

POLICE AND CRIME PANEL BUDGET REPORT

SUPPLEMENTARY INFORMATION

1. Provisional Police Grant Settlement

- 1.1 The Provisional Police Grant Report for 2024/25, accompanied by a Written Ministerial Statement, was laid before Parliament on 14 December 2023.
- 1.2 The total core grant for Lincolnshire is now £75.9m, an increase of £4.322m. The core grant now includes the Pay Award Grant which was issued separately last year and amounted to £2.745m. The net increase in 2024/25 for the core grant including pay award is therefore £1.577m. In addition, a ringfenced allocation of £3.5m is available to Lincolnshire on achievement of the police officer uplift programme target (1,186 officers for Lincs). The pension top up grant allocation of £3.6m has increased in line with the increased employer contribution rate for police officer pension schemes from 31% to 35.3% (2023/24: £1.2m).
- 1.3 The Minister confirmed the precept referendum limit to allow an increase up to an additional £13 per annum in 2024/25 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 2024/25 which include:
- Maintaining 20,000 additional officers through to March 2025.
 - Continuing to deliver on the opportunities presented by new technology and innovation to deliver improvements in productivity and drive forward efficiencies, therefore maximising officer time and service to the public.
 - Improving the visibility of police officers and focusing on providing a targeted approach to tackling crime and antisocial behaviour to make neighbourhoods safer, which should be a priority for all forces.
- 1.5 The Minister's statement does not refer specifically to the timing of the Core Grant Distribution Review (funding formula review). Ringfenced funding to be allocated via funding formula shares will continue to disadvantage Lincolnshire Police.
- 1.6 The Ministry of Justice has previously announced a multi-year settlement for the Victim Services Grant to PCCs which will remain the same in cash terms as for 2023/24. 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	2023/24 Actual £'000	2023/24 MTFP £'000	2024/25 Provisional Settlement £'000	Settlement Increase in Grant £'000
Police Grant	71,578	71,578	75,900	4,322
Pension Top-Up	1,175	1,175	3,600	2,425
National Uplift Funding	2,287	2,287	3,500	1,213
Council Tax Compensation Grant	1,059	1,059	1,059	-
Council Tax Support Grant	5,775	5,775	5,775	-
Pay Award Grant	2,745	4,283	-	(2,745)
Total	84,618	86,156	89,834	5,215

- 2.2 The core grant to Lincolnshire has increased by £4.3m, whereas a flat cash settlement had been assumed in the previous MTFP. This is largely because the Pay Award Grant is now included as core grant whereas last year it was paid separately.
- 2.3 Future years are assumed to remain at the same level as 2024/25.
- 2.4 The pension top-up grant allocation in 2024/25 covers the increase in Employer pension contributions.
- 2.5 A ringfenced allocation of £3.5m is available to Lincolnshire on maintenance of the uplift target (1,186). Whilst the increased funding for the continuation of the National Officer Uplift is welcome; given the terms and conditions attached to this ringfenced grant, along with necessity to consider future employee numbers against longer term cost pressures, this funding is therefore considered to be 'at risk' at this stage.

3. Revenue Budget 2024/25

- 3.1 The Revenue Budget for 2024/25 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 FTEs in accordance with the PUP target and an additional 4 FTEs which are funded by EMSOU.
 - PCSOs – the current establishment is 50 FTE.
 - Police Staff – The budget has been based on the current approved establishment with a vacancy factor of either 5% (Non-ICT) or 8% (ICT) 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 2023 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 £12.96 increase per annum for a Band D property has been included for 2024/25.
 - Precept increases are assumed to be 2% in 2025/26, 2026/27 and 2027/28.
 - Use of reserves will be required to balance the 2024/25 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.

3.2 The following table summarises the proposed budget for 2024/25.

TABLE A Revenue Budget 2024/25

BUDGET	2023/24 Revised Base Budget £000	2024/25 Base Budget £000
Income		
Government Grants	(81,873)	(89,823)
Application of Earmarked Reserves	(207)	(67)
Reserves Budget Balancing	(6,176)	(8,445)
Council Tax	(70,794)	(73,913)
Other incl. Victim Services Grant	(1,690)	(1,798)
	(160,740)	(174,046)
PCC Expenditure		
Community Safety & Victims Services	2,322	2,518
Capital Financing	4,615	5,613
Other Direct PCC Budgets	4,973	4,431
	11,910	12,562
Chief Constable Expenditure		
Police Officers	71,388	77,609
Police Staff	40,110	42,445
PCSOs	2,617	2,206
Operational Policing Costs	7,887	8,597
Other (Incl. Premises, Vehicle, HR & ICT Running Costs)	20,610	25,779
Regional Collaboration	3,529	3,645
	146,141	160,281
Commercial & Finance	2,689	2,838
Total Expenditure	160,740	175,681
Total (Surplus)/Deficit	0.00	1,634

3.3 Whilst there are a number of individual increases and decreases, the key contributors to the change in spending requirement in 2024/25 are:

- Pay Award (Sep 23) 7% for Police Officers and Staff c.£7.8m
- Increase in Police Officer Employers pension contribution rate from 31% to 35.3%
- Increased inflationary cost pressures on existing ICT services, £2m and various service developments, £0.7m
- Utilities increase £0.15m
- Increase in Fleet Management - Fuel increase, maintenance costs and contract increases £0.343m
- External Training Courses £0.1m

- 3.4 The draft budget currently requires a £10.1m contribution from reserves. This is an increase of £1.7m from £8.4m 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 2025/26 to 2027/28.
- 4.2 The police grant settlement covers just one year, 2024/25; no indication has been given by the Government on future police grant allocations at Force level beyond 2024/25. Government grant has therefore been assumed to remain flat across the period of the MTFP.
- 4.3 In terms of the funding formula review, although work has been underway for some time, 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. £10.1m to achieve a balanced position for 2024/25. The 2024/25 plan to balance the budget and MTFP is set out below.

TABLE B 4 Year Outlook

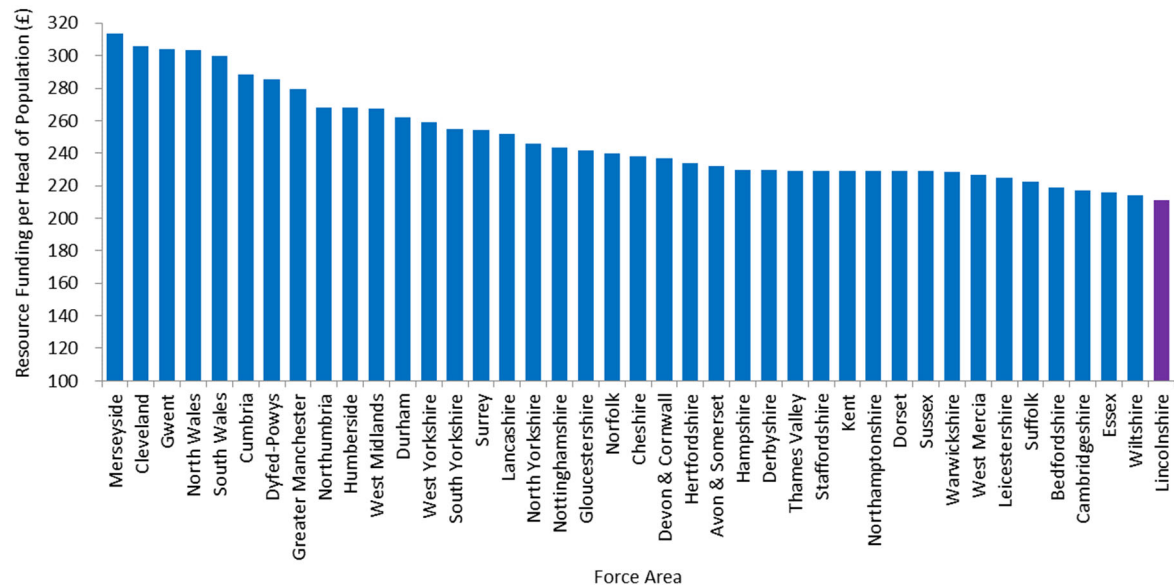
	Draft Budget	Draft MTFP		
	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Current underlying budget gap (Precept £12.96 in 24/25)	(10,079)	(13,592)	(15,712)	(16,379)
Cumulative gap before reserve drawdown	(10,079)	(23,672)	(39,384)	(55,763)
Contribution from reserves	10,079	TBC	TBC	TBC
Cumulative contribution from reserves	10,079	TBC	TBC	TBC
Forecast (Surplus)/Deficit	-	TBC	TBC	TBC

- 4.5 The table above indicates a recurrent budget gap of c. £10.1m based upon maximising precept flexibility in 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.

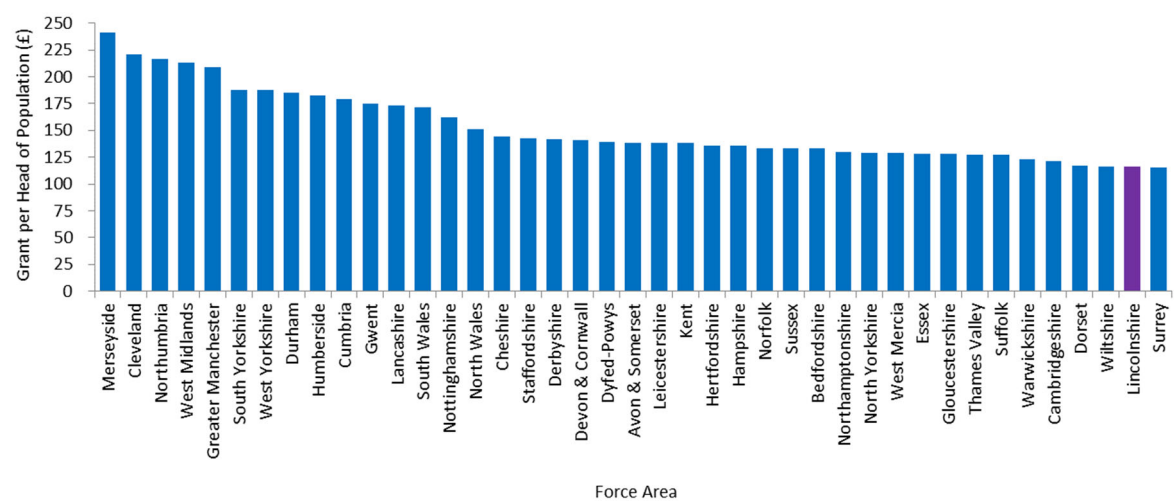
Figure 1: Resource Funding per Head of Population (Estimated 2024/25)



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, additional recruitment top up and police precept. Precept figures assume that PCCs in England and Wales increase their precept Band D level by £13 and a Home Office predicted tax base. Note: excludes Metropolitan Police Service and City of London Police. Population as at June 2022.

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

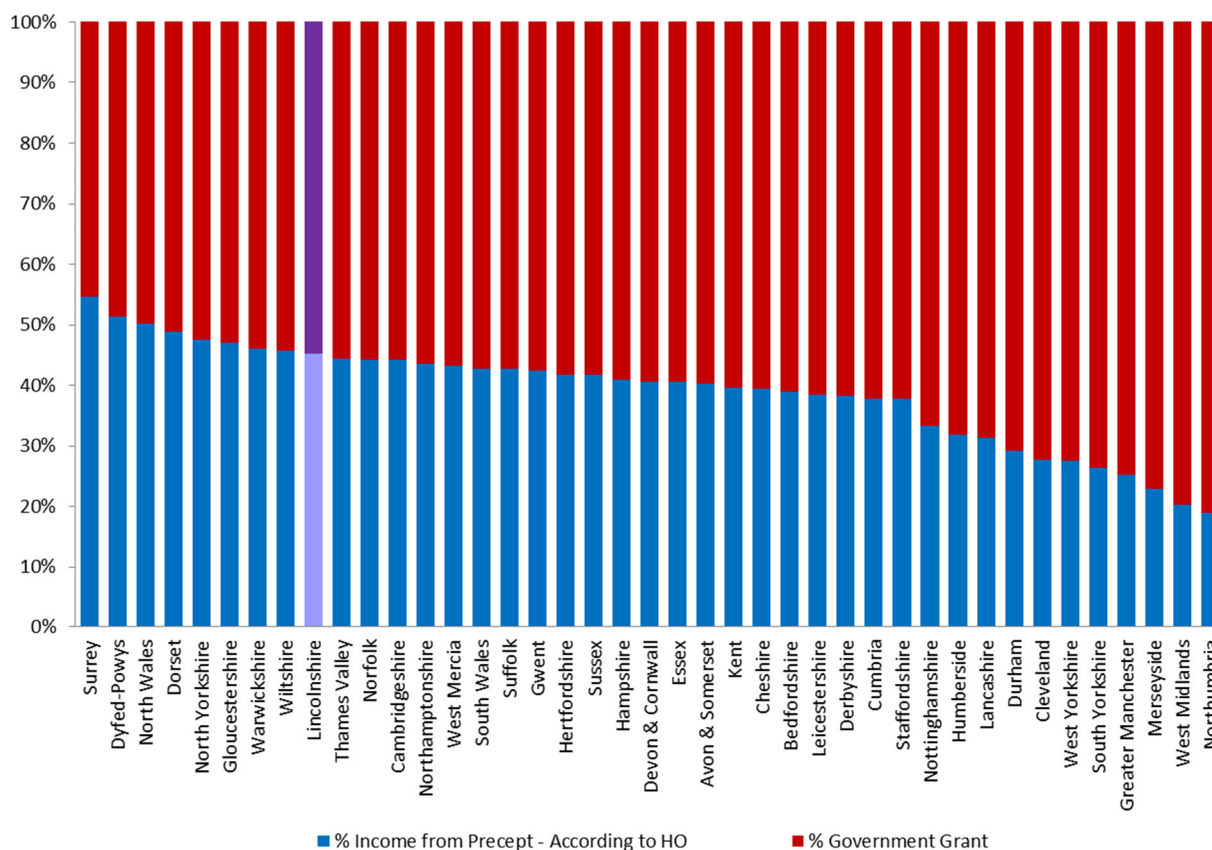
Figure 2: Government Grant per Head of Population (2024/25)



Source: Home Office Police Grant Report (England and Wales) 2024/25 (PACCTS data) and Office of National Statistics - Population estimates by force (mid-2022). Includes 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 additional recruitment top up. 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 19% for Northumbria with an average of 39%. In comparison Lincolnshire would be 9th out of 41 Authorities at 45% i.e. it is above average in terms of the contribution that Council Tax payers make to overall spending.

Figure 3: Proportion of Grant and Precept (Estimated 2024/25)



Source: Home Office Settlement and PACCTS data collection. Includes core grant funding, National and International Capital City (NICC) grants, Legacy Council Tax grants, Precept grant, Pensions grant, ringfenced grant for the officer uplift, additional recruitment top up and police precept. Precept figures assume that PCCs in England and Wales increase their precept Band D level by £13 and a Home Office predicted tax base. Excludes Reserves and Specific Grants. Excludes the City of London and Metropolitan Forces.

5.4 The 2022 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 3rd lowest.
- PCSO cost per head of population is the 12th lowest in the country. The number of PCSOs per 1,000 population is the 11th 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 officer is 52.56 crimes, the 7th highest in the country. The National average is 44.39 crimes per officer and the most similar Group of Forces are at 37.74 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 2023/24 is not yet known.
- The council tax base for 2024/25 is not yet known. The budget assumption is 0.5% growth for 2024/25 and future years. Until confirmed, there is a risk of reduced council tax income through a reduction in the taxbase.
- Regional collaboration budgets for 2024/25 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;
- 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 2023, useable reserves amounted to £33.6m (excludes Regional funds). The PCC's most recent published Reserves Strategy can be found at https://lincolnshire-pcc.gov.uk/media/3559/fin-strat-2023_24-final.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 2023/24 budget.

TABLE C Reserves & Risk (2023/24)

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.	4.8	9.2
Business restructuring – including renewal of supplier contracts.	0.4	0.8
Major Incidents/Insurance – risk of events exceeding the revenue budget provision.	0.9	2.4
Total	6.0	12.4

- 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 £6.0m - £12.4m, the midpoint of which is £9.2m. This is set against forecast risk-based reserves of £9.3m: General Reserve £5.9m, Major Incident Reserve £1.9m, Victim's Major Incident Reserve £0.3m, Insurance Reserve £1m, National Police Air Support £0.2m and Complaints Handling Reserve £0.02m.
- 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. £3.2m 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. £23m including funds set aside for balancing the budget, the Violence & Vulnerability Fund, the Performance & Productivity Fund etc.

8. Capital Programme

8.1 The capital financing charges for 2024/25 and the MTFP reflecting the approved February 2023 capital programme are shown below:

TABLE D Approved Capital Programme (February 2023)

	2022/23		2023/24	2024/25	2025/26	2026/27
Capital Schemes	Revised Approved Programme £m		Proposed Programme £m	Proposed Programme £m	Proposed Programme £m	Proposed Programme £m
Building maintenance/improvements	1.499		1.526	1.600	1.600	1.600
Occupational Health Unit Relocation			0.480			
Vehicle replacement	2.282		1.800	2.100	1.600	1.400
Digital Data and Technology	2.688		5.967	1.601	1.019	1.550
Command and Control	2.335		0.815			
Unify Telephony Upgrade (2022/23)						
ESMCP	0.203				4.176	
Equipment replacement	0.458		0.250	0.250	0.250	0.250
Other	0.289					
Total Capital Programme	9.754		10.838	5.551	8.645	4.800
Funding:						
Capital Receipts	0.060		3.310	0.060	0.060	0.060
Capital Grants Unapplied - ESMCP					0.170	
Capital Grants Unapplied - Home Office						
Capital Grants Unapplied - LED			0.225			
Capital Grants Received in Advance						
Direct Revenue Financing	0.040					
Earmarked Reserves						
Borrowing - General	9.554		7.303	5.491	8.415	4.740
LRSP Partner Contribution	0.100					
Total Funding	9.754		10.838	5.551	8.645	4.800

- 8.1 The proposed capital programme for 2024/25 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 the planned significant investment in Digital, Data and Technology will be maintained. 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.