

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE & CRIME PANEL

Report of	POLICE & CRIME COMMISSIONER
Date	WEDNESDAY, 5th FEBRUARY 2020 AT 10:00am
Subject	PROPOSED PRECEPT 2020-21 AND MEDIUM TERM FINANCIAL PLAN (MTFP)
Author	PAUL DAWKINS, TEMPORARY CHIEF FINANCE OFFICER OF THE OFFICE OF THE POLICE AND CRIME COMMISSIONER

Purpose of the Report

1. To present the 2020-21 Precept Proposal and the additional considerations contained within it.
2. To present the Medium Term Financial Plan (MTFP).

Recommendations

3. The Police and Crime Panel is asked to:
 - a. Note the information presented in this report, including:
 - the total 2020-21 net budget requirement of £199.863m,
 - a council tax (precept) requirement for 2020-21 of £76.829m.
 - b. Support the proposal to increase the 2020-21 Precept by £10.00 per annum (4.48%) for police purposes to £233.2302 for a Band D property.
 - c. Note the future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational considerations identified.
 - d. Note the Home Office grant allocations notified through the final settlement and the Band D council tax base and surplus received from the collecting authorities.
 - e. Note the current Medium Term Financial Plan (MTFP) contained in Appendix 1.

Executive Summary

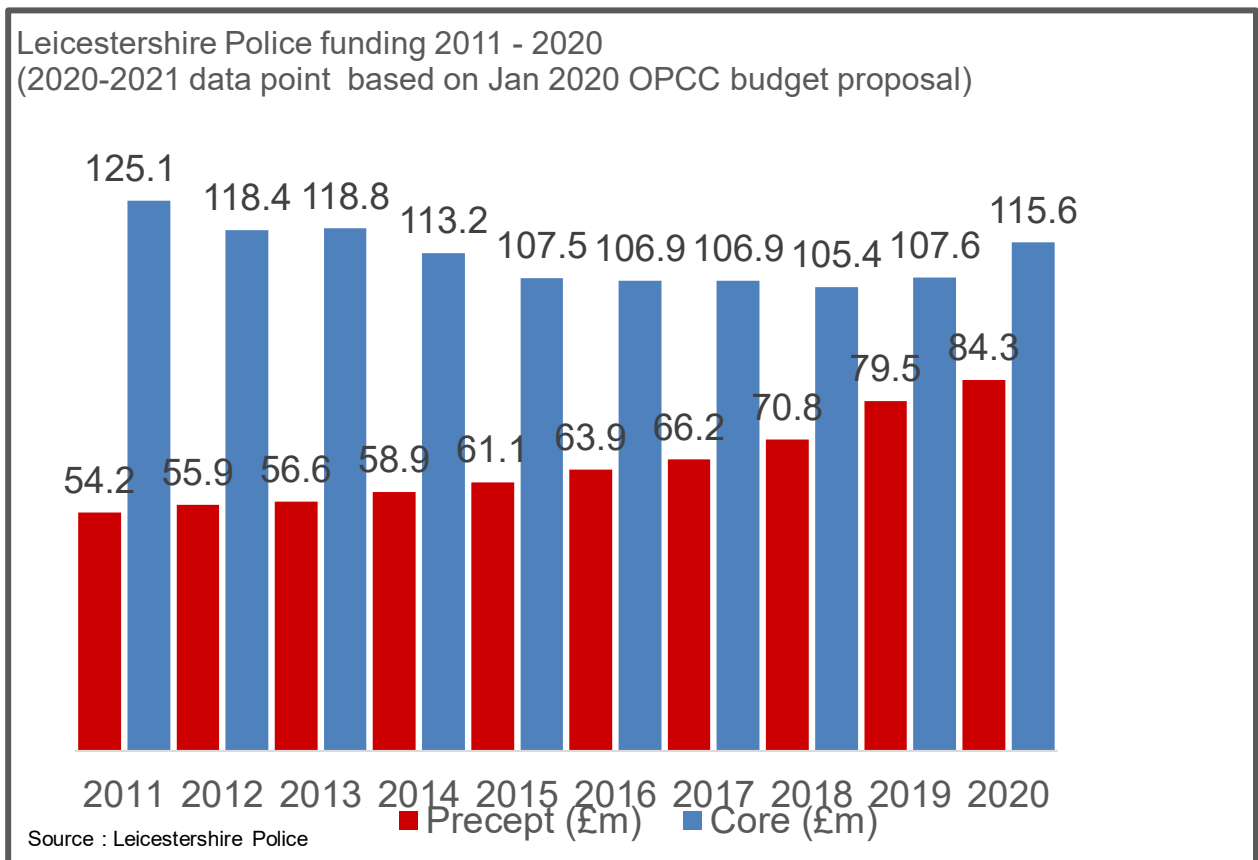
4. This report, and the Precept proposal, is the culmination of several months' work by the Office of the Police and Crime Commissioner (OPCC) and Force colleagues, and takes account of public and stakeholder consultation and key government announcements.
5. The Police Grant Final Settlement was announced on 22nd January 2020 and confirmed a £7.95m increase in revenue grant funding. This is intended to meet the year one salary costs and three year infrastructure costs of the Government's 20,000 police officer uplift programme 2020 to 2023. The precept referendum threshold has been confirmed at £10 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 2020-21. 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 new Force Target Operating Model (TOM) being implemented on 11th March 2020.
7. The Commissioner has determined that 100 additional officers will be recruited during 2020-21 in addition to the 107 delivered through his 2019-20 budget and the 89 expected to be delivered as part of year one of the Government's 20,000 officer uplift programme. This will increase overall full time equivalent (FTE) officer numbers to 2,104 by March 2021.
8. The Commissioner has also determined to increase Police Community Support Officer (PCSO) numbers by 20 to 201 FTEs by March 2021.
9. In November 2018 a fundamental review of reserves took place and a Reserves Strategy was drafted and adopted by the Commissioner. As part of this budget process, the Commissioner has reviewed the adequacy and level of Reserves and is planning to responsibly use reserves over the medium term, in line with his priorities.
10. In considering the proposed level of precept, the Commissioner carried out a budget consultation exercise. The survey asked if residents of the area were prepared to pay more per month for policing services. There were 673 responses to the survey. Of these, 51.3% were in favour of an increase, 40.1% against and 8.6% did not know.
11. After careful consideration of these factors, the Commissioner is proposing a Band D precept increase of £10.00 per annum for the 2020-21 financial year in line with Home Office proposals. The Commissioner has allocated approximately 98% of the net revenue budget requirement of £199.863m 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

12. 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.
13. Chart 1 shows what has happened to core grant funding and the locally raised precept since 2010-11. It shows the actual cash grant received each year and does not take into account the real terms reduction in funding.

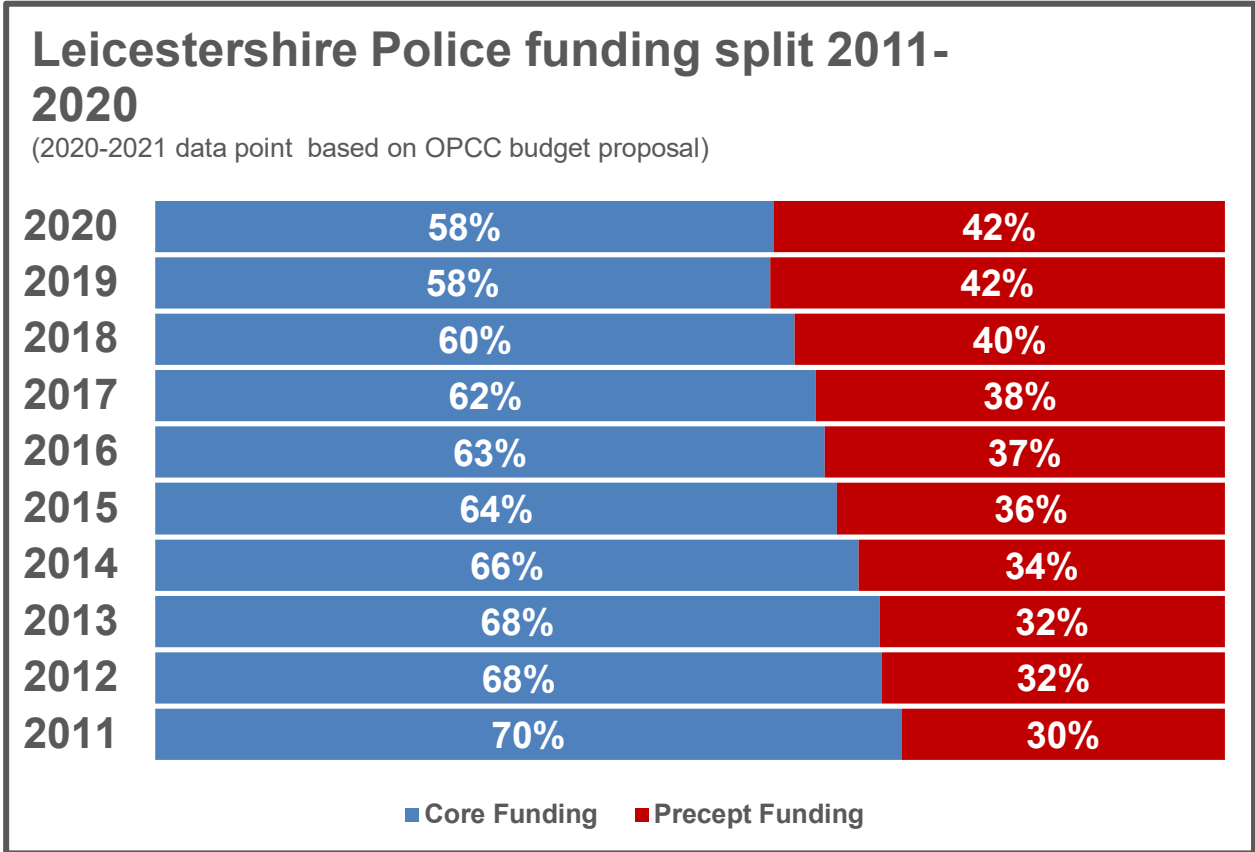
14. The chart shows that core grant funding has reduced from £125.1m in 2011-12 to £115.6m for 2020-21 a reduction of 8%. A study by the National Audit Office on “Financial sustainability of police forces in England and Wales 2018”¹ estimated that the real terms reduction in funding for Leicestershire between 2010-11 and 2018-19 was 30%.
15. The graph also shows that the funding raised locally has increased significantly over the same period. In 2011-12 £54.2m was raised directly from residents of the area (and related grants) and for 2020-21 this will increase to £84.3m. An increase of £30.1m or 56% over the period.

Chart 1



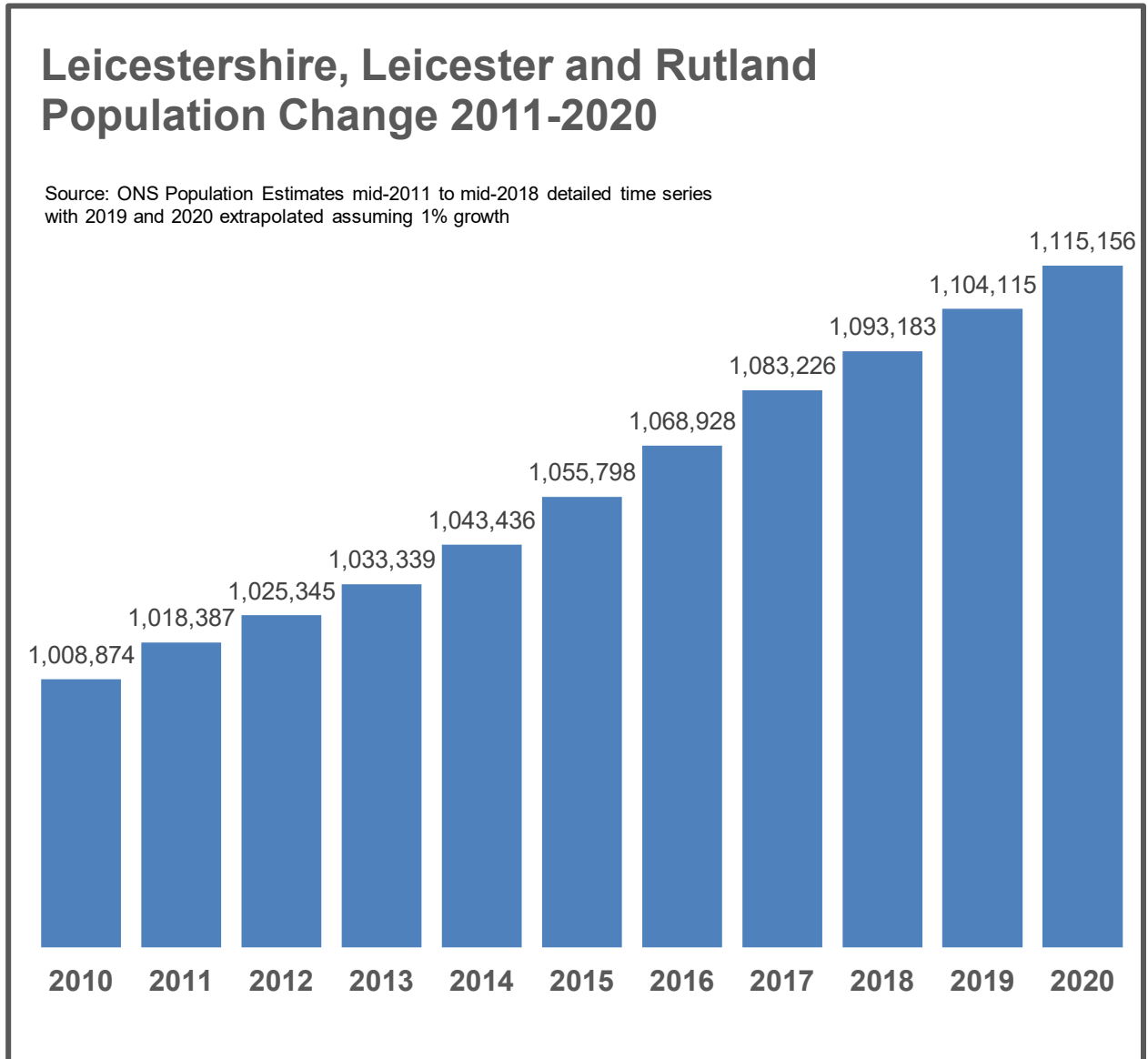
16. Chart 2 demonstrates how the total funding has moved between Core Grant and Precept Funding since 2011-12. It shows that in 2011-12 70% of the funding came from Core Grant with the balance of 30% coming from the local precept. For 2020-21 this has moved significantly to show that 56% of the total funding will come from Core Grant and that 44% of funding now comes directly from the local taxpayer (and related grants).

Chart 2



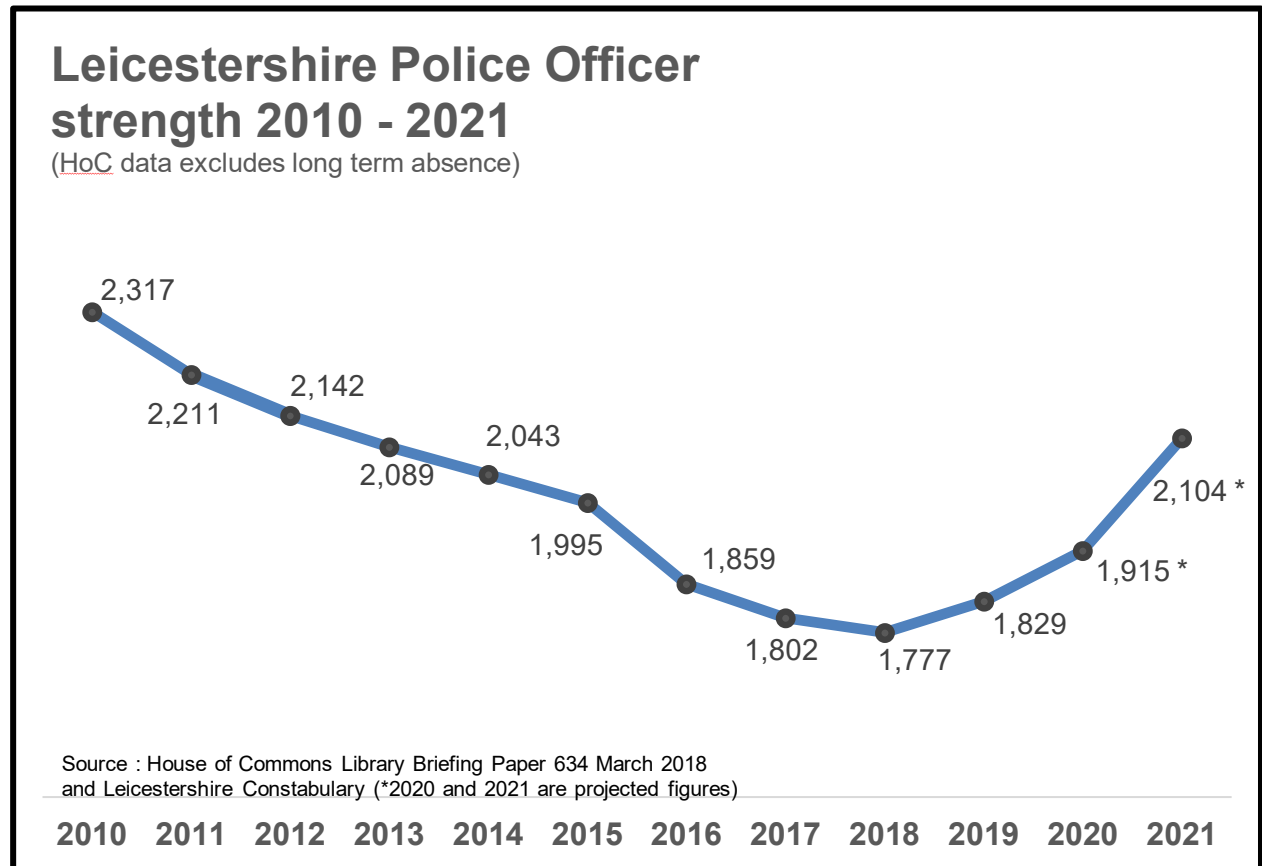
17. Chart 3 shows that whilst core grant has decreased significantly since 2010-11 the population within Leicester, Leicestershire and Rutland has increased significantly.

Chart 3



18. Chart 4 illustrates the reduction in Police Officers over the same time period. In 2010 the force employed approximately 2,317 Police Officers. The comparable figure for 2020 is 1,915. A reduction of 402 officers or a 17% reduction in Police numbers.

Chart 4



19. It should be noted that whilst funding has reduced significantly, demand for the service is very high. This is no surprise when the increase in population in the area is taken into account. A selection of information taken from the Force Management Statement projections for 2020/21 further underlines the point as detailed below:

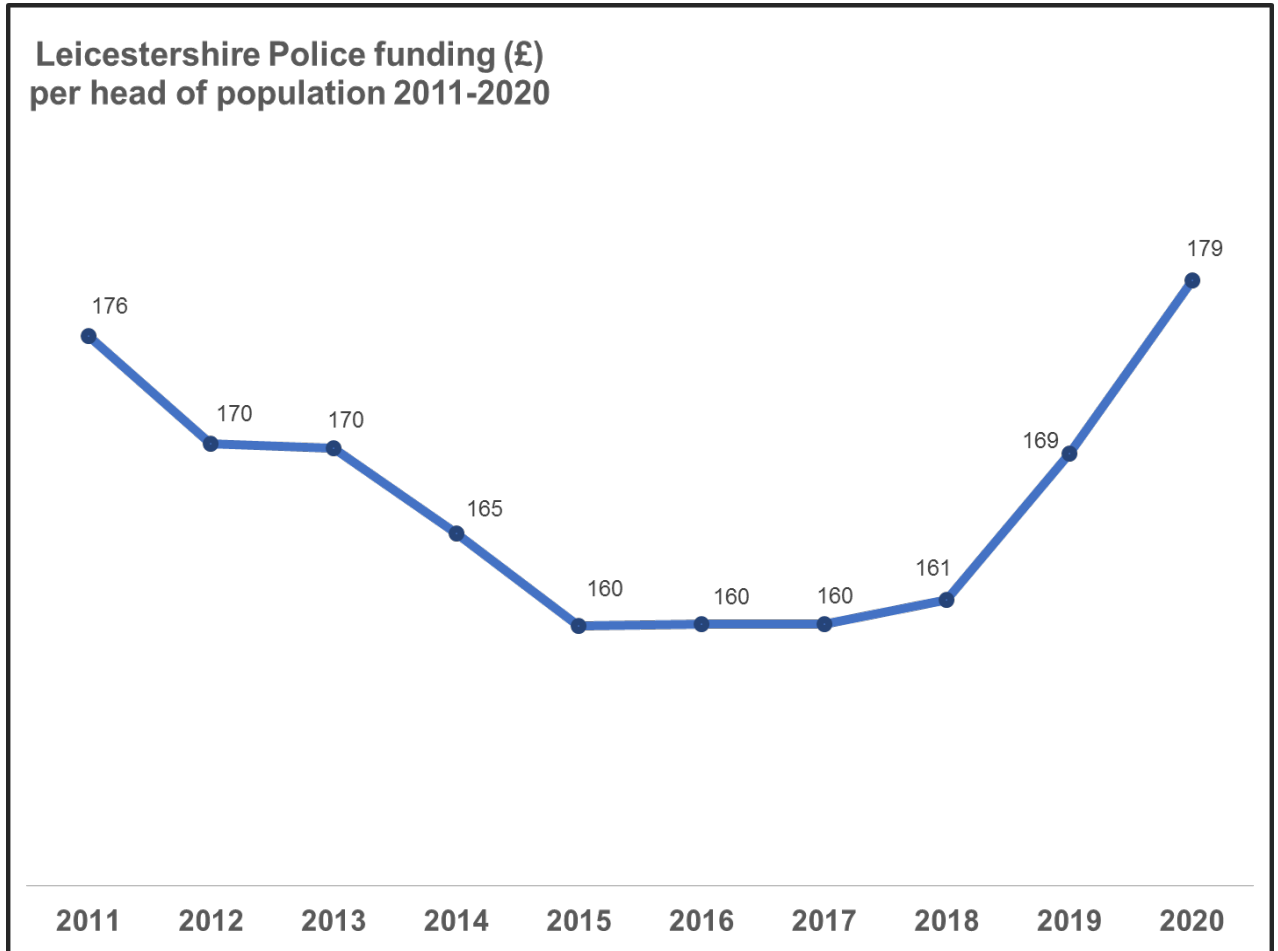
Number of 999 Calls	160,821
Number of 101 Calls	341,811
Number of referrals to Child Protection Teams	18,745
Number of domestic incidents & crimes	20,291
Number of missing people	3,381

The above are just a small selection of the total number and variety of incidents dealt with by the Force in the last financial year.

20. Chart 5 below shows how much funding in total is received per head of population for each of the policing areas across England and Wales. This shows that Leicester, Leicestershire and Rutland receives approximately £169 per head of population which is the 12th lowest in England and Wales and £19 per head of population lower than the average. If funding was lifted to the average approximately £21m more funding would be available for investing in policing in the area.

Chart 5

Funding per head of population in England and Wales 2020-21



The Grant Settlement 2020-21

21. Due to the 12th December 2019 General Election, a Provisional Police Grant Settlement was not announced during December. Instead, the Final Settlement was announced on 22nd January 2020 without the opportunity to consult on its content.

22. The increased Core and Ex-MHCLG funding quoted for Leicestershire is £7.9m. The overall increase in funding is broken down as follows:

	2019-20	2020-21	£m	%
	<u>£m</u>	<u>£m</u>	<u>Increase</u>	<u>Increase</u>
Home Office Core Funding	65.8	71.0	5.2	7.9%
Ex-MHCLG Formula Funding	39.9	42.6	2.7	6.8%
Council Tax Support Grant	7.0	7.0	0	0.0%
Council Tax Freeze Grant	1.9	1.9	0	0.0%
Precept & Collection Fund	72.5	77.3	4.8	6.6%
Total	<u>187.1</u>	<u>199.8</u>	<u>12.7</u>	<u>6.8%</u>

NB. Excludes £2.5m Home Office Uplift Grant

23. The additional precept funding is only delivered if the Commissioner chooses to increase the Policing element of the Band D Council Tax bill by £10.00 (4.5%) from £223.23 to £233.23. This generates an extra £4.8m in revenue funding based on a Band D tax base of 329,412 and a Collection Fund surplus of £0.5m.
24. There are other cost pressures which will need to be funded relating to staff pay, inflationary increases and other contractual increases.
25. After taking the above into account, there is a remaining Home Office Core Funding surplus of £1.8m which will be transferred to the Budget Equalisation Reserve (BER) to part fund the infrastructure costs of the Home Office three year officer uplift programme 2020 to 2023.

Taxbase and Collection Fund details

26. Leicester City Council, Rutland County Council and the Borough and District Councils are responsible for estimating the taxbase in their area, and the Council Tax Collection Fund surplus or deficit.
27. The total taxbase is used to calculate the total precept that will be collected by billing authorities on behalf of the Commissioner.
28. In 2019-20 the taxbase used in setting the budget for the Commissioner was 322,816 Band D equivalent properties. For 2020-21 this has increased by 2.04% to 329,412 Band D equivalent properties.
29. The collection fund surplus for 2020-21 is £492,414. This compares to a surplus in 2019-20 of £446,193.

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 2020-21, Police and Crime Commissioners can increase their precept on a Band D property by up to £10.00 without triggering a referendum.

Risks

32. There are number of financial risks within the draft budget requirement, as summarised below:
 - Police Staff Job Evaluation – The Force is currently undertaking an evaluation of its Police Staff posts. Based on the experience of other employers, £0.75m of the BER has been ring-fenced to cover the implementation costs of the scheme in 2020-21. No further base budget provision has been included for 2020-21 and beyond. This remains a financial risk until the pay assimilation is completed and the actual costs are confirmed.
 - Pay inflation – Provision has been made for a 2.5% pay award from 1st September 2020 for both officers and staff (£2.3m). However, the actual increases will not be

known until pay negotiations are completed later in the year. Pay inflation for 2021-22 onwards is included at 2.5%.

- Emergency Services Network (ESN) – The latest update suggests that the transition to the ESN is delayed until the latter part of 2021-22. The financial consequences are currently unknown. However, a revenue provision of £0.1m has been included in the budget for 2020-21 and £0.3m from 2021-22 onwards. The costs are based on the latest national estimates and will be updated when more accurate figures become available. It is highly likely that the cost of the project will be higher than currently estimated and will be revised as and when more detail becomes available. This therefore represents a financial risk.
- The National Police Air Service (NPAS) is currently being reviewed and the cost allocation model may change as a result. This could lead to a reduction or increase in costs, the extent of which is currently unknown. This is therefore highlighted as a risk.

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 five-year financial forecast and, in particular, the 2020-21 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 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 2020-21. 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 full and robust discussions of the budget requirement, the national and local operational and financial challenges, the precept options available and a review of the MTFP and associated risks.
43. Furthermore, there has been a significant degree of scrutiny and challenge undertaken by the Commissioner and his team, prior to and during, the Strategic Assurance Board on the 17th January 2020, at which, agreement of the Force budget for 2020-21 between the Commissioner and the Chief Constable was reached.

Revenue Budget 2020-21

44. The base budget for 2020-21 has been built based upon the 'budget rules' which are consistent with previous years and the risk based approach outlined earlier in the report.
45. In line with this approach, the Panel is advised that the total net budget requirement in 2020-21 is £199.863m. This equates to an increase of £12.724m (6.8%) from the 2019-20 net budget requirement level of £187.139m (see Appendix 1).
46. The table below summarises the 2020-21 draft budget requirement:

	£	£
2020-21 Base Budget Requirement (Gross)		
Police Officer Pay & Allowances	104,670,120	
Staff Pay & Allowances	44,352,531	
PCSO Pay & Allowances	6,433,948	
Regional Collaboration	9,588,093	
Police Officer Pensions	3,460,630	
Non-Pay Expenditure	34,929,139	
Inflation Contingency	3,452,895	
Income	(14,220,908)	
Office of the Police and Crime Commissioner	1,332,089	
Commissioning	4,395,961	
TOTAL		<u>198,394,498</u>

There are other budget streams which when added to the above makes up the 2020-21 net budget requirement. These are listed overleaf.

	£	£
2020-21 Base Budget Requirement (Gross)		198,394,498
Investment	5,778,817	
Specific Grants	(1,277,870)	
Home Office Pension Grant	(1,902,540)	
Home Office Uplift Grant	(2,500,000)	
Transfer from Commissioning Reserve	(298,049)	
Transfers to / from liability & equipment reserves	61,573	
Transfer from BER for specific projects	(230,210)	
General transfer to reserves	1,784,867	
Transfers to other reserves	51,713	
2020-21 Base Budget Requirement (Net)		199,862,799

47. 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:
 - Rank and incremental changes.
 - Externally funded and seconded officers.
 - Allowances.
 - Changes to the effective rates for National Insurance and Pension contributions.
 - The full year effect of the September 2019 pay award.

Of the 107 additional police officers approved as part of the 2019-20 budget, 80 will have been recruited during 2019-20, with the final 27 being recruited by May 2020. These officers are/will be deployed locally across neighbourhood policing areas.

Year one of the Government's 20,000 officer uplift programme will provide 89 officers in total (6,000 nationally), of which 24 will have been recruited by March 2020, with the balance of 65 being recruited during 2020-21. This will increase overall police officer numbers to 2,004 FTEs by March 2021. The total estimated cost of the 89 officers is £2.5m which will be fully funded by a separate Home Office grant, but only if they are recruited in full. The Home Office will confirm the allocations to Forces for years two and three in due course. However, the uplift will not restore officer numbers to pre-austerity levels of around 2,317 FTEs.

In order to provide a further uplift in officer numbers during 2020-21 and beyond, the Commissioner has agreed with the Chief Constable that 100 additional officers will be recruited during 2020-21 to be funded by the £10 increase in Band D precept. This will increase overall police officer numbers to 2,104 FTEs by March 2021 at a part year cost of £1.4m. The intention is again to deploy these officers in local neighbourhood policing areas.

Infrastructure investment costs in relation to the increase in officer numbers during 2020-21 are estimated at £1.5m and will be funded through the increase in core grant in line with Home Office expectations.

- **Police Community Support Officers (PCSOs)** – The Panel will remember that prior to austerity, the Force’s PCSO establishment was 251 FTEs. There is currently provision for 181 PCSO’s within the budget proposals. In order to enhance neighbourhood policing services to local communities, the Commissioner has agreed with the Chief Constable that 20 additional PCSOs will be recruited during 2020-21, again to be funded by the £10 increase in Band D precept. This will increase overall PCSO numbers to 201 FTEs by Spring 2021 at a part year cost of £0.4m.
- **Support Staff** – The budget is based on 1,117 FTEs (excluding PCSO’s) which includes a number of changes to the establishment to address demand. The Force is also currently undertaking job evaluation of its police staff posts. Based on the experience of other employers, £0.75m of the BER has been ring-fenced to cover the implementation costs of the scheme in 2020-21.
- **Regional Budgets** – Regional collaboration budgets relate to Leicestershire Police’s share of collaborative arrangements which include the cost of police officer posts. The budget for regional collaboration in 2020-21 is £9.6m.
- **Non-pay** – A significant element of the non-pay budget increase relates to IT enhancements and innovation. This is aligned to the national expectation to deliver a “modern digitally enabled workforce that allows officers to spend less time dealing with bureaucracy and more time preventing and fighting crime and protecting the public”. The budget includes licensing costs, replacement of Body Worn Video cameras, telephony and communications and the new Digital Evidence Management system costs. Revenue costs in relation to capital financing are also included.

Office of the Police and Crime Commissioner

48. The total cost of the Office of the Police and Crime Commissioner is £1.26m, which is a net increase of £20k from 2019-20. However, this includes the cost of a post that has transferred from the police to the OPCC to address the changes in the legislation around complaints and it includes the full year cost of the pay award in 2019-20. Taking these into account, the actual cost of the office has reduced as a proportion of the overall budget. The office structure has recently been reviewed to facilitate these changes. It employs 20 members of staff whose costs represent 86% of total expenditure.
49. Supplies and Services includes items of expenditure such as internal audit and external audit costs, and subscriptions to external associations. Detailed budgets for the office are available upon request.

50. The main costs are summarised below:

	£000
Staffing	1,084
Transport	14
Supplies and Services	234
Total Expenditure	1,332
Income (MOJ Grant)	(77)
Net Expenditure	1,255

51. During the Commissioner's term, the office has significantly expanded its range of activities including :

- The establishment and running of a Violence Reduction Network
- The implementation of an Early Intervention Youth Fund
- The management of the East Midlands Criminal Justice Board
- The co-development of the new probation delivery arrangements.
- The enhancement of the Strategic Partnership Board and sub-groups
- The establishment and management of an area wide Prevention Board
- The development of community focussed initiatives such as People Zones
- Closer engagement and collaborative working relationships with Community Safety Partnerships

Commissioning

52. The Commissioning Framework for 2020-21 aligns to the priorities contained within the Police and Crime Plan and provides a budget of £4.396m. The commissioning budget held by the OPCC has reduced as a proportion of the overall budget.

53. The budget is funded as follows:

	£000
Base budget	2,897
Ministry of Justice Grant	1,201
Contribution from Commissioning Reserve	298
Total funding	4,396

54. The 2020-21 Commissioning Budget includes £0.25m for small grants to Community Organisations which are awarded at the discretion of the Commissioner.

55. The Framework assumes £0.298m will be drawn from the Commissioning Reserve for the year.

56. The Ministry of Justice (MoJ) Victims and Witnesses Grant has been increased by 1.84% to £1.278m for 2020-21.

Capital Strategy, Capital Programme and Treasury Management Strategy

57. The Capital Strategy 2020-21 is set out in Appendix 2. The revenue consequences of the proposed programme have been taken into account in the development of the revenue budget, and the required prudential indicators are set out.

58. The Capital Programme includes investment in operational areas of premises, IT and vehicle fleet.
59. The anticipated local capital costs for the Emergency Services Network (ESN) have been included in the Capital Programme and Revenue Budget based on the latest Home Office estimates. However, there remains significant national and local uncertainty regarding the costs and timescales of the network and this financial risk will continue to be closely monitored.
60. The Treasury Management Strategy report is set out at Appendix 3. This is required by the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and explains the Investment Strategy in relation to reserves and balances.
61. Both the Capital and Treasury Management strategies were fundamentally reviewed in December 2019 and subsequently agreed by the Strategic Assurance Board.

Medium Term Financial Plan (MTFP)

62. 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 incoming Commissioner to be elected in May 2020. Thus the relevant date is 31st March 2021.
63. However, prudent financial management requires the Commissioner to have a MTFP that covers a period of at least four financial years. The financial information detailed in Appendix 1 covers a five year period, until the end of March 2025. 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 2020-21 and a Comprehensive Spending Review due in the next financial year and applicable from 2021-22.
64. However, a 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.
65. In 2020-21, the Commissioner will allocate approximately 98% of the net budget requirement to the Chief Constable for use on local policing and regional collaborations.
66. Key assumptions that have been included in seeking to outline the financial challenge for the medium term are:
 - a. That the council tax base grows at 1.75% per annum.
 - b. All existing council tax related grants continue up to and including 2024-25.
 - c. Core Government funding remains the same for the life of the plan including the year one officer uplift grant.
 - d. The precept increases by £10.00 per Band D equivalent property for 2020-21 and 2% each year thereafter.
 - e. Pay awards for officers and staff are included at 2.5% for 2020-21 and for each year thereafter.

- f. Non-pay inflation is included at 2% for 2020-21 and for each year thereafter.
- 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.

67. Taking into account the above assumptions, the position is as follows:

See Appendix 1 for detailed analysis

	2020-21	2021-22	2022-23	2023-24	2024-25
	£m	£m	£m	£m	£m
Net Budget Requirement	198.0	206.0	212.2	216.0	222.2
Net Funding	199.8	202.8	205.8	208.9	212.2
Funding Surplus/(Gap) before use of Reserves	1.8	(3.2)	(6.4)	(7.1)	(10.0)

Use of Reserves and Balances

68. In considering the 2020-21 budget, the Commissioner has reviewed all of the reserves held. As detailed above, the MTFP is predicated on the prudent use of reserves over the first three years of the plan.

69. In November 2018 a Reserves Strategy was agreed which set out the following 'guiding principles' for managing reserves:

- General fund reserves should be in the range of 2% to 5% of the total net budget (between £4.0m and £10.0m based on the 2020-21 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.

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

a. General Reserve

There is a General Reserve which will be reduced from £6m to £5m with £1m being transferred to the BER to support the projected MTFP funding gap. The £5m Reserve balance represents 2.6% of the net budget requirement for 2020-21 and is within the recommended limits referred to above. It is prudent to have such a reserve at this level to enable the organisation to withstand unexpected events which may have financial implications. There is no further planned use of this reserve during 2020-21.

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 £11m at 31st March 2020, rising to a high of £12.5m by 31st March 2021. Its purpose when established was twofold:

1. To fund 'invest to save' and other new initiatives and investments.
2. To partly support funding shortfalls in the MTFP.

The Commissioner is currently planning to use £9.6m of the BER to balance the budget for the years 2021-22 to 2022-23. The balance of the BER at 31st March 2023 is estimated to be £2.9m (including the £0.75m ring fenced for job evaluation).

c. Earmarked Reserves

The Commissioner currently holds a number of Earmarked Reserves which at 31 March 2020 are estimated to total £5.1m (excluding the General Reserve and BER) and those to note are as follows:

OPCC & Commissioning Reserve £1.6m – This contributes towards supporting the cost of the Commissioning Framework.

Civil Claims £1.1m – This reserve holds funds set aside where considered prudent for Civil Claims (Public and Employer liability) in line with professional advice.

Capital Reserve £0.3m – to support future Capital expenditure.

Proceeds of Economic Crime - £0.5m – reserve funded from proceeds of crime, used to support Force's capability in specific investigative areas.

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

<u>Transfers from Reserves</u>		<u>Transfers to Reserves</u>	
	£m		£m
<u>Budget Equalisation Reserve</u>		Budget Equalisation Reserve	1.785
Specialist Operations	-0.230		
	<u>-0.230</u>	<u>Specific Reserves</u>	
<u>Other Earmarked Reserves</u>		Equipment Reserve	0.200
Economic Crime (POCA)	-0.020	Fleet Insurance Claims	0.075
Equipment Reserve	-0.574	Civil Claims Liability	0.360
	<u>-0.594</u>	Other	0.072
<u>OPCC</u>			<u>0.707</u>
Commissioning	-0.298		
	<u>-0.298</u>		<u>2.492</u>
	<u>-1.122</u>		

	£m
Net Transfers to/(from)	
Earmarked Reserves	<u><u>1.370</u></u>

Precept Proposal

72. After careful consideration of all the factors highlighted within this report, the Commissioner is proposing a £10.00 Band D Precept increase in line with Home Office proposals to maximise resources for operational policing.
73. In making this proposal, the Commissioner is extraordinarily grateful to those who took part in the Precept surveys which showed the willingness of the public in Leicester, Leicestershire and Rutland to pay more in order to safeguard and develop policing in their neighbourhoods.
74. Additionally, in making this proposal, the Commissioner is satisfied that in doing so, he is maximising the resources available to Leicestershire Police to deliver the priorities outlined in his Police and Crime Plan.

Statement of the Chief Constable

75. In proposing the precept the PCC has sought views from the Chief Constable and his statement on the PCC's precept proposal for 2020-21 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 should have regard to the Police and Crime Plan, 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, within the framework of the agreed budget allocation and levels of authorisation agreed with the PCC.

My preferred option is an increase in the precept of £10. This will best enable the Force to deliver the Police and Crime Plan and meet the requirements of the Strategic Policing Requirement going forward. It also reflects the thrust of the national core grant allocation from Central Government (which speaks of 'assuming full take up of council tax precept flexibility'), and the oft repeated desire of local communities for more policing.

It is both sobering and remarkable to report to the Panel that this is the first time in my decade here as your Chief Constable that a budget features growth in the core grant coming from Central Government (excluding council tax freeze grants). This budget represents the opportunity to restore some of the numbers officers and staff that we have lost in recent years, and in doing so to recruit from our local, diverse communities. In my ten years here as your Chief Constable I am yet to get any feedback from any community anywhere across Leicester, Leicestershire and Rutland that seeks less policing! The demand for more is consistent and insatiable.

The chance to raise the precept gives us the realistic prospect of growing back some of the capacity that we have lost across the last decade. As I have previously reported to the Panel, Leicester, Leicestershire and Rutland are amongst the fastest growing populations in England and Wales. This rapid population growth, coupled with the increasing complexity of the challenges that policing faces put real pressure on our capacity to cope with demand. This is captured in our published Force Management Statement. Since 2010 we have saved in excess of £38M. What that means in reality is that in 2010 we had over 2,300 police officers and 251 PCSOs. At our lowest point we had dropped to 1700 police officers and 180 PCSOs. If the Panel were minded to support growth of £10 this would enable us to put back some of our lost ability to patrol neighbourhoods, deter crime and investigate offences. With the Panel's support we could aspire to 2104 officers and 201 PCSOs. I believe that this can make a significant operational difference, and one that will be noticed by people living and working in neighbourhoods across the Force.

The breadth of the police mission remains significant. We seek to maintain and increase a strong neighbourhood presence, provide a resilient 24/7 response capability, and ensure investigative capacities that are able to deal with the complexities of a cyber enabled world. We also need to ensure that our contact management is strong and focused on the public, as well as supporting all of that with multi agency problem solving and case conferencing that protects vulnerable people, as well as digital investigation and forensic analysis. The emergence of the Violence Reduction Network aligns with our Force Strategic Harm Reduction work; we are working hard to combat knife crime and violence. In effect our mission covers everything from anti-social behaviour through to counter terrorism. It should be noted that the national threat level from terror nationally remains at "substantial", meaning that 'an attack is a strong possibility'. We are also working hard with partners to combat serious and organised crime and to mitigate its impact on local communities which we see through modern slavery, economic crime, violence and the drugs trade. The Panel has heard during the year of our efforts to combat 'county lines' drug dealing, perhaps most notably through Operation Lionheart.

Our frontline efforts are supported by functions that are notably lean. HMICFRS produce comparative data which shows that our provision of estates, fleet, procurement, etc. are amongst the most efficient in the country. We have also equipped our officers and staff

with mobile technology including laptop computers, handheld devices and body worn video. HMICFRS has assessed us as 'Good' across the Board in their PEEL inspection. This looks at Police Efficiency, Effectiveness and Legitimacy. Given the financial pressures that we have experienced this is a significant achievement. It is also a necessity given that we are funded at the lower end of funding per head of the population on a national basis.

In a context of a public desire for more policing, a complex workload, increasing numbers of recorded crimes, and a growing population I strongly support the proposal to increase the precept by £10. I make that recommendation as both a local resident and the Chief Constable responsible for delivering policing across Leicester, Leicestershire and Rutland within the terms laid out within the Policing Protocol Order 2011."

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

76. 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:

"At the Strategic Assurance Board on the 17th January 2020, I attended to provide assurance to the Board that these factors have been considered. Since that date, dialogue, scrutiny and challenge has continued where new factors or information have been highlighted and discussed.

In the sections above, titled "Base Budget Preparation, Approach, and Scrutiny" and "Revenue Budget 2020-21", a description of the development of this budget is given.

During the preparation of the budget, I have been given full access to the budget model and have been consulted on the assumptions being made in order to develop the model. I have received timely and detailed responses to queries and/or points of clarification. I have agreed with the assumptions being made, and where there were any differences of opinion they were discussed until a consensus was reached.

Together with the Chief Officer Team, OPCC, Chief Executive, the Commissioner and the Deputy Commissioner, 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 Strategic Assurance Board.

I have also reviewed the detailed calculations in arriving at the budget requirement and council tax precept and options and find these to be robust. I also have, together with other precepting partners, sought authorisations from billing authorities in relation to taxbase and council tax surplus or deficits.

The Chief Constable has discussed the revenue and capital operational and Police and Crime Plan requirements for 2020-21 and future years and together, we have been able to develop a budget that supports the delivery of the priorities set out in the Police and Crime Plan.

There is an operational contingency available to the Chief Constable, and sufficient general reserves available should operational demands require access to these. Earmarked reserves are also in place for specific requirements.

In coming to my conclusion on the robustness of the budget I have also reviewed the separate papers on Capital Strategy (Appendix 2) and Treasury Management (Appendix 3).

This report details that the budget can be balanced over the next three years with the prudent use of the Budget Equalisation Reserve (BER), the balance of which is estimated to be £2.9m by 31st March 2023. The BER was set up to help smooth variations in the budget and therefore it is being used for the purpose it was intended. It should be noted that there are no plans to utilise any of the £5m held in the General Reserve which should be held as a ‘contingency of last resort’ or to provide funds on a very short term basis. This level of General Reserve is within the range expected and defined by the Reserves Strategy as set out earlier in the report.

Beyond 2020-21, there is a high level of uncertainty as to what future finance settlements might be and therefore we are reliant upon the next Comprehensive Spending Review in 2021-22 to provide a degree of certainty. However, the assumptions contained within the MTFP are reasonable and prudent and will be updated as new information emerges. As such the MTFP contains the best estimates available at this point in time.

I conclude, therefore, that the budget for 2020-21:

- 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.*

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.
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List of Appendices

Appendix 1 Budget and Precept 2020-21 to 2024-25

Appendix 2 Capital Strategy 2020-21

Appendix 3 Treasury Management Strategy

Background Papers

Police Funding Settlement 2020-21 – January 2020

Leicestershire Police and Crime Commissioner Precept Survey – January 2020

Persons to Contact

Mr Paul Dawkins, Temporary Chief Finance Officer, Office of the Police & Crime Commissioner.

Tel: 0116 248 2244

Email: paul.dawkins@leicestershire.pnn.police.uk