

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

- 1.1 The Police Grant Report 2022/23 was announced by Written Ministerial Statement and was laid before Parliament on 16 December 2021. 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 £71.3m, an increase of £3.7m. In addition, a ringfenced allocation of £1.1m is available to Lincolnshire on achievement of the uplift target. The pension top up grant allocation (£1.2m) has been maintained in 2022/23 at the same level as for 2021/22.
- 1.3 The Minister confirmed the precept referendum limit to allow an increase up to an additional £10 per annum for a Band D property, for each of the next three years without the need to call for a local referendum.
- 1.4 The Minister's statement sets out the national priorities for 2022/23 which include:
 - continuing to invest in critical priority areas including drugs and county lines activity, violent crime reduction, child sexual abuse and exploitation, fraud, and modern slavery;
 - delivering on commitments and driving improvements in transparency, governance and accountability that have a key role in building public confidence in the criminal justice system;
 - ensuring that there is no place left for criminals to hide that carry out serious and organised crime and rely on sophisticated digital communications to evade detection;
 - continued investment in Major Law Enforcement Programmes, and other critical national police and law enforcement IT capabilities.
- 1.5 Following the reduction in capital grant funding to PCCs in 2019/20 of 74%, this has ceased from 2022/23 and will be redistributed as part of wider reallocations.
- 1.6 The Minister's statement does not refer specifically to the timing of the Core Grant Distribution Review (funding formula review, FFR).
- 1.7 The Ministry of Justice has not yet announced the allocation of the Victim Services Grant to PCCs for 2022/23, it has been assumed this will remain the same in cash terms as for 2021/22. 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	2021/22 Actual £'000	2022/23 MTFP £'000	2022/23 Provisional Settlement £'000	Increase in Grant compared to MTFP £'000
Police Grant	67,553	67,553	71,329	3,776
Council tax compensation	1,059	1,059	1,059	-
Council tax support	5,775	5,775	5,775	-
National Uplift Funding	832	-	1,100	1,100
Pension Top-Up	1,175	1,175	1,175	-
Total	76,394	75,562	80,438	4,876

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 third tranche of the national uplift was not known until December 2021.

2.3 Future years are assumed to remain at the same level as 2022/23.

2.4 The pension top-up grant allocation has been maintained in 2022/23 at the same level as for 2021/22 and will be reconsidered at the next spending review.

3. Revenue Budget 2022/23

3.1 The Revenue Budget for 2022/23 has been prepared in accordance with the Budget Strategy adopted by the PCC. This includes a set of key assumptions:

- Police Officers – the allocation of 50 officers in tranche one of the PUP resulted in an FTE of 1,070 by March 2021, the additional 49 officer allocation for 2022/23 gives a target of 1,119 by March 2022. With the final tranche of 67 enabling a target of 1,186 by March 2023. Whilst the additional officers are welcome, it should be noted that the mandated introduction of PEQF (Police Education Qualifications Framework) has an impact on actual deployable officers, see the risks and issues in section 6 below.
- 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 2021/22 fully costed with a vacancy factor of 5% included to allow for staff turnover. This budget will increase when the Strategic Partnership budget is disaggregated to individual services from 1 April 2022.
- The Strategic Partnership with G4S comes to an end on 31 March 2022. The budget will be disaggregated across the respective services in readiness for 1 April 2022.
- Capital financing charges reflect the proposed capital programme which will be finalised and 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. There is also additional provision for an Enterprise Resource Planning (ERP) system replacement, and other ICT.
- The Police Grant provisional settlement published in December has been included.

- Council tax - to preserve future service levels and use the government's precept flexibility, a £9.99 increase per annum for a Band D property has been included for 2022/23.
- In accordance with the government's precept strategy increases are assumed to be £9.99 per annum in years 2023/24 and 2024/25, reverting to 2% in 2025/26.
- Use of reserves will be required to balance the 2022/23 budget; the final figure will depend on both the performance of the collection fund, the council tax base, and the precept. Further information on Reserves is provided at Section 7 below.
- Along with planned use of reserves there will be a need to undertake service reviews and a Priority Based Budget exercise to identify efficiencies for the MTFP.

3.2 The following table summarises the proposed budget for 2022/23.

TABLE A Revenue Budget 2022/23

BUDGET	2021/22	2022/23
	Base Budget £000	Base Budget £000
Income		
Government Grant	(74,387)	(78,163)
Pension Top Up Grant	(1,175)	(1,175)
National Uplift Funding (Horizons)	(832)	(1,100)
Use of Reserves or Special Grant	-	(4,999)
Council Tax	(62,513)	(64,916)
Other incl Custody Contract & Victims Services Grant	(1,130)	(1,172)
	(140,037)	(151,524)
PCC Expenditure		
Strategic Partnership	25,416	26,361
Community Safety & Victims Services	1,564	1,587
Historic Pensions & Financing Costs	6,021	6,225
Other Direct PCC Budgets	2,588	2,867
	35,589	37,040
Chief Constable Expenditure		
Police Officers	64,366	68,775
Police Staff	11,550	12,830
PCSOs	3,007	3,057
Operational Policing Costs	5,440	5,954
Premises, Vehicle, HR & ICT Running Costs	13,566	14,098
Regional collaboration	4,061	4,291
	101,990	109,006
Joint Services	1,428	1,534
Total Expenditure	139,007	147,580
Earmarked Service Investments	1,030	3,945
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 2022/23 are:

- Cost increase of G4S transferring services £2.0m
- Increase in employers NIC £1.0m
- Increased investment in ICT service £1.0m
- Additional 0.5% pay award allowance (2.5%) £0.25m
- Capital charges for replacement ERP & DFU server £0.9m
- PEQF implementation £0.3m
- Contact Management transformation £1.0m
- Safeguarding Hub staffing investment £0.5m
- Mobile phone kiosk team £0.5m
- Investment in EDI team £0.2m

3.4 The budget currently requires a £5m contribution from reserves to achieve balance. The actual level of the contribution required will be finalised to ensure that a balanced budget is approved in February.

4. Medium Term Financial Plan (MTFP)

4.1 The Medium Term Financial Plan covers the period 2022/23 to 2025/26.

4.2 The police grant settlement covers just one year, 2022/23, whilst overall Police Grant totals have been announced for the subsequent two years, no indication has been given by the Government on future police grant allocations at Force level beyond 2022/23. Government grant has therefore been assumed to remain constant across the period of the MTFP.

4.3 The Minister had previously indicated that the Core Grant Distribution Review (funding formula review) will be revisited during the next Spending Review period and this is now taking place. No implementation timeline has been announced yet, as a result the MTFP is based upon the prudent assumption that no additional formula grant will be forthcoming during the MTFP period.

4.4 Use of reserves is currently included in the MTFP in line with the 3-year precept strategy. The 3-year plan to balance the budget and MTFP is set out below.

TABLE B 3 Year Strategy

	Draft Budget	Draft MTFP	
	2022/23	2023/24	2024/25
	£'000	£'000	£'000
Current (surplus)/deficit	6,099	8,128	8,649
Council Tax precept at £9.99 for Band D for full 3 years - maximum flexibility	-1,100	-2,200	-3,300
Efficiency savings	-	-2,000	-2,500
Revised deficit before reserves contribution	4,999	3,928	2,849
Contribution from Reserves	-4,999	-3,928	-2,849
Forecast (surplus)/deficit	0	0	0

4.5 The table above shows a potential £12m contribution from reserves, this would include a £3m reduction in risk based reserves, and a corresponding change to the

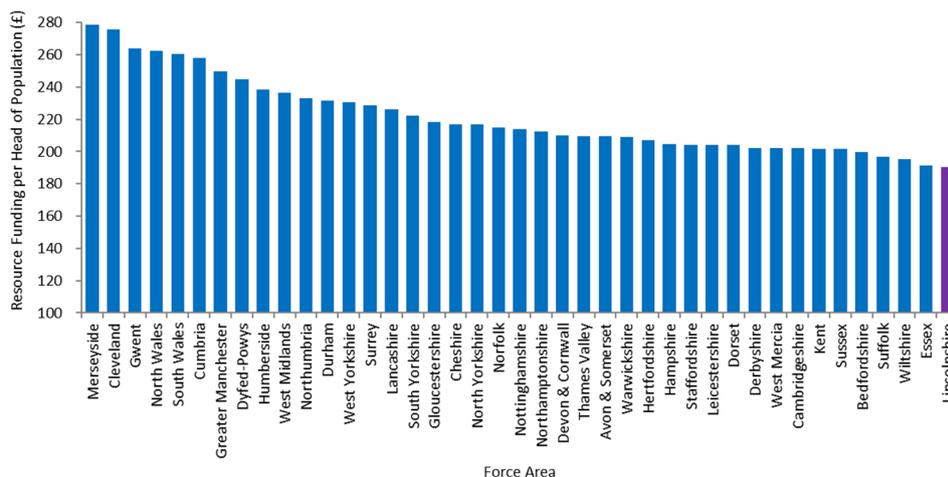
policy governing the level at which risk-based reserves are maintained, see section 7 below.

4.6 Without maximising the precept each year, the potential budget gap would be significantly larger and difficult to manage with efficiencies alone, therefore indicating the need for service reductions.

5. Benchmarking

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

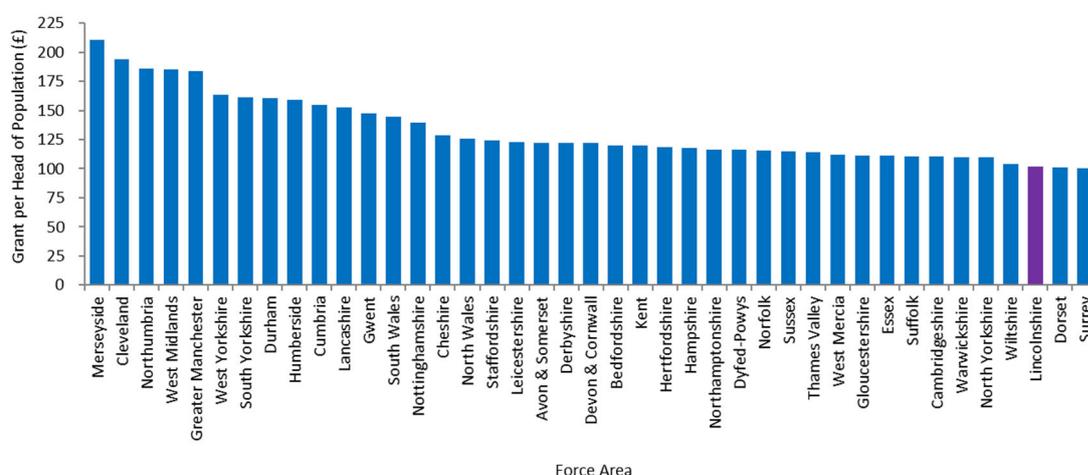
Figure 1: Spend per Head of Population (Estimated 2022/23)



Source: PACCTS settlement tables. Total resource funding consists of core grant funding, National and International Capital City (NICC) grants, Legacy Council Tax grants, Precept grant, Pensions grant, ringfenced grant for the officer uplift and police precept. Precept figures assume that PCCs in England and Wales increase their precept Band D level by £10 and a Home Office predicted tax base. Note: excludes Metropolitan Police Service and City of London Police. Population as at June 2020.

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

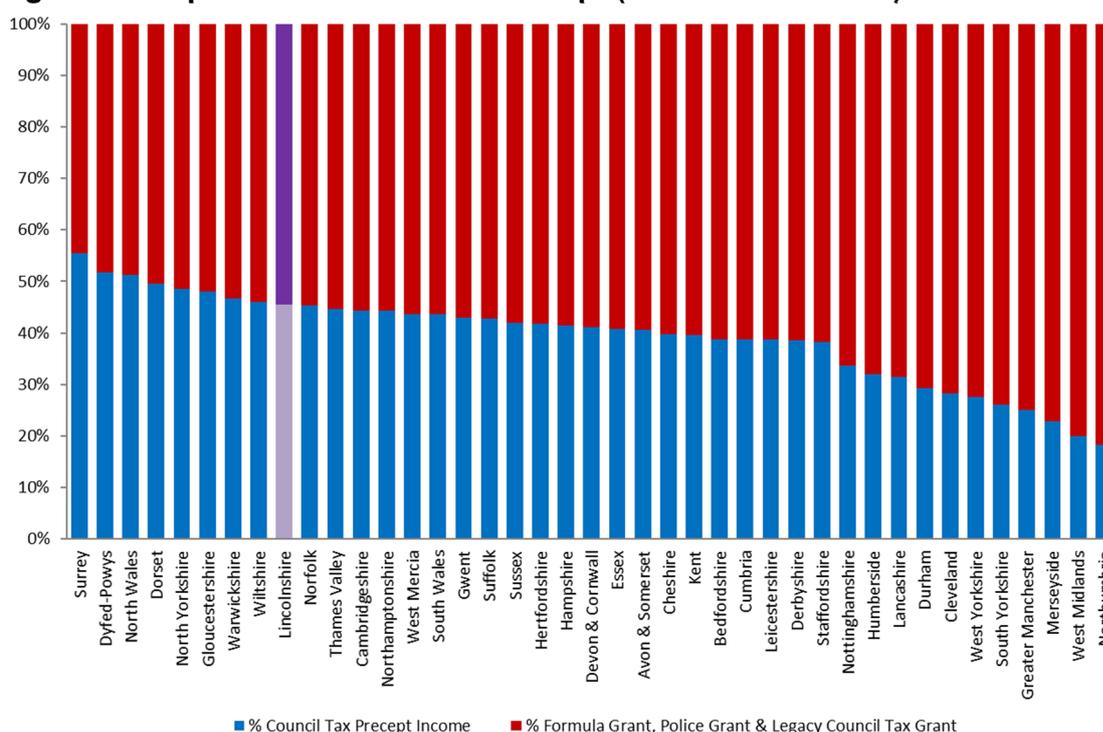
Figure 2: Formula Grant per Head of Population (2022/23)



Source: Home Office Police Grant Report (England and Wales) 2022/23 (PACCTS data) and Office of National Statistics - Population estimates by force (mid-2020). 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.

5.3 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 55% for Surrey to 18% for Northumbria with an average of 39%. In comparison Lincolnshire would be 9th 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 2022/23)



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.

5.4 The HMICFRS Value for Money Profile published in March 2021 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 lowest.
- PCSO cost per head of population is the 9th lowest in the country. The number of PCSOs per 1,000 population is 14th lowest.

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

- The number of crimes per visible officer is 96.27 crimes, the 10th highest in the country. The National average is 78.73 crimes per visible officer and the most similar Group of Forces are at 63.37 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 or MTFP, including:

- The council tax surplus/deficit for 2021/22 is not yet known.
- The council tax base for 2022/23 is not yet known. The budget assumption is 0.5% growth for 2022/23 and 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 all proposed investments. ICT provision is the principal risk.
- The regional collaboration budgets beyond 2022/23 have not yet been agreed. SOT is being disaggregated which will cause a budget pressure, the figures are being calculated with the intention of including them in the budget decision in February.
- 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 HMT 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 nearing completion. The initial plan is for a 'soft landing' in April 2022, however there is a financial risk because the operating model post 2022/23 is not yet determined.
- The mandated introduction of PEQF will have a significant impact on the available officers for policing duties. The level of abstractions that this will cause poses a serious operational and financial risk for Lincolnshire. The positive impact of the additional uplift officers will be adversely affected.

7. Reserves Strategy

7.1 CIPFA's Guidance makes clear that the adequacy of reserves should be assessed in the context of its strategic, operational and financial risks. There are 2 major classes of reserves: earmarked and risk based, including the general reserve. As of 1 April 2021 reserves amounted to c. £26m – there are transfers into and out of reserves on an ongoing basis.

7.2 The PCC currently holds a General Reserve of £5.9m, following a £2.6m top up in 2020/21 to replenish previously utilised funds to support the revenue budget; currently there are no immediate plans for future use to support the revenue budget, however this may become a necessity depending on the outcome of the FFR and the level of efficiencies that can be achieved in Lincolnshire. The following is a summary of the risk-based assessment undertaken to support the 2021/22 budget.

TABLE C Reserves & Risk (2021/22)

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.	4.5	9.2
Business restructuring – including renewal of supplier contracts.	0.6	1.7
Major Incidents/Insurance – risk of events exceeding the revenue budget provision.	0.9	2.4
Total	6.1	13.3

- 7.3 The currently approved Financial Strategy requires that risk-based reserves will be maintained around the midpoint of a target range based on the financial risk assessment in respect of residual financial risks. The Reserves Strategy will be revisited when the Supporting Strategies are published with the approved Budget in February.
- 7.4 The range of required reserves is assessed as £6.1m - £13.3m, the midpoint of which is £9.5m. This is set against forecast risk-based reserves of £9.1m: General Reserve £5.9m, Major Incident Reserve £1.9m, Victim's Major Incident Reserve £0.3m and Insurance Reserve £1m.
- 7.5 For a period in recent years, Lincolnshire increased its financial risk appetite, to mitigate operational risk, and adopted a policy to maintain risk-based reserves at the **minimum** of the target range. If Lincolnshire were to adopt this policy again, it would release c. £3m from risk-based reserves.
- 7.6 The earmarked reserves, as the name suggests, are set aside for a particular purpose and currently amount to c. £15m including funds set aside for balancing the budget, the £3m Violence & Vulnerability Fund, the Performance & Productivity Fund etc. Earmarked reserves will be used to balance the budget in 2022/23.

8. Capital Programme

8.1 The forecasts for capital financing charges included within the budget calculations for 2022/23 and the MTFP are based on the provisional capital programme shown below:

TABLE D Draft Capital Programme

Capital Schemes	2021/22	2022/23	2023/24	2024/25	2025/26
	Current Programme £m	Proposed Programme £m	Proposed Programme £m	Proposed Programme £m	Proposed Programme £m
Building maintenance/improvements	1.745	1.000	1.000	1.000	1.000
Vehicle replacement	0.634	1.895	1.200	1.200	1.200
Blue Light Collaboration Partner	0.120	-	-	-	
Blue Light Collaboration Police	0.118	-	-	-	
ICT Transformation	1.416	1.695	0.250	0.250	0.250
Nexus Switch	0.381	-			
BI Tool	1.003	-			
Body Worn Cameras	0.900	-	-	-	
Airwave replacement terminals	0.700	-	-	-	
Command and Control	3.537	-	-	-	
ESMCP	0.200	0.373	4.176	0.250	0.250
Equipment replacement	0.478	0.250	0.250	-	
Total	11.232	5.213	6.876	2.700	2.700

- 8.1 The 2022/23 to 2025/26 draft capital programme proposes a reduced level of expenditure in 2022/23 when compared to 2021/22, albeit some 2021/22 schemes will likely slip into 2022/23. Capital schemes include vehicle replacements (subject to the outcome of the current Fleet review), ICT Transformation and specific schemes such as Command & Control and ESMPCP (Emergency Services Mobile Communications Programme).
- 8.2 The final capital programme is yet to be agreed given the discussions required on the budget gap and the proposed service developments. This will be finalised in readiness for the budget decision in February.
- 8.3 The revenue impact of the capital programme is significant due to the high level of investment in recent years. However, the impact has been mitigated by the recent fall in PWLB rates reducing ongoing interest charges.