

POLICE AND CRIME PANEL BUDGET REPORT

SUPPLEMENTARY INFORMATION

1. Provisional Police Grant Settlement

- 1.1 The Provisional Police Grant Report for 2023/24, accompanied by a Written Ministerial Statement, was laid before Parliament on 14 December 2022.
- 1.2 The total core grant for Lincolnshire is now £71.6m, an increase of £0.2m. In addition, a ringfenced allocation of £2.3m is available to Lincolnshire on achievement of the police officer uplift programme target (1,186 officers for Lincs). The pension top up grant allocation (£1.2m) has been maintained in 2023/24 at the same level as for 2022/23.
- 1.3 The Minister confirmed the precept referendum limit to allow an increase up to an additional £15 per annum in 2023/24 for a Band D property without the need to call for a local referendum.
- 1.4 The Minister's statement sets out the national priorities for 2023/24 which include:
- ensuring overall police officer numbers are maintained at the agreed Police Uplift baseline plus force level allocations of the 20,000 additional officers;
 - deploying these additional officers to reduce crime and honour this Government's commitment to keep the public safe;
 - delivering improvements in productivity and driving forward efficiencies, maximising the value of the Government's investment.
- 1.5 Capital grant funding to PCCs ceased from 2022/23.
- 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 which will remain the same in cash terms as for 2022/23. 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	2022/23 Actual £'000	2023/24 MTFP £'000	2023/24 Provisional Settlement £'000	Increase in Grant compared to MTFP £'000
Police Grant	71,329	71,329	71,578	248
Pension Top-Up	1,175	1,175	1,175	-
National Uplift Funding	1,100	-	2,287	2,287
Council Tax Compensation Grant	1,059	1,059	1,059	-
Council Tax Support Grant	5,775	5,775	5,775	-
Total	80,438	79,338	81,873	2,536

- 2.2 The grant to Lincolnshire has increased by £0.2m, 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 2023/24.
- 2.4 The pension top-up grant allocation has been maintained in 2023/24 at the same level as for 2022/23.
- 2.5 A ringfenced allocation of £2.3m is available to Lincolnshire on maintenance of the uplift target (1,186), whereas no funding had been assumed in the previous MTFP. Whilst the increased funding for the continuation of the National Officer Uplift is welcome; given that the terms and conditions attached to this ringfenced grant have yet to be announced, this funding is considered to be 'at risk' at this stage.

3. Revenue Budget 2023/24

- 3.1 The Revenue Budget for 2023/24 has been prepared in accordance with the Budget Strategy adopted by the PCC. This includes a set of key assumptions:
 - Police Officers – the budget is based on 1186 FTE. 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 gave a target of 1,119 by March 2022. With the final tranche of 67 enabling a target of 1,186 by March 2023.
 - PCSOs – the current establishment is 85 FTE.
 - Police Staff – The budget has been based on the current approved establishment with a vacancy factor of 5% to allow for staff turnover, with the exception of the Force Control Room and Funded Posts where no vacancy factor has been applied.
 - Capital financing charges reflect the approved February 2022 capital programme, the proposed capital programme 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 Command & Control 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 £14.94 increase per annum for a Band D property has been included for 2023/24.
 - In accordance with the government's precept strategy increases are assumed to be £9.99 per annum in 2024/25, reverting to 2% in 2025/26 and 2026/27.
 - Use of reserves will be required to balance the 2023/24 budget; the final amount will depend on both the performance of the collection fund, the council tax base, and the precept, together with finalisation of expenditure plans. Further information on Reserves is provided at Section 7 below.
 - Along with planned use of reserves, £3m of recurrent annual savings are to be identified by the end of the planning period, £2m in 2023/24, with a further £0.5m in each of 2024/25 and 2025/26.
- 3.2 The following table summarises the proposed budget for 2023/24.

TABLE A Revenue Budget 2023/24

BUDGET	2022/23 Revised Base Budget £000	2023/24 Base Budget £000
Income		
Government Grants	(80,438)	(81,873)
Application of Earmarked Reserves	(64)	(207)
Reserves Budget Balancing	(3,354)	-
Council Tax	(66,527)	(69,838)
Other incl Victim Services Grant	(1,108)	(1,117)
	(151,490)	(153,036)
PCC Expenditure		
Community Safety & Victims Services	1,587	1,767
Historic Pensions & Financing Costs	6,230	7,511
Other Direct PCC Budgets	6,140	3,761
	13,957	13,039
Chief Constable Expenditure		
Police Officers	69,753	71,640
Police Staff	29,585	37,541
PCSOs	3,102	3,365
Operational Policing Costs	7,680	8,233
Premises, Vehicle, HR & ICT Running Costs	20,497	22,131
Regional Collaboration	4,390	3,281
	135,008	146,191
Joint Services	2,525	2,691
Total Expenditure	151,490	161,920
Cost Reduction Programme	-	(2,000)
Total (Surplus)/Deficit	-	6,884

3.3 Whilst there are a number of individual increases and decreases, the key contributors to the change in spending requirement in 2023/24 are:

- PBB growth to support critical services £2m
- Police Officer – increase in average salary and pay awards £1.9m
- Police Staff – impact of unbudgeted 22/23 pay award £0.2m
- Increase in insurance £0.08m
- Utilities increase £0.3m
- Fuel increase £0.1m
- External Training Courses £0.47m
- Police Now, PEQF £0.14m
- Increased ICT investment and inflationary cost pressures on existing ICT services - £0.9m
- Equipment replacement & additions for new starters £0.7m

- 3.4 The draft budget currently requires a £6.9m contribution from reserves after the £2m recurrent planned savings to achieve a balanced budget. This is an increase of £3.3m from £3.5m which had previously been included in the MTFP. 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 2023/24 to 2026/27.
- 4.2 The police grant settlement covers just one year, 2023/24; no indication has been given by the Government on future police grant allocations at Force level beyond 2023/24. Government grant has therefore been assumed to remain flat across the period of the MTFP.
- 4.3 The Minister had previously indicated that the Core Grant Distribution Review (funding formula review) would 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 The draft MTFP includes the use of reserves of c. £16m to achieve a balanced position for the first 2 years of the period, in line with the government's current plans on precept flexibility. The 2-year plan to balance the budget and MTFP is set out below.

TABLE B 4 Year Outlook

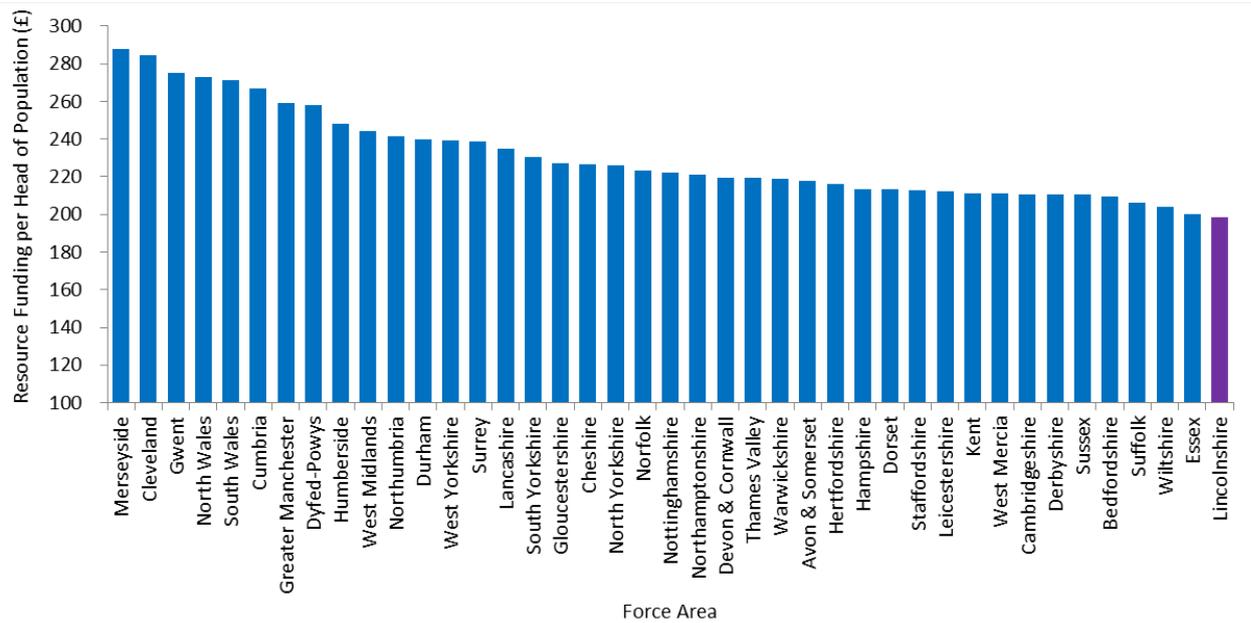
	Draft Budget	Draft MTFP		
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Current underlying budget gap (CT Precept Maximum Flexibility - £14.94 in 23/24)	8,884	11,336	11,925	11,813
MTFP Planned Savings	(2,000)	(2,500)	(3,000)	(3,000)
Budget gap before reserve drawdown	6,884	8,836	8,925	8,813
Cumulative gap before reserve drawdown	6,884	15,721	24,646	33,460
Contribution from reserves	(6,884)	(8,836)	-	-
Cumulative contribution from reserves	(6,884)	(15,721)	(15,721)	(15,721)
Forecast (Surplus)/Deficit	-	-	8,925	8,813

- 4.5 The table above indicates a recurrent budget gap of c. £9m by the end of the period, based upon maximising precept flexibility in both 2023/34 and 2024/25. Measures to address this budget gap include the development of plans indicating potential service impacts together with continued engagement with the government's funding formula review.
- 4.6 Further information on reserves is included at section 7 below.

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 2023/24)



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 £15 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.

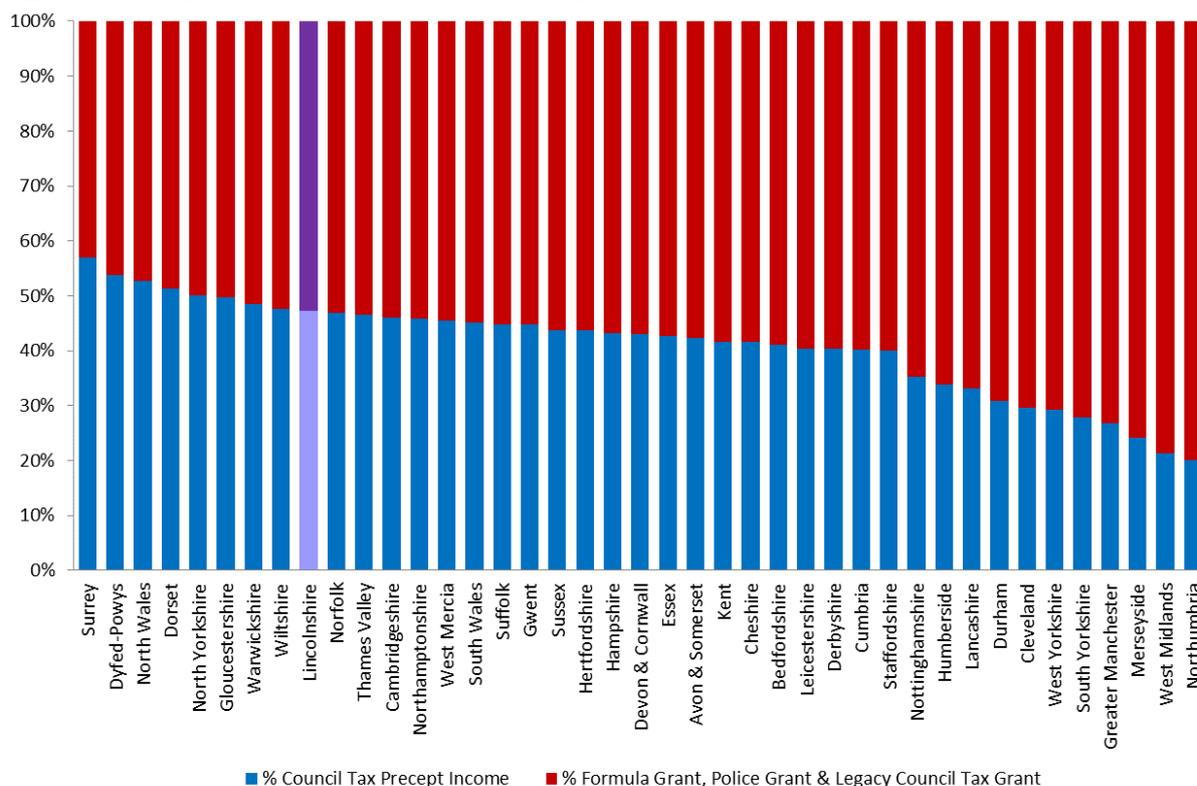
Figure 2: Formula Grant per Head of Population (2023/24)



Source: Home Office Police Grant Report (England and Wales) 2023/24 (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 57% for Surrey to 20% for Northumbria with an average of 41%. In comparison Lincolnshire would be 9th out of 41 Authorities at 47% 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 2023/24)



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 2021 HMICFRS Value for Money Profiles 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 8th highest in the country. The number of PCSOs per 1,000 population is the 8th highest.

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 officer is 47.55 crimes, the 9th highest in the country. The National average is 38.29 crimes per officer and the most similar Group of Forces are at 33.78 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 2022/23 is not yet known.
- The council tax base for 2023/24 is not yet known. The budget assumption is 0.5% growth for 2023/24 and future years. Until confirmed, there is a risk of reduced council tax income through a reduction in the taxbase.
- Regional collaboration budgets for 2023/24 have yet to be agreed.
- 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;
- LGPS Employer Contribution Increase – following the recent triennial review, the Police staff Employer pension contribution rate is to increase to 24.4% (previously 16.3% plus £1.87m lump sum payment) from 1 April 2023.
- Capital financing charges to reflect the refinement of the proposed capital programme. There is a requirement for increased investment in ICT to maintain operational capability together with increased costs of borrowing to be factored in.

7. Reserves Strategy

7.1 CIPFA's Guidance makes clear that the adequacy of reserves should be assessed in the context of an organisation's strategic, operational and financial risks. There are 2 major classes of reserves: earmarked and risk based, including the general reserve. As of 1 April 2022, useable reserves amounted to £28.6m. The PCC's most recent published Reserves Strategy can be found at <https://lincolnshire-pcc.gov.uk/media/3505/fin-strat.pdf>

7.2 The PCC currently holds a General Reserve of £5.9m. The following is a summary of the risk-based assessment undertaken to support the 2022/23 budget.

TABLE C Reserves & Risk (2022/23)

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.	5.2	10.1
Business restructuring – including renewal of supplier contracts.	0.3	1.3
Major Incidents/Insurance – risk of events exceeding the revenue budget provision.	0.9	2.4
Total	6.4	13.8

- 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 £6.4m - £13.8m, the midpoint of which is £10.1m. This is set against forecast risk-based reserves of £9.6m: General Reserve £5.9m, Major Incident Reserve £1.9m, Victim's Major Incident Reserve £0.3m, Insurance Reserve £1m and staffing related reserves £0.5m.
- 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. £3.7m 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. £19m including funds set aside for balancing the budget, the £3m Violence & Vulnerability Fund, the Performance & Productivity Fund etc. Earmarked reserves will be reviewed and reprioritised in order to ensure sufficient reserves are available to balance the budget in 2023/24 and 2024/25.

8. Capital Programme

8.1 The capital financing charges for 2023/24 and the MTFP reflecting the approved February 2022 capital programme are shown below:

TABLE D Approved Capital Programme (February 2022)

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	-	-
Equipment replacement	0.478	0.250	0.250	0.250	0.250
Total	11.232	5.213	6.876	2.700	2.700
Funding :					
Capital receipts	0.060	0.060	0.060	0.060	0.060
Capital Grants Unapplied - ESMCP	-	-	-	-	-
Capital Grants Unapplied - Home Office	-	-	-	-	-
Capital Grants Received in Advance	-	-	-	-	-
Direct Revenue Financing	-	-	-	-	-
Earmarked Reserves	-	-	-	-	-
Borrowing - General	10.952	5.153	6.816	2.640	2.640
Borrowing - Blue Light	-	-	-	-	-
Borrowing - Salix	-	-	-	-	-
Grant - General	0.100	-	-	-	-
LRSP Partner Contribution	-	-	-	-	-
Blue Light Partner Contribution	0.120	-	-	-	-
Total	11.232	5.213	6.876	2.700	2.700

- 8.1 The proposed capital programme for 2023/24 and the MTFP is currently being refined and is yet to be agreed. This will be finalised in readiness for the budget decision in February. Our expectation is that there will be a significant increase in expenditure within the Digital, Data and Technology directorate capital plan. Capital schemes include Upgrading the Infrastructure, Enterprise Resource Planning (ERP) and End Point User Devices.
- 8.2 The implementation of the nationally led Emergency Services Mobile Communications Programme (ESMCP) has been further delayed; the budget will be reprofiled accordingly.
- 8.3 As well as the need for increased capital spend, increased interest rates will have an impact on the associated capital financing charges.