22, followed by 0.5% growth in future years. Until confirmed, there is a risk of reduced council tax income through a reduction in the taxbase.
- The current draft capital programme does not yet include those investments which may arise from the exit of the strategic partnership contract. ICT provision is the principal risk.
- The regional collaboration budgets beyond 2021/22 have not yet been approved. The collaboration costs are currently apportioned to the participating forces on a grant allocation basis but a move to NRE (net revenue expenditure) is under discussion. This would increase Lincolnshire's share of the costs from 13.2% to 14.9% which would amount to £0.380m per annum for EMSOU SOC alone.
- McCloud pension remedy costs. Whilst the budget contains a contingency provision for increased pension administration costs for the work required in relation to this, the actual remedy costs and the legal settlement costs are not yet known. Whilst it is anticipated that treasury will bear these costs, this has not yet been confirmed;
- The programme of work to give effect to the decision to end the Strategic Partnership at the conclusion of the 10-year term is being initiated. Whilst the budget includes funding for the delivery of this programme of work, there is financial risk because the operating model post 1 April 2022 is not yet determined.

## 7. Reserves Strategy

- 7.1 The PCC currently holds a General Reserve of £3.3m, following a £0.1m top up in 2019/20 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 undertaken to support the 2020/21 budget.

**TABLE B Reserves & Risk (2020/21)**

<b>Risk</b>	<b>£m Min</b>	<b>£m Max</b>
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.	4.4	9.0
Business restructuring – including renewal of supplier contracts.	0.5	1.4
Major Incidents/Insurance – risk of events exceeding the revenue budget provision.	1.2	2.9
<b>Total</b>	<b>6.1</b>	<b>13.3</b>

- 7.2 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 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.
- 7.3 The range of required reserves is assessed as £6.1m - £13.3m, the minimum point of which is £6.1m. This is set against forecast risk based reserves of £6.3m: General Reserve £3.2m, Major Incident Reserve £1.9m, Victim's Major Incident Reserve £0.25m and Insurance Reserve £1m.

## 8. Capital Programme

- 8.1 The forecasts for capital financing charges included within the budget calculations for 2021/22 and the MTFP are based on the provisional capital programme shown below:

**TABLE C Draft Capital Programme**

Capital Schemes	2020/21	2021/22	2022/23	2023/24	2024/25
	Current Programme	Proposed Programme	Proposed Programme	Proposed Programme	Proposed Programme
	£m	£m	£m	£m	£m
Building maintenance/improvements	2.626	1.550	1.000	1.000	1.000
Vehicle replacement	2.167	1.230	1.063	1.200	1.200
Blue Light Collaboration Partner	0.193	-	-	-	
Blue Light Collaboration Police	0.193	-	-	-	
ICT Transformation	1.784	0.580	1.250	0.250	0.250
Nexus Switch	0.381				
BI Tool	1.514				
Command and Control	1.942	1.744	-	-	
Telematics	0.105	-	-	-	
Telephony Replacement	-	-	-	-	
ESMCP	0.370	0.300	4.876	-	
ANPR	0.020	-	-	-	
Equipment replacement	1.362	0.250	0.250	0.250	0.250
LRSP Camera Upgrade	0.055	-	-	-	
Gymnasium Upgrades	0.035	-	-	-	
<b>Total</b>	<b>12.747</b>	<b>5.654</b>	<b>8.439</b>	<b>2.700</b>	<b>2.700</b>

- 8.2 The 2021/22 to 2023/24 draft capital programme proposes a reduced level of expenditure in 2021/22 when compared to 2020/21. Capital schemes include vehicle replacements, Command & Control and ESMPCP (Emergency Services Mobile Communications Programme).
- 8.3 The revenue impact of the capital programme is significant due to the high level of investment since 2018/19. Recent investment in ICT such as Office 365 and Command & Control gives rise to a significant increase in capital charges (£0.5m) from 2021/22 onwards and further increases in future years as a result of further investment in a Business Intelligence tool, DAMS and the national ESMCP programme. However, the impact has been mitigated by the recent fall in PWLB rates reducing ongoing interest charges.