

POLICE AND CRIME PANEL BUDGET REPORT

SUPPLEMENTARY INFORMATION

1. Provisional Police Grant Settlement

- 1.1 The Provisional Police Grant report (England and Wales) 2019/20 and accompanying Written Ministerial Statement were laid in Parliament on 13th December 2018.
- 1.2 The police settlement covers just one year. In his written statement the Minister confirmed that police grant in Lincolnshire would be increased by £1.2m (2.1%) in 2019/20; plus an allocation of pension top-up grant of £1.2m in 2019/20.
- 1.3 The Minister announced a relaxation of the precept referendum limit to allow an increase up to an additional £24 per annum for a Band D property.
- 1.4 As in previous years, the existing funding distribution will continue in 2019/20 and beyond. The Minister's letter does not refer specifically to the Core Grant Distribution Review (funding formula review) but states that this is the last settlement before the next Spending Review "*which will set long term police budgets and look at how resources are allocated fairly across police forces*". Further communications from the spending review working groups indicate that implementation is unlikely to be before 2021/22.
- 1.5 The Minister's letter sets out the national priorities for 2019/20, such that funding will be directed towards counter-terrorism and serious and organised crime. The letter also confirms that funding will be set aside for major digital projects to enhance police digital capability including mobile working.
- 1.6 The Ministry of Justice has announced the allocation of the Victim Services Grant to PCCs and has confirmed that funding for 2019/20 will remain the same in cash terms as for 2018/19. 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	2018/19 Actual £'000	2019/20 MTFP £'000	2019/20 Provisional Settlement £'000	Increase in Grant compared to MTFP £'000
Police Grant	57,907	57,907	59,123	1,216
Council tax compensation	1,059	1,059	1,059	-
Council tax support	5,775	5,775	5,775	-
Pension Top-Up	0	0	1,175	1,175
Total	64,741	64,741	67,132	2,391

- 2.2 The grant to Lincolnshire is increased, whereas a flat cash settlement had been assumed in the previous MTFP.

2.3 Future years are assumed to remain at the same level as 2019/20.

3. Revenue Budget 2019/20

3.1 The Revenue Budget for 2019/20 has been prepared in accordance with the Budget Strategy adopted by the PCC. This includes a set of key assumptions:

- Police Officers Pay - the baseline budget has been set to provide for an establishment of 1,100 officers as this is the force target operating model and the reductions required to balance the budget have been assessed against this starting point. The reduction required to achieve the savings target is an average of 54 FTE across the year.
- Police Staff Pay - the baseline Budget has been set to provide for all established posts and includes a vacancy factor of 5%. The savings target of £1m represents a cost reduction of 10%.
- PCSO Pay - the baseline budget has been set to provide for an average establishment of 118 PCSOs. The savings target identified reduces the establishment to 85 FTE by the end of the financial year.
- 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. Savings have been identified in travel costs, vehicle hire and bank holiday overtime working which will deliver an expenditure reduction of c £0.4m in 2019/20.
- Other Operational Policing costs have been similarly reviewed and challenging targets set for the provision of equipment and accoutrements.
- 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 be contained within the existing budgetary provision as a result of decisions taken around the timing of capital expenditure.
- The Police Grant provisional settlement published in December has been included; the final settlement has also now been published, with no changes.
- Council tax - in order to preserve future service levels and use the government's precept flexibility, a £23.94 (11%) increase per annum for a Band D property has been included for 2019/20. Going forward increases are assumed to be 2% per annum in 2020/21 and 2021/22.
- Use of Reserves has decreased from £5.3m in 2018/19 to £1.0m in 2019/20 due to available reserves being depleted in previous years to balance the budget. Further information on Reserves is provided at Section 7 below.
- Savings target and delivery plans – the savings target of £3.2m will be achieved through reductions in workforce and non-pay savings of c£0.4m. These are summarised below.
 - Police Officer savings of £2.8m achieved through a reduction of 54 FTE;
 - Police Staff savings of £0.35m identified for 2019/20;
 - PCSO savings of £0.76m identified for 2019/20;

- Non pay savings of £0.4m
- The difference between the identified savings and the target provides the budget for the severance costs to achieve the organisational restructuring required to deliver the savings.

3.2 The following table summarises the proposed budget for 2019/20.

TABLE A Revenue Budget 2019/20

BUDGET	2018/19 Base Budget £000	2019/20 Base Budget £000
Income		
Government Grant	(64,741)	(65,957)
Pension top up grant	-	(1,175)
Use of Reserves	(5,068)	(1,000)
Council Tax	(49,571)	(55,066)
Other incl Custody Contract & Victims Services Grant	(3,358)	(3,352)
	(122,738)	(126,550)
PCC Expenditure		
Strategic Partnership	22,855	22,475
Community Safety and Victims Services	1,682	1,657
Historic Pensions & Financing Costs	4,110	4,804
Collaborative services	2,268	2,268
Other direct PCC budgets	1,960	2,099
	32,874	33,302
Chief Constable Expenditure		
Police Officers	59,277	60,114
Police Pension revaluation costs	-	2,592
Police Staff	8,818	9,917
PCSOs	3,965	4,057
Operational Policing Costs	2,941	4,226
Premises, Vehicle, HR & ICT Running Costs	10,344	10,886
Regional collaboration	3,365	3,516
	88,710	95,308
Joint Services	1,154	1,166
Total Expenditure	122,738	129,777
Cost Reduction Programme	0	(3,227)
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 2019/20 are the revised workforce plans and overtime for police officers and staff (£1.217m); Force Medical Examiners

contract (£0.308m); bank holiday overtime (£0.115m) and an increase in premises costs (£0.271m).

4. Medium Term Financial Plan (MTFP)

- 4.1 The Medium Term Financial Plan covers the period 2020/21 to 2022/23.
- 4.2 The police grant settlement covers just one year, 2019/20, 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

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Projected Deficit	3,227	6,709	7,217	6,880

- 4.4 Planned cumulative savings of over £28 million have been delivered successfully over the last seven years. There are limited opportunities for the achievement of further savings without adverse impact on service delivery. The budget for 2019/20 identifies a further £3.227m of savings to balance the budget; these 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 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.

TABLE C MTFP Budget Gap including Use of Reserves

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Projected Deficit	4,227	6,709	7,217	6,880
Funding Formula Review	-	-	-	-
Special Grant	-	-	-	-
Use of Reserves	(1,000)	-	-	-
Budget Gap	3,227	6,709	7,217	6,880

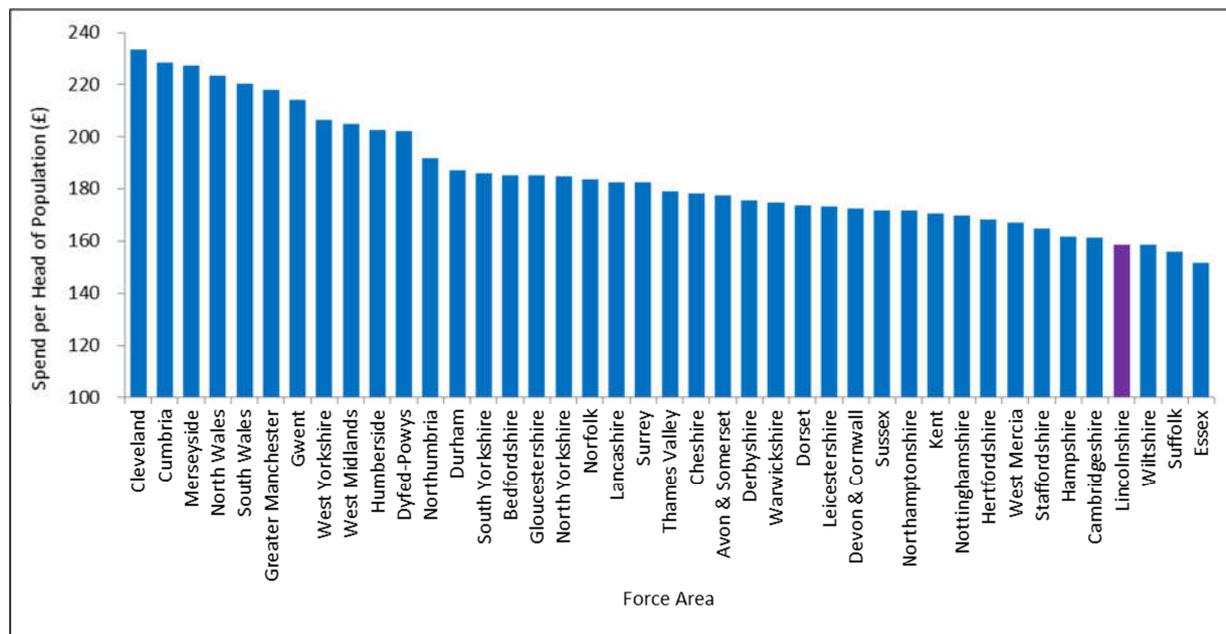
- 4.6 Use of reserve funding includes the remaining balance within the reserves earmarked for budget equalisation.

5. HMICFRS VFM Profile

- 5.1 The HMICFRS Value for Money Profile published in October 2018 contained the following headlines in respect of Lincolnshire Police:

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

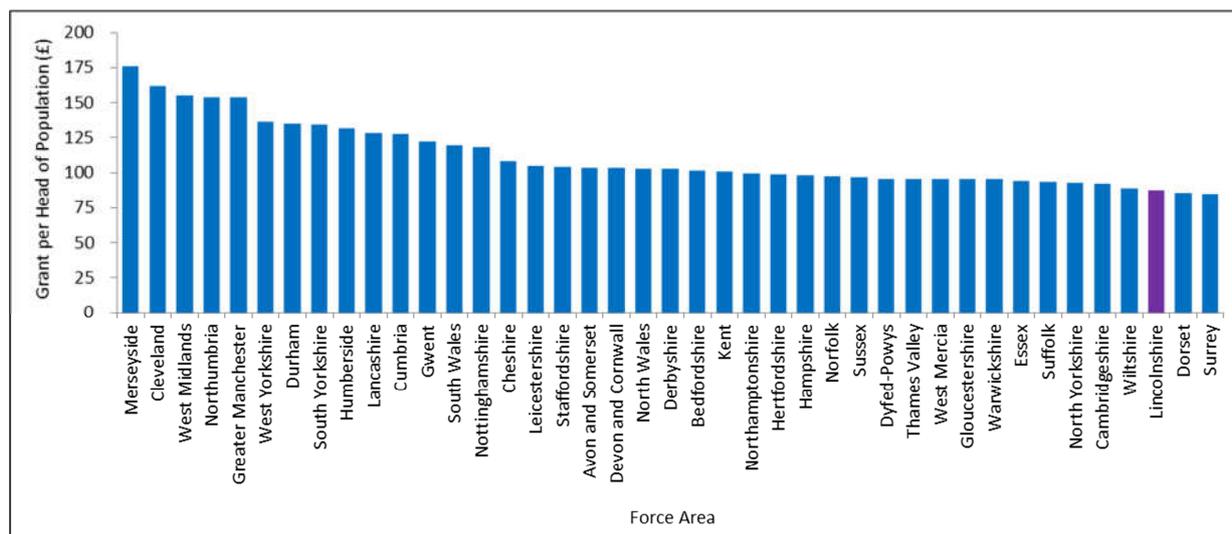
Figure 1: Spend per Head of Population (Estimated 2018/19)



Source: Estimated Net Revenue Expenditure 2018/19 (Gross revenue expenditure minus earned income) from POA (includes National Policing). 2018/19 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 (Provisional Settlement 2019/20)

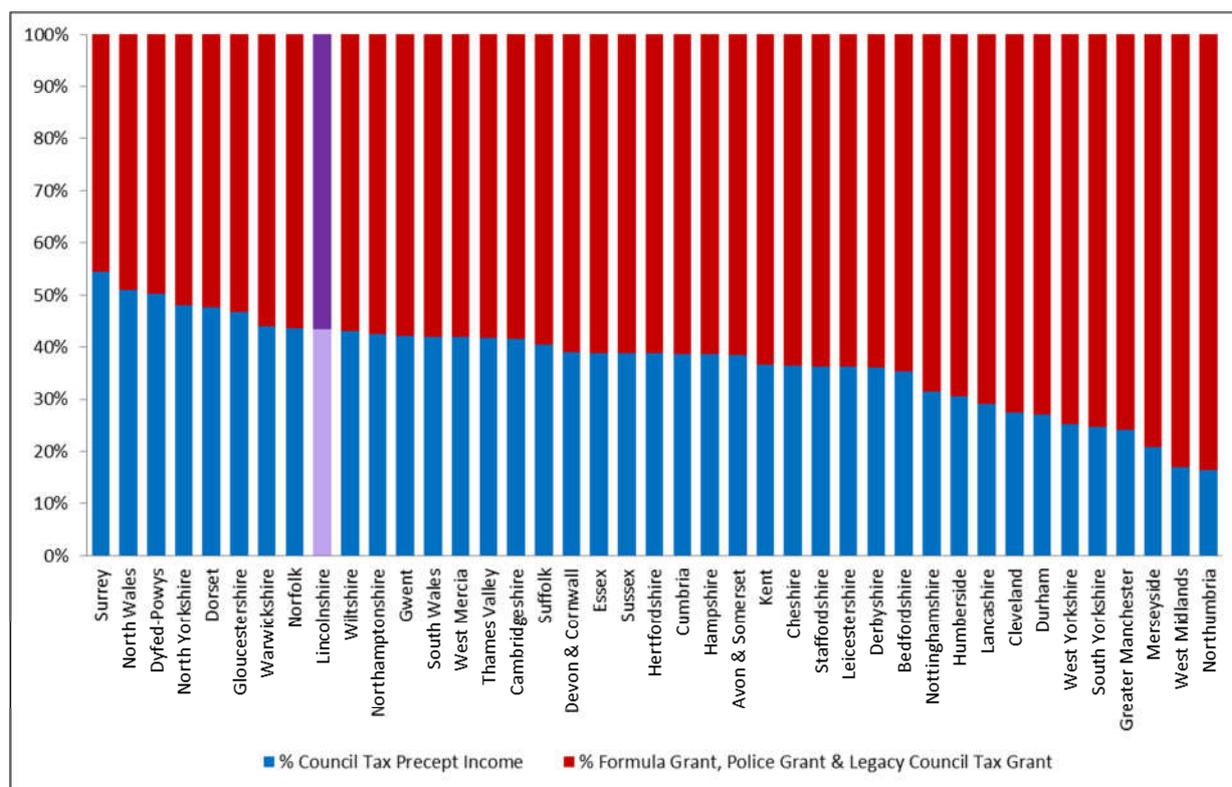


Source: Home Office Provisional Police Grant Report (England and Wales) 2019/20 and Office of National Statistics - Population estimates by force (mid-2017) ADR. Welsh Forces receive additional Top Up Grants included above. Includes Legacy Council Tax Grants. Excludes Pension Top Up Grant. Excludes the 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 55% for Surrey to 16% for Northumbria with an average of 37%. In comparison Lincolnshire would be 9th out of 41 Authorities at 43% 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 2018/19)



Source: POA estimates 2018/19. 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 5th lowest in the country. The number of police officers per 1,000 population is the 5th lowest.
- PCSO Costs per head of population are £5.28 which is below the national average of £6.09 and lower than the most similar Group of Forces at £6.49.

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

- The number of crimes per visible officer is 70.39 crimes, the 24th highest in the country. The National average is 78.53 crimes per visible officer and the most similar Group of Forces are at 59.91 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 Although the savings plan has been identified for 2019/20, the formal consultation process has not yet been concluded which gives rise to a risk in respect of severance costs. Although allowance has been made, the actual quantum has not yet been finalised. The Chief Constable is also finalising plans to address the budget gap in future years.

7. Reserves Strategy

7.1 The PCC currently holds a General Reserve of £2.5m million, following a £3.1m reduction in 2018/19 to support the revenue budget, there are no plans for further use in 2019/20 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.	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 £5.4m representing 4.4% of the 2018/19 revenue budget: General Reserve £2.5m, Major Incident Reserve £1.9m and Insurance Reserve £1m. Prior to 2018/19 the PCC's reserves policy required risk based reserves to be held at the midpoint of a target range. As part of the 2018/19 budget decision it was concluded that the policy was unachievable and decided that it 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 release risk based reserves to mitigate the operational risk.

8. Capital Programme

8.1 The forecasts for capital financing charges included within the budget calculations for 2019/20 and the MTFP are based on the capital programme shown below:

TABLE F Capital Programme

Capital Schemes	2018/19 Programme £m	2019/20 Proposed Programme £m	2020/21 Proposed Programme £m	2021/22 Proposed Programme £m	2022/23 Proposed Programme £m
Building maintenance/improvements	1.340	0.995	1.000	1.000	1.000
Vehicle replacement	0.643	1.000	1.000	1.000	1.000
Blue Light Collaboration Partner	5.132	1.278	-	-	-
Blue Light Collaboration Police	8.583	1.324	-	-	-
ICT Transformation	1.396	1.952	0.400	0.250	1.250
Command and Control	2.053	2.992	-	-	-
Telephony Replacement	0.150	-	-	-	-
ESMCP	0.300	1.700	-	-	-
ANPR	0.400	-	-	-	-
Equipment replacement	0.289	0.250	0.250	0.250	0.250
Telematics	0.500	-	-	-	-
LRSP Camera Upgrade	0.200	-	-	-	-
Gymnasium Upgrades	0.269	0.231	-	-	-
Total	21.255	11.722	2.650	2.500	3.500

8.2 The 2018/19 to 2022/23 draft capital programme proposes a significant level of expenditure in 2018/19 and 2019/20, mainly due to the Blue Light Collaboration Programme, ICT transformation and Command & Control.

8.3 The revenue impact of the capital programme is significant due to the high level of investment since 2018/19. The impact on the revenue budget is currently being reviewed and will be included in the final budget. The impact on the revenue budget arises from the need to take external borrowing of circa £20m over the next three years, in addition to £11m already borrowed in 2018/19. This level of borrowing results from the borrowing requirements for 2018/19 to 2022/23 plus the need to replace internal borrowing, given that a significant amount of reserves were used to balance the budget in 2018/19.