

POLICE AND CRIME PANEL FOR LEICESTERSHIRE

Report of **POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE**

Date **WEDNESDAY, 27th JANUARY 2021 AT 1:00PM**

Subject **PROPOSED PRECEPT 2021-22 AND MEDIUM TERM FINANCIAL PLAN
(MTFP)**

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Purpose of the Report

1. To present the 2021-22 Precept Proposal and the additional considerations contained within it.
2. To present the Medium Term Financial Plan (MTFP).

Recommendations

3. The Panel is asked to:
 - a. Note the information presented in this report, including:
 - the total 2021-22 net budget requirement of £212.572m,
 - a council tax (precept) requirement for 2021-22 of £81.936m.
 - b. Support the proposal to increase the 2021-22 Precept by £15.00 per annum (6.43%) for police purposes to £248.2302 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 provisional settlement and the Band D council tax base and estimated collection fund deficit received from the billing authorities.
 - e. Note the current Medium Term Financial Plan (MTFP) contained in Appendix 1, the Capital Strategy at Appendix 2 and the Treasury Management Strategy at Appendix 3.

Executive Summary

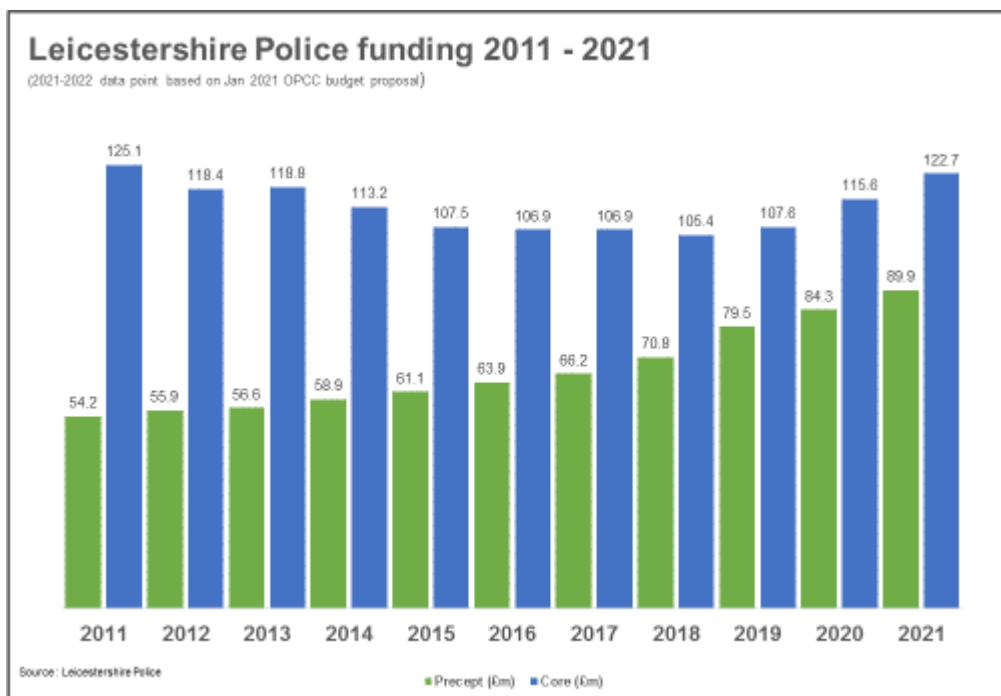
4. This report, and the Precept proposal, is the culmination of several months' work by the Office of the Police and Crime Commissioner (OPCC) and Force colleagues and takes account of public and stakeholder consultation and key government announcements.
5. The Police Grant Provisional Settlement was announced on 17th December 2020 and confirmed a £7.16m increase in revenue grant funding. This is intended to meet the year two 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 £15 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 2021-22. 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) implemented on 11th March 2020.
7. The second year of the Government's 20,000 officer uplift programme will deliver 88 additional officers during 2021-22 with another 100 expected during 2022-23. The Commissioner has also determined that 50 additional officers will be recruited during 2021-22 at a cost of £2m, and a further 20 officers during 2022-23 dependent upon the Funding Settlement announcement for that year. Of these 70 officers, 50 will be funded through the precept longer term and 20 will be subsumed into the third and final year of the Government's uplift programme for 2022-23 (subject to the conditions set out at paragraph 47: police officers). The locally funded uplift in officers for 2021-22 is further to the Commissioner's decision to increase officer numbers by 107 in 2019-20 and 100 during 2020-21. The effect of the overall uplift in full time equivalent (FTE) officer numbers will mean that they rise from 2,104 by March 2021, to 2,242 by March 2022 and 2,342 by March 2023.
8. Other investment items totalling £2m are contained within the budget proposals for 2021-22 and beyond. This includes additional police staff posts and supporting organisational infrastructure, deemed essential to deliver both service transformation and to support the growth in officer numbers.
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 engaged an external company, SMSR Research, to undertake a series of three budget consultation focus groups. The focus groups were held virtually with local residents in order to explore the attitude towards increasing the precept for policing, as well as resident's views on policing priorities and perceptions of policing. SMSR Research also undertook a series of 150 pulse surveys via telephone with residents across LLR to test the COVID response, policing priorities and precept proposal. The results of both the focus groups and pulse surveys showed that the majority of local residents of LLR were supportive of the precept increase of £15 for a Band B property.
11. After careful consideration of these factors, the Commissioner is proposing a Band D precept increase of £15.00 per annum for the 2021-22 financial year in line with Home Office proposals. The Commissioner has allocated approximately 97.3% of the net

revenue budget requirement of £212.572m 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 £122.7m for 2021-22 a reduction of 2%. 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 2021-22 this will increase to £89.9m. An increase of £35.7m or 66% over the period.

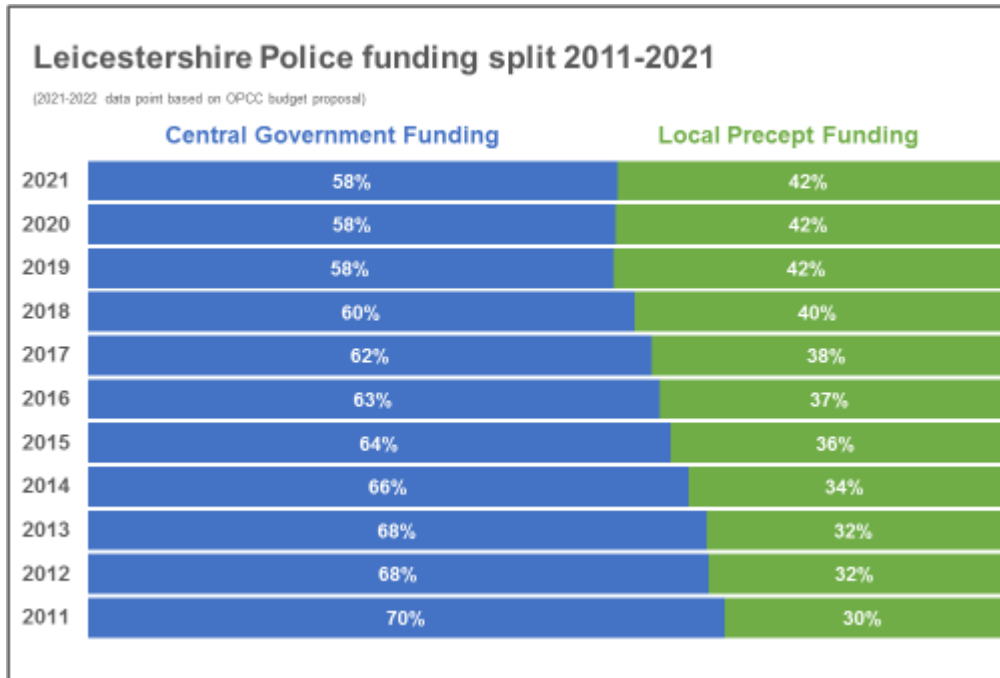
Chart 1 - Leicestershire Police Funding 2011-2021



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 2021-22 this has moved

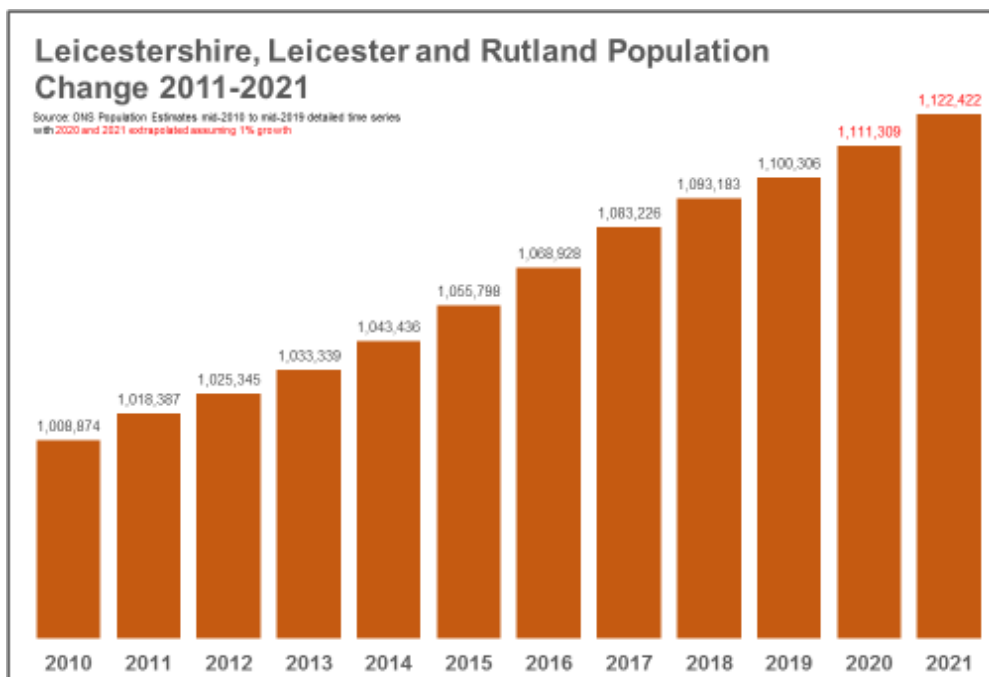
significantly to show that 58% of the total funding will come from Core Grant and that 42% of funding now comes directly from the local taxpayer (and related grants).

Chart 2 - Leicestershire Police Funding Split 2011-21



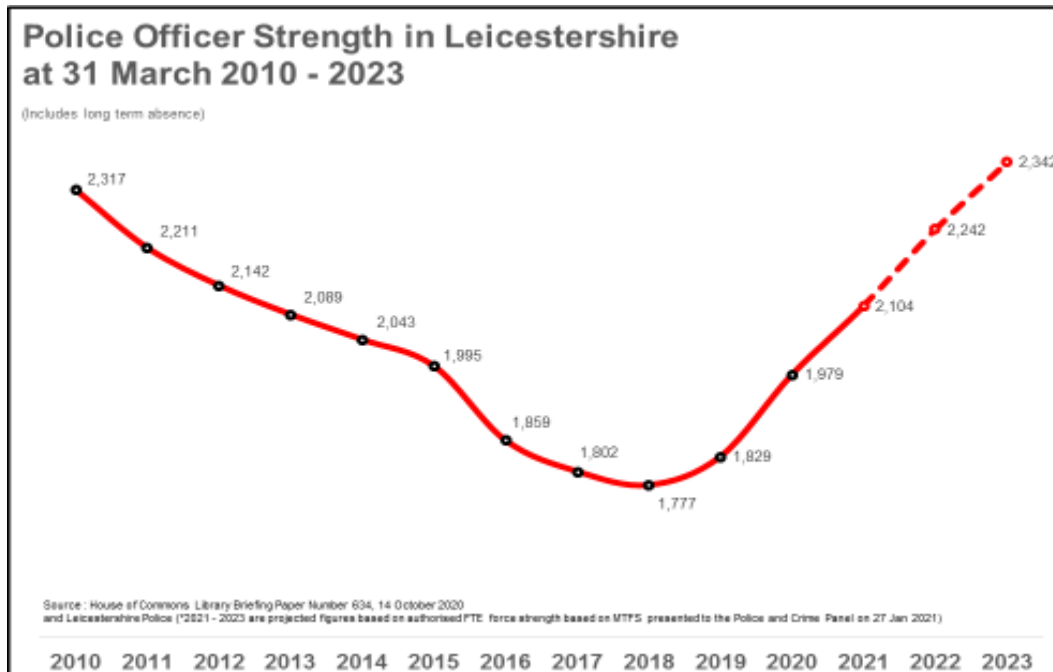
17. Chart 3 shows that whilst core grant has decreased significantly since 2010-11 the population within Leicester, Leicestershire and Rutland has increased significantly.

Chart 3 – LLR Population Change 2011-2021



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 2021 is 2,104. A reduction of 213 officers or a 9% reduction in Police numbers.

Chart 4 – Police Officer Strength in Leicestershire at 31 March 2023



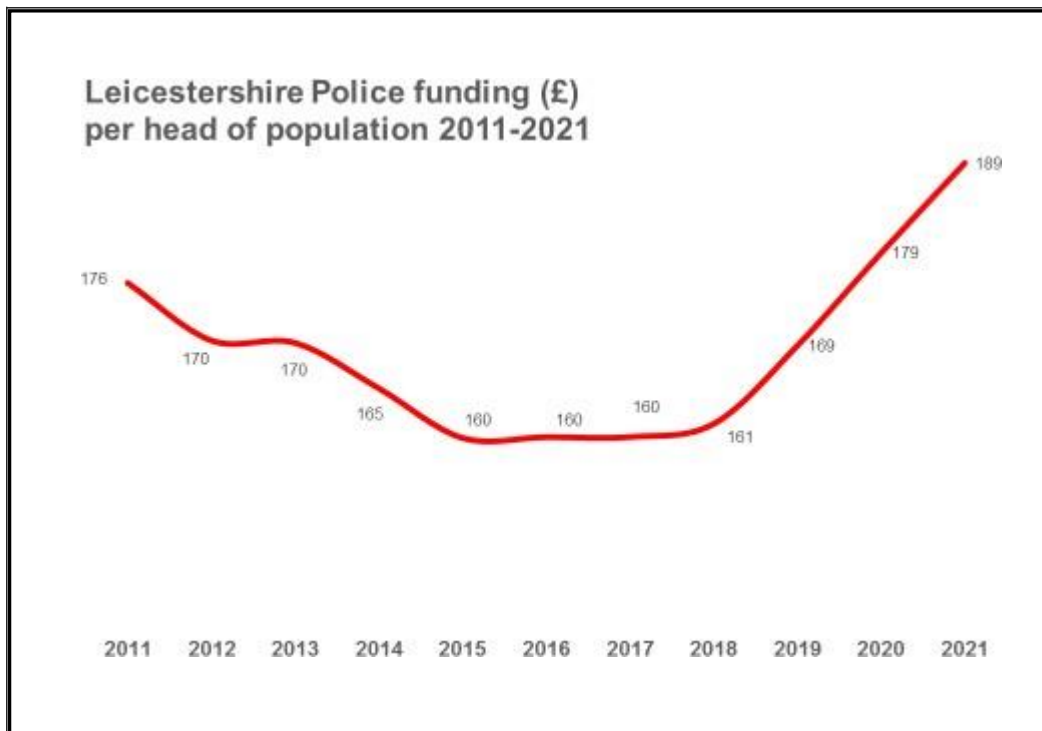
19. It should be noted that whilst funding has reduced significantly, demand for the service is very high. This is no surprise when the increase in population in the area is taken into account. A selection of information taken from the Force Management Statement projections for 2020/21 further underlines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

Number of 999 Calls	139,366
Number of 101 Calls	332,546
Number of referrals to Child Protection Teams	15,366
Number of domestic incidents & crimes	22,316
Number of missing people & incidents	7,007

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 receive approximately £189 per head of population which is lower than the national average. If funding was lifted to the average around £20m more funding would be available for investing in policing in the area.

Chart 5 - Leicestershire Police Funding by Population 2011-2021



The Grant Settlement 2021-22

21. The Provisional Police Grant Settlement was announced on 17th December 2020. The Home Office are obtaining feedback from stakeholders on the contents of the provisional settlement and the final settlement is expected in January 2021.
22. The increased Core and Ex-MHCLG funding quoted for Leicestershire is £7.2m. The overall increase in funding is broken down as follows:

	2020-21	2021-22	£m	%
	£m	£m	Increase	Increase
Home Office Core Funding	71.0	75.9	4.9	6.9%
Ex-MHCLG Formula Funding	42.6	44.9	2.3	5.4%
Council Tax Support Grant*	7.0	8.1	1.1	15.7%
Council Tax Freeze Grant	1.9	1.9	0	0.0%
Precept & Collection Fund	<u>77.3</u>	<u>81.8</u>	<u>4.5</u>	<u>5.8%</u>
Total	<u>199.8</u>	<u>212.6</u>	<u>12.8</u>	<u>6.4%</u>

*Includes £1.1m LCTS revenue grant for 2021/22
 NB. Excludes £1.5m 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 £15.00 (6.43%) from £233.23 to £248.23. This generates an extra £4.5m in revenue funding based on a Band D tax base of 330,081 and a Collection Fund deficit of £0.2m.
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 Funding deficit of £0.2m which will be transferred from the Budget Equalisation Reserve (BER).

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 2020-21 the taxbase used in setting the budget for the Commissioner was 329,412 Band D equivalent properties. For 2021-22 this has increased to 330,081 Band D equivalent properties.
29. The collection fund deficit for 2021-22 is currently estimated at £2m. MHCLG have confirmed that PCCs will have to locally fund 25% of this or £0.5m for Leicestershire, to be spread equally over the period 2021-22 to 2023-24 at £167k per year. The exact deficit figure is still to be confirmed by the local Billing Authorities and compares to a surplus in 2020-21 of £492,414.

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 2021-22, Police and Crime Commissioners can increase their precept on a Band D property by up to £15.00 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 continues to progress the evaluation of its Police Staff posts. There are £204k of revenue costs included in the base to cover the job evaluation team cost. No further base budget provision has been included for 2021-22 and beyond to cover the implementation costs of the scheme. This remains a financial risk until the pay assimilation is completed, the actual costs are confirmed and options to fund these costs are developed.
 - Pay inflation – As part of the Government’s Comprehensive Spending review, the Chancellor announced a public sector pay freeze for 2021-22 except for £250 increase for each employee earning less than £24,000 per annum, which equates to £178,000. Pay inflation for 2022-23 is included at 1.75% and 2% for 2023-24 onwards.
 - The Chief Constable, along with other Chief Constables nationally and the Home Office, currently have a number of claims in respect of unlawful discrimination arising from transitional provisions in the Police Pension Regulations 2015. The

employment tribunal has agreed a process for the consideration of compensation claims between April 2020 and January 2021. The basis of claims from claimants and the extent or likelihood of these claims being successful is still being determined, and therefore no liability in respect of compensation claims is recognised in the MTFP. The number of claims identified for Leicestershire Police is 144 claims.

- Emergency Services Network (ESN) – The latest update suggests that the transition to the ESN is delayed until the latter part of 2021-22. However, a revenue provision of £0.4m has been included in the budget for 2022-23 onwards and a capital provision of £0.6m for 2021-22, rising to £5.2m in 2022-23. The costs are based on the latest national and regional estimates. 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. It is important to note the Settlement confirmed no extra funding will be provided to PCCs to meet the future revenue and capital costs of ESN. This therefore represents a significant financial risk.
- The National Police Air Service (NPAS) is currently being reviewed and the cost allocation model may change as a result. This is likely to lead to a modest reduction in costs, the extent of which is currently unknown. However, this remains a risk until an agreed position is reached.

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 2021-22 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 2021-22. 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 19th January 2021, at which, agreement of the Force budget for 2021-22 between the Commissioner and the Chief Constable was reached.

Revenue Budget 2021-22

44. The base budget for 2021-22 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 2021-22 is £212.572m. This equates to an increase of £12.709m (6.4%) from the 2020-21 net budget requirement level of £199.863m (see Appendix 1).
46. The table below summarises the 2021-22 draft budget requirement:

	£	£
2021-22 Base Budget Requirement (Gross)		
Police Officer Pay & Allowances	115,280,293	
Staff Pay & Allowances	47,204,780	
PCSO Pay & Allowances	6,722,379	
Regional Collaboration	9,462,279	
Police Officer Pensions	3,429,844	
Non-Pay Expenditure	37,261,708	
Inflation Contingency	1,754,575	
Income	(13,545,660)	
Office of the Police and Crime Commissioner	1,402,352	
Commissioning	4,343,820	
TOTAL		213,316,370

There are other budget streams which when added to the above makes up the 2021-22 net budget requirement. These are listed overleaf.

	£	£
2021-22 Base Budget Requirement (Gross)		213,316,370
Investment	4,490,017	
Revenue Contribution to Capital	227,000	
Efficiency Savings	(500,000)	
Specific Grants	(1,277,870)	
Home Office Pension Grant	(1,902,540)	
Home Office Uplift Grant	(1,500,000)	
Transfer from Commissioning Reserve	(150,908)	
Transfers to / (from) liability & equipment reserves	78,000	
Transfer from BER for specific projects	(154,539)	
General transfer to / (from) reserves	83,428	
Transfers to / (from) other reserves	(136,878)	
2020-21 Base Budget Requirement (Net)		<u>212,572,080</u>

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 2020 pay award.

Year two of the Government's 20,000 officer uplift programme will provide a further 88 officers in total (6,000 nationally). This will increase overall police officer numbers to 2,192 FTEs by March 2022. The estimated total cost of the 88 officers in 2021-22 is £2.6m which will be fully funded by Home Office grants, but only if they are recruited in full. The Home Office will confirm the allocations to Forces for 2022-23 or year three, in due course. This is currently assumed to be around 100 officers. However, the national uplift programme alone will not restore officer numbers to pre-austerity levels of around 2,317 FTEs.

In order to provide a further uplift in officer numbers, the Commissioner has agreed with the Chief Constable that 50 additional officers will be recruited during 2021-22 at a total cost of £2m to be funded through precept. A further 20 officers will be recruited during 2022-23. Of these 70 officers, 50 will be funded through the precept longer term, and 20 will be subsumed into the third and final year of the Government's

uplift programme for 2022-23. The locally funded uplift in officers is further to the Commissioner's decision to increase officer numbers by 107 in 2019-20 and 100 during 2020-21. The combined effect of the national and local uplift in full time equivalent (FTE) officer numbers will result in 2,104 by March 2021, rising to 2,242 by March 2022 and 2,342 by March 2023. The estimated cost of the Commissioner's officer uplift is £2m for 2021-22.

The planned increase of 50 officers in 2021-22 will deliver enhancements to neighbourhood policing, the rural and heritage crime team, serious crime investigation, sex offender management, anti-fraud capability, and violent and complex crime investigation and problem solving, including knife crime.

The potential local uplift of 20 officers in 2022-23 will be dependent upon:

- The precept referendum level for 2022-23 being at least 4% or £10.
- The national uplift grant for year three 2022-23 is provided to meet the cost of at least 20 officers.
- There are no meaningful adverse changes in any of the other assumptions in the medium term financial plan (MTFP see para.68).
- There are no PCC approved additional demands not currently captured in the MTFP arising from digital developments and national initiatives.

Also included within the MTFP is an estimated 5% increase in the employer's superannuation rate for 2023-24 onwards which will cost around £5m.

- **Police Community Support Officers (PCSOs)** – The PCSO budget is based on 200 FTEs working across the force area.
- **Support Staff** – The budget is based on 1,166 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.
- **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 2021-22 is £9.5m.
- **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 and other system costs. Revenue costs in relation to capital financing are also included and will increase by £1.2m in 2021-22 to £4m.

Office of the Police and Crime Commissioner

48. The total cost of the Office of the Police and Crime Commissioner is £1.40m, which is a net increase of £70k from 2020-21. The office structure has recently been reviewed to facilitate these changes. It employs 23 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. External audit fees are forecast to increase by 40% to £50k for 2021-22 as a consequence of changes in the nationally agreed rates. Detailed budgets for the office are available upon request.

50. The main costs are summarised below:

	£000
Staffing	1,129
Transport	8
Supplies and Services	<u>266</u>
Total Expenditure	1,403
Income (MOJ Grant)	<u>(77)</u>
Net Expenditure	<u>1,326</u>

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 2021-22 aligns to the priorities contained within the Police and Crime Plan and provides a budget of £4.344m. 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	2,992
Ministry of Justice Grant	1,201
Contribution from Commissioning Reserve	<u>151</u>
Total funding	<u>4,344</u>

54. The 2021-22 Commissioning Budget includes £0.25m for small grants to Community Organisations which are awarded at the discretion of the Commissioner.

55. The Framework assumes £0.151m will be drawn from the Commissioning Reserve for the year.

56. The Ministry of Justice (MoJ) Victims and Witnesses Grant is included at flat-cash as the funding allocation for 2021-22 is unknown at the time of writing this report.

57. It is important to note that in addition to the published budget each year, the Commissioner has opportunities to submit bids to funding bodies (normally government departments) for additional, normally in year, funding. The table below shows the additional funding brought in for the benefit of LLR over the course of the current Police and Crime Plan. It is anticipated that further significant additional funding will be acquired for 2021-22.

Fund name	2017/18 (£)	2018/19 (£)	2019/20 (£)	2020/21 (£)	2021/2022 (£)	Totals (£)
VAWG Transformation Fund	38,582	285,478	332,376			656,436
Serious violence intervention project		82,000				82,000
Early Intervention Youth Fund			342,536			342,536
Violence Reduction Network			880,000	880,000		1,760,000
MoJ Covid-19 Funding Round 1				444,997		444,997
MoJ Covid-19 Funding Round 2				137,326		137,326
HO Covid-19 Funding				74,720		74,720
ISVA funding				69,922	109,274	179,196
Safer Streets Fund initial bids				1,518,306		1,518,306
Safer Streets Fund - supplementary bid				100,000		100,000
Domestic Abuse Perpetrator Fund				246,792		246,792
Winter Violence Prevention Fund				52,080		52,080
Totals	38,582	367,478	1,554,912	3,524,143	109,274	5,594,389

Investments

58. Investment items totalling £4.5m are contained within the budget proposals for 2021-22 and beyond. This includes additional resources and organisational infrastructure deemed essential to deliver both service transformation and support for the growth in officer numbers. This includes:

- a) salary and infrastructure costs relating to the increase of the PCC's 50 additional officers of £2m (see para. 47),
- b) resources for IT digital change and transformation of £0.9m,
- c) crime scene investigation and evidential property of £0.3m,
- d) drone and additional ANPR (automatic number plate recognition) capability of £0.1m,
- e) nationally funded officer uplift related infrastructure costs of £0.6m,

- f) other enabling services requirements of £0.6m.

Proposed Efficiency Savings

59. As part of the budget proposals for 2021-22, the Commissioner has agreed with the Chief Constable that a £0.5m efficiency savings target will be included within the base budget. A plan to deliver these savings will be developed in the coming months.

Capital Strategy, Capital Programme and Treasury Management Strategy

60. The Capital Strategy 2021-22 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.
61. The Capital Programme includes investment in operational areas of premises, IT and vehicle fleet.
62. 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.
63. 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.
64. Both the Capital and Treasury Management strategies were fundamentally reviewed in January 2021 and subsequently agreed by the Strategic Assurance Board.

Medium Term Financial Plan (MTFP)

65. 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 2021. Thus, the relevant date is 31st March 2022.
66. However, prudent financial management requires the Commissioner to have an MTFP that covers a period of at least four financial years. The financial information detailed in Appendix 1 covers a four 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 2021-22 and a one year Comprehensive Spending Review instead of the 3 year review which was originally expected.
67. However, an 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.
68. In 2021-22, the Commissioner will allocate approximately 97.3% of the net budget requirement to the Chief Constable for use on local policing and regional collaborations.

69. 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 0.5%, 1% and 1.25% for financial years 2022-23, 2023-24 and 2024-25 respectively.
- 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 with the exception of the year on year officer uplift grant. This has been increased from £1.5m in 2021-22 to £2.2m from 2022-23 onwards to align with funding expectations around officer growth (see para. 47).
- d. The precept increases by £15.00 per Band D equivalent property for 2021-22 and 2% each year thereafter in line with the prevailing national view, and modelling assumptions in each of the other East Midlands region Force areas.
- e. Pay awards for officers and staff are included at 0% for 2021-22, 1.75% for 2022-23 and for 2% each year thereafter.
- f. Non-pay inflation is included at 2% for 2021-22 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.

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

Summary of the Budget Requirements (see Appendix 1 for detailed analysis)

	2021-22	2022-23	2023-24	2024-25
	£m	£m	£m	£m
Net Budget Requirement	212.5	217.4	227.7	232.8
Net Funding	212.6	213.5	216.1	219.0
Funding Surplus/(Gap) before use of Reserves	0.1	-3.9	-11.6	-13.8

Use of Reserves and Balances

71. In considering the 2021-22 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.

72. 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 £4.25m and £10.63m based on the 2021-22 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.

73. 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 £5m to £4.25m with £0.75m being transferred to the BER to support the projected MTFP. The £4.25m Reserve balance represents 2% of the net budget requirement for 2021-22 and is within the recommended limits referred to above. It is prudent to have such a reserve to enable the organisation to withstand unexpected events which may have financial implications. There is no further planned use of this reserve during 2021-22 or beyond.

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 £12.6m at 31st March 2021, increasing to £13m by 31st March 2022 which takes into account the £0.75m transfer from the General Reserve above. 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 fully utilise the BER by 2023-24.

c. Earmarked Reserves

The Commissioner currently holds a number of Earmarked Reserves which at 31 March 2021 are estimated to total £7.6m (excluding the General Reserve and BER) and those to note are as follows:

OPCC & Commissioning Reserve £0.7m – This contributes towards supporting the cost of the Commissioning Framework.

Civil Claims £1.4m – This reserve holds funds set aside where considered prudent for Civil Claims (Public and Employer liability) in line with professional advice.

Capital Reserve £0.2m – to support future Capital expenditure.

Proceeds of Economic Crime - £0.9m – reserve funded from proceeds of crime, used to support the Force's capability in specific investigative areas.

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

<u>Transfers from Reserves</u>	
	£m
<u>Budget Equalisation Reserve</u>	
Historical Investigations	-0.155
	-0.155
<u>Other Earmarked Reserves</u>	
Economic Crime (POCA)	-0.108
Equipment Reserve	-0.227
MAPPA	-0.028
	-0.363
<u>OPCC</u>	
Commissioning	-0.151
	-0.151
	-0.669

<u>Transfers to Reserves</u>	
	£m
Budget Equalisation Reserve	0.083
<u>Specific Reserves</u>	
Equipment Reserve	0.050
Fleet Insurance Claims	0.125
Civil Claims Liability	0.130
	0.305
	0.388

	£m
Net Transfers to/(from)	
Earmarked Reserves	-0.281

Precept Proposal

75. After careful consideration of all the factors highlighted within this report, the Commissioner is proposing a £15.00 Band D Precept increase in line with Home Office proposals to maximise resources for operational policing.

76. In considering the proposed level of precept, the Commissioner engaged an external company, SMSR Research, to undertake a series of three budget consultation focus groups; one in each of the city, the county and Rutland. The focus groups were held virtually with local residents, in order to explore the attitude towards increasing the precept for policing, as well as resident's views on policing priorities and perceptions of policing. SMSR Research also undertook a series of 150 pulse surveys via telephone with residents across LLR to test the COVID response, policing priorities and precept proposal. The results of the both the focus groups and pulse surveys showed that the majority of local residents of LLR were supportive of the precept increase of £15 for a Band B property.
77. In making this proposal, the Commissioner is extraordinarily grateful to those who took part in the focus groups 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. Additionally, 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

78. In proposing the precept the PCC has sought views from the Chief Constable and his statement on the PCC's precept proposal for 2021-22 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 £15. 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 and the desire of local communities for more policing.

This is the eleventh occasion that I have been involved as Chief Constable in the budget setting process for Leicestershire Police; it is the first that has required the setting of a budget during an international pandemic. In fulfilling that responsibility, it remains the case that the consistent feedback from local communities is that they want to see more policing across Leicester, Leicestershire and Rutland. This budget proposal continues the process of restoration that the PCC and this panel have supported across recent years. Your investment last year has seen us able to replace those who leave the force, and to grow back some of the capacity that we have lost across the last decade. In 2020 we recruited and trained 383 new police officers and 60 police community support officers; they are now deployed in local communities across LLR. We also welcomed 202 new members of police staff.

I should place on record the fact that a pay freeze has been imposed on officers and staff this year. Whilst I do understand that the pandemic has tragically hit many people very hard, and whilst the freeze is helpful in managing the budget, it seems hard on officers and staff who have worked tirelessly and at risk to themselves throughout the COVID crisis.

It is also the case that the day to day funding of operational policing across Leicester, Leicestershire and Rutland is overly reliant on the use of ever dwindling reserves. Those reserves are almost spent, and this budget takes some measured, but no less real, risks looking into the immediate future. This is not helped by us having an annual budget setting process; for a business that spends over 80% of its' budget on people that makes planning hard. We really need a multi-year budget settlement.

I make no apology for repeating the fact 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 £15 this would enable us to keep putting back some of our lost ability to patrol neighbourhoods, deter crime and investigate offences. It also enables us to enable those officers and staff with up to date digital technology. Our move in March 2020 to a new Target Operating Model, featuring officers and staff based in local communities seems to have gone well, although it has been tested by COVID.

This budget can make a significant and positive operational difference, and one that will be noticed by people living and working in neighbourhoods across the Force. The investments made in recent years through both central government funding and local precept, coupled with our move to the more locally focussed operating model, seem to be being reflected in what local communities are seeing. In 2020 we dealt with 140,000 999 calls, 95.6 percent of them answered within 10 seconds, answered 333,000 101 calls, 73.9 percent of them within 60 seconds (68.2 percent within 30 seconds) and received almost 17,000 online reports. We have also dealt with almost 20,000 COVID related incidents. Every day we have safeguarded twice as many people as we've arrested, and we have arrested over 12000. We have dealt with on average 16 missing people a day

On the way to this meeting today, even if that was just a walk into another locked down room, I would suggest that all of us have used technology in some fashion. That may be a phone, a handheld device, a tablet, a voice activated assistant or a laptop. I guess that none of us have walked past a phone book, photo album, map book, record player or video recorder on the way. The pace of technological change is accelerating. As a Force we need to be able to meet the expectations of the public that we can deal with the digital world, whilst ensuring that we are match fit to take on criminals who seek to exploit cyber space. There are very few incidents that we deal with that don't have a cyber footprint. To be able to deal with those incidents effectively requires investment.

The Force operates in a complex world. The national threat level re terrorism sits at 'severe' meaning that an attack is highly likely. We seek to prevent offending by working with partners across the whole spectrum of police business; that includes working with the Violence Reduction Network, Community Safety Partnerships and communities across Leicester, Leicestershire and Rutland. This budget will enable that work, grow our

neighbourhood teams keep a resilient 24/7 capacity, and enhance key areas of concern. We remain very efficient when compared to other Forces, with consistently lean functions supporting our frontline.

This proposal for a £15 precept rise has my support. It enables us to enhance our support to local communities across the whole Force area.”

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

79. *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:*

“I have attended a number of Strategic Assurance Board meetings to provide assurance to the Panel 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 2021-22”, 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 2021-22 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 two years with the use of the Budget Equalisation Reserve (BER) which will be fully utilised during 2022-23. 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 £4.25m 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 2021-22, 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 2022-23 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 2021-22:

- 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.



List of Appendices

Appendix 1 Budget and Precept 2021-22 to 2024-25

Appendix 2 Capital Strategy 2021-22

Appendix 3 Treasury Management Strategy

Background Papers

Provisional Police Funding Settlement 2021-22 – December 2020

Leicestershire Police and Crime Commissioner Precept Survey – January 2021

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