

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE

POLICE AND CRIME PANEL

Report of	POLICE AND CRIME COMMISSIONER
Date	WEDNESDAY, 2 ND FEBRUARY 2022 AT 1PM
Subject	PROPOSED PRECEPT 2022-23 AND MEDIUM-TERM FINANCIAL PLAN (MTFP)
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Purpose of the Report

1. To present the 2022-23 Band D 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 2022-23 net budget requirement of £223.204m,
 - a council tax (precept) requirement for 2022-23 of £86.457m,
 - a transfer from the Budget Equalisation Reserve of £2m over the MTFP to fund specific projects,
 - a revenue contribution to capital of £3m for 2022-23,
 - an efficiency savings target which balances the budget over the MTFP.
 - b. Support the proposal to increase the 2022-23 Precept by £10.00 per annum (4.03%) for police purposes to £258.2302 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 Operational requirement budget setting at Appendix 2, the Capital Strategy at Appendix 3 and the Treasury Management Strategy at Appendix 4.

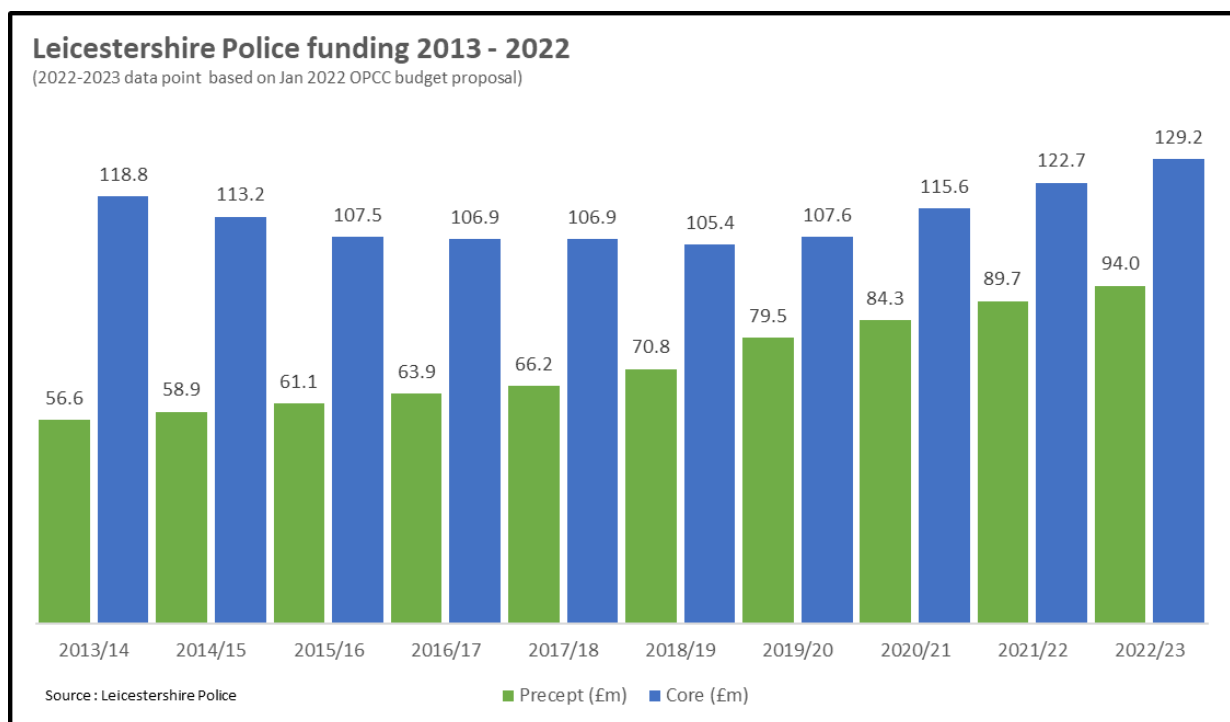
Executive Summary

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 16th December 2021 and confirmed a £6.7m increase in revenue grant funding. This is intended to meet the year three 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 £10 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 2022-23 (See Appendix 2 - Operational Requirement Budget Setting 2022-23).
7. 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 Force Target Operating Model (TOM).
8. The third year of the Government's 20,000 officer uplift programme will provide funding for the remaining 119 officers during 2022-23 (6 officers are to be recruited into the Regional Organised Crime Unit). The Force is ahead of this target and therefore the establishment will be 2,242 by March 2023.
9. Other investment items totalling £1.85m are contained within the budget proposals for 2022-23 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.
10. As part of this budget process, the Commissioner has reviewed the adequacy and level of Reserves and is planning to move away from the reliance on reserves in order to be sustainable over the medium-term.
11. In considering the proposed level of precept, the Commissioner carried out a budget consultation exercise. The survey asked if residents of the area were prepared to pay more per month for policing services. There were 2,563 responses to the survey. Of these, 21.8% responses lived in Leicester, 69.7% lived in Leicestershire and 8.5% lived in Rutland. Overall, the response was in support of a precept increase, with 72.3% of respondents supportive of a £10.00 Band D precept increase.
12. After careful consideration of these factors, the Commissioner is proposing a Band D precept increase of £10.00 per annum for the 2022-23 financial year in line with Home Office assumptions. The Commissioner has allocated approximately 97.3% of the net revenue budget requirement of £223.204m 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

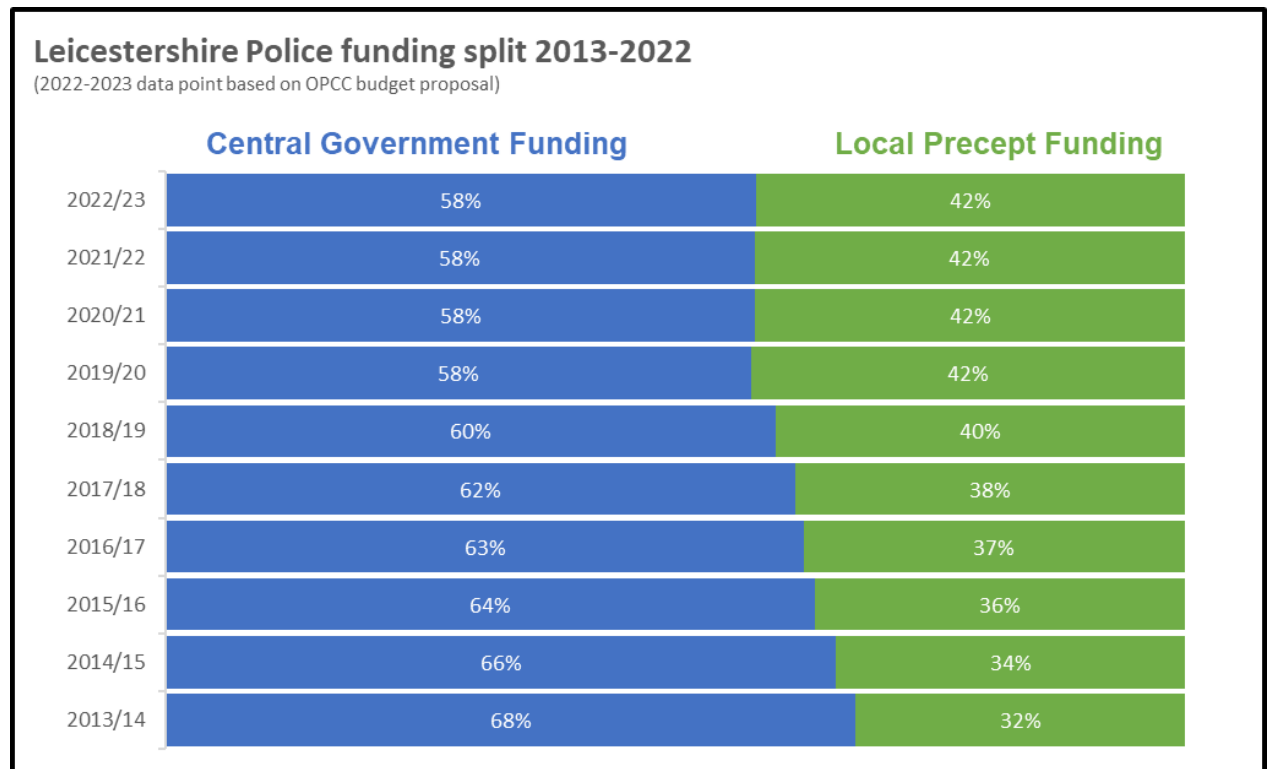
13. This section sets out some key information in relation to the policing area and the external factors that are driving demand which have a significant impact on policing in Leicester, Leicestershire and Rutland.
14. Chart 1 shows what has happened to core grant funding and the locally raised precept since 2013/14. It shows the actual cash grant received each year and does not consider the real terms reduction in funding.
15. The chart shows that core grant funding has increased from £118.8m in 2013-14 to £129.2m for 2022-23 an increase of 9%.
16. The graph also shows that the funding raised locally has increased significantly over the same period. In 2013-14 £56.6m was raised directly from residents of the area (and related grants) and for 2022-23 this will increase to £93.1m. An increase of £36.5m or 64% over the period.

Chart 1 - Leicestershire Police Funding 2013-2022



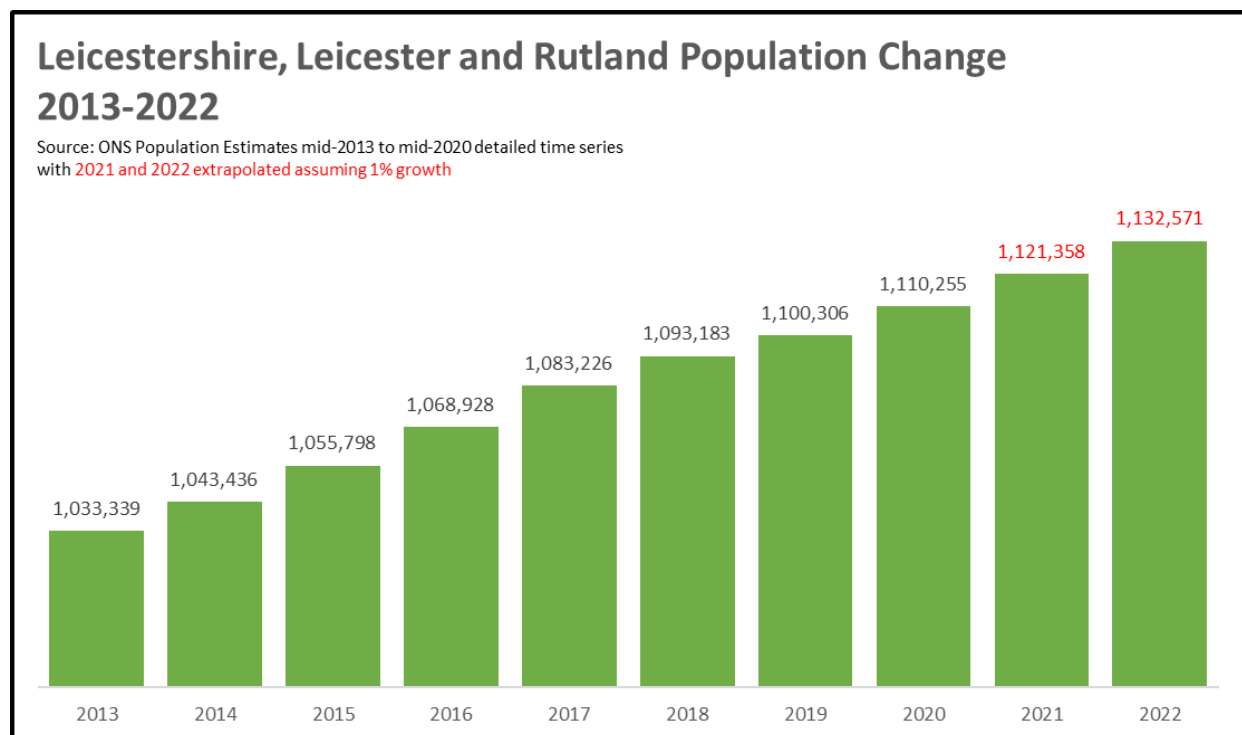
17. Chart 2 demonstrates how the total funding has moved between Core Grant and Precept Funding since 2013-14. It shows that in 2013-14 68% of the funding came from Core Grant with the balance of 32% coming from the local precept. For 2022-23 this has moved significantly to show that 58% of the total 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 2013-2022



18. Chart 3 shows how the population within Leicester, Leicestershire and Rutland has increased significantly since 2013.

Chart 3 – LLR Population Change 2013-2022



19. The below table shows how the demand for the service has changed over the last 5 years. Overall demand has increase significantly since 2016. 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 further underlines the point as detailed below:

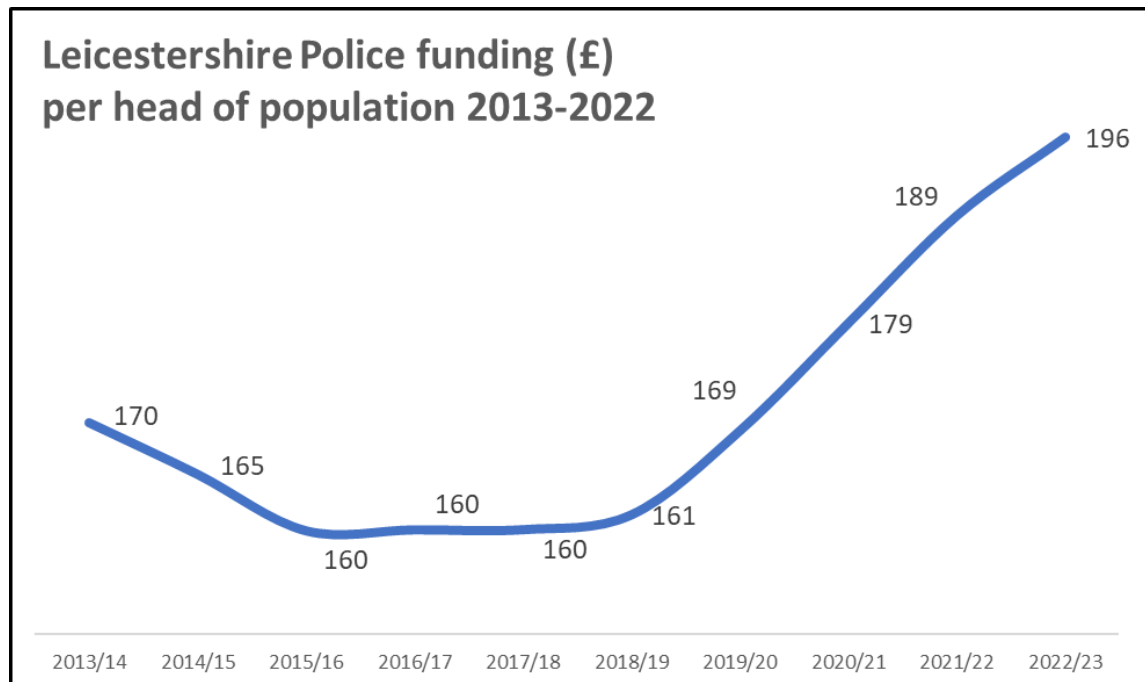
	2016	2021	% Change
Number of 999 Calls	133,298	158,721	19%
Number of 101 Calls	489,160	320,151	-35%
Number of referrals to Child Protection Teams	11,292	17,384	54%
Number of domestic incidents & crimes	12,819	23,896	86%
Number of missing people & incidents	3,594	6,627	84%

The above are just a small selection of the total number and variety of incidents dealt with by the Force.

20. Chart 4 below shows how much of total funding (core grant and precept) 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 £196 per head of population which is lower than the national average. If funding was lifted to the average around £17m more funding would be available for investing in policing in the area.

21. Leicestershire Police funding per head of the population is the 12th lowest in the country.

Chart 4 - Leicestershire Police Funding by Population 2013-2022



Comprehensive Spending Review 2021 and Grant Settlement 2022-23

22. The Chancellor of the Exchequer announced the outcome of the 2021 comprehensive spending review (SR2021) alongside his Autumn Budget 2021 on 27th October 2021. The SR2021 sets out the public spending totals for the financial years 2022-23 to 2024-25.

23. The headlines which came from the SR2021 and Autumn Budget 2021 were as follows:

- a. Flexibility for PCCs to increase funding in each year of the CSR by up to £10.00 per annum for a Band D property without triggering a referendum;
- b. The Home Office settlement provides £4.2bn over the parliament, increasing from £12.3bn in 2019-20 to £16.5bn in 2024-25;
- c. Public Sector Pay Freeze to end in 2022;
- d. Office for Budget Responsibility expects CPI to average 4% over next year
- e. Economy expected to grow by 6% in 2022 and 2.1%, 1.3% and 1.6% over the following 3 years;
- f. There will be funding programmes to tackle neighbourhood crime, reoffending, county lines, violence against women and girls, victim services and improved responses to rape cases;
- g. £540m will be given to police to recruit the final tranche of police officers as part of the 8,000 Police Officer Uplift Programme.
- h. Increase in government grant for policing of £550m in 2022-23, a further £100m in 2023-24 and £150m in 2024-25

24. The Provisional Police Grant Settlement was announced on 16th December 2021. The Home Office are obtaining feedback from stakeholders on the contents of the provisional settlement and the final settlement is expected in January 2022.

25. The increased Core and Ex-MHCLG funding quoted for Leicestershire is £6.7m. The overall increase in funding is broken down as follows:

	2021-22	2022-23	£m	%
	<u>£m</u>	<u>£m</u>	<u>Increase</u>	<u>Increase</u>
Home Office Core Funding	75.9	79.8	3.9	5.1%
Ex-MHCLG Formula Funding	44.9	47.6	2.7	6.0%
Council Tax Support Grant*	8.1	7.0	-1.1	-13.6%
Council Tax Freeze Grant	1.9	1.9	0.0	0.0%
Precept & Collection Fund	81.6	86.9	5.3	6.5%
Total	212.4	223.2	10.8	5.1%
*Includes £1.1m LCTS revenue grant for 2021/22				
NB. Excludes £2m (£1.5m in 2021-22) Home Office Uplift Grant				

26. The additional precept funding is only delivered if the Policing element of the Band D Council Tax bill increases by £10.00 (4.03%) from £248.23 to £258.23. This generates an extra £4.7m in revenue funding based on a Band D tax base of 334,807 and an estimated Collection Fund surplus of £0.5m.

27. There are other cost pressures which will need to be funded relating to staff pay, inflationary increases and other contractual increases.

Tax base and Collection Fund details

28. Leicester City Council, Rutland County Council and the Borough and District Councils are responsible for estimating the tax base in their area, and the Council Tax Collection Fund surplus or deficit.
29. The total tax base is used to calculate the total precept that will be collected by billing authorities on behalf of the Commissioner.
30. In 2021-22 the tax base used in setting the budget for the Commissioner was 329,286 Band D equivalent properties. For 2022-23 this has increased to 334,807 Band D equivalent properties.
31. The collection fund surplus for 2022-23 is currently estimated at £0.5m. This is currently an estimate as awaiting confirmation from billing authorities which is expected late January/early February 2022.

Council Tax Referendum Limit

32. 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.
33. 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 2022-23, Police and Crime Commissioners can increase their precept on a Band D property by up to £10.00 without triggering a referendum.

Risks

34. 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 £0.2m of revenue costs included in the base to cover the job evaluation team cost. Pay protection and ongoing pay cost have been estimated at £3.9m over the MTFP period, with a further £1.4m estimated costs in 2026-27. However, further work is ongoing in relation to pay modelling which is likely to alter this estimate. It is not envisaged that Job Evaluation will be implemented before 1st February 2023. 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 – is included for 2022-23 at 2% and for each year over the MTFP period. However, the National Police Chiefs Council has suggested the pay inflation could be as high as 3.5% for 2022-23 but this will be subjected to independent pay body review and subsequent Home office and treasury ratification in the Autumn. Pay award costs in excess of 2% will require additional funding.
 - 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 number of claims identified for Leicestershire Police is 144 claims. Recent legal advice suggests that a settlement may be reached on this matter with Government. Settlement proposals are being refined and a further update will follow. The liability for Leicestershire could range

from £0.6m to several million, but it is unclear what it may be and whether it will be funded by Government or by Forces. Given this uncertainty, no liability costs are currently included in the MTFP.

- Emergency Services Network (ESN) – The Emergency Service Network remains a risk area due to delays nationally and uncertainty regarding devices, along with the cost of retaining airwave services longer than expected. Continuing airwave costs have been included in the IT budget. No ESN running costs are included as these should not be incurred until 2024-25.

The ESN Programme Costs have been increased to £295k. This will fund a full-time project manager, IT Comms Architect, Project support officer, and the contribution to the regional team of £135k. Whilst the regional Team budget has been reduced from £180k to £135k this still results in a price increase as the regional team were funded from their reserve in 2021-22. This is in line with the MTFP projections.

- Digital transformation and Cloud migration – the Force has developed a digital transformation strategy which includes the move from on premise data storage to Cloud storage which will enhance operational analytical capability. The risks and costs associated with this are being explored and it is likely to be several months before they are fully known. It can be anticipated that further funding will be required to progress this initiative.

Base Budget Preparation, Approach, and Scrutiny

35. 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.
36. The Force continues to consider key corporate risks when setting the budget.
37. 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.
38. 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.
39. 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.
40. 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.
41. The revised four-year financial forecast and, in particular, the 2022-23 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.
42. The OPCC 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 2022-23. 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.

43. 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.
44. This has resulted in a number of 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.
45. Furthermore, there has been a significant degree of scrutiny and challenge undertaken by the Commissioner and his team, prior to and during, the Corporate Governance Board on the 17th January 2022, at which, agreement of the Force budget for 2022-23 between the Commissioner and the Chief Constable was reached.

Revenue Budget 2022-23

46. The base budget for 2022-23 has been built based upon the 'budget rules' which are consistent with previous years and the risk based approach outlined earlier in the report.
47. In line with this approach, the Panel is advised that the total net budget requirement in 2022-23 is £223.204m. This equates to an increase of £10.829m (5.1%) from the 2021-22 net budget requirement level of £212.375m (see Appendix 1).
48. The table overleaf summarises the 2022-23 draft budget requirement:

	£	£
2022-23 Base Budget Requirement (Gross)		
Police Officer Pay & Allowances	119,563,766	
Staff Pay & Allowances	49,940,336	
PCSO Pay & Allowances	6,843,200	
Regional Collaboration	9,847,477	
Police Officer Pensions	3,580,729	
Non-Pay Expenditure	39,779,753	
Inflation Contingency	3,745,535	
Income	(15,300,968)	
Office of the Police and Crime Commissioner	1,567,397	
Commissioning	4,437,888	
TOTAL		<u>224,005,113</u>

There are other budget streams which when added to the above makes up the 2022-23 net budget requirement. These are listed below.

	£	£
2022-23 Base Budget Requirement (Gross)		224,005,113
Investment	1,852,685	
Revenue Contribution to Capital	2,995,381	
Specific Grants	(1,281,464)	
Home Office Pension Grant	(1,902,540)	
Home Office Uplift Grant	(2,000,000)	
Transfers to / (from) liability & equipment reserves	(204,056)	
Transfer from BER for specific projects	(179,209)	
Transfers to / (from) other reserves	(82,210)	
2022-23 Base Budget Requirement (Net)		223,203,700

49. 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 50 officers approved from the precept growth in 2021-22 and the additional 88 officers funded through the Home Office national Police Uplift Programme.
 - The increase in the employer's National Insurance rate for 2022-23 of 1.25% for the Social Care levy at a cost of £1.1m.

The officer establishment of 2,242 includes a number of funded posts. Funding from the core grant for Counter Terrorism has been removed and will be drawn down separately. Where future transformation and modernisation is required, the establishment may need to be amended to reflect this.

Leicestershire's share of the year three Government's 20,000 officer uplift programme is 119 officers in total (6 officers are to be recruited into the Regional Organised Crime Unit). This is part of the national uplift of 8,000 officers. The Force is ahead of this target and therefore the establishment will be 2,242 by March 2023. The estimated total cost of the 119 officers in 2022-23 is £2.8m which will be fully funded by Home Office grants, but only if they are recruited in full.

Also included within the MTFP is a reduction in the effective superannuation rate by 0.2% to 28.79% compared to 21/22. The impact of the reduction in employers' effective rate is approximately £158k.

- **Police Community Support Officers (PCSOs)** – The PCSO budget is based on an establishment of 200 FTEs working across the force area. This includes a vacancy factor of 6%, which reduces the estimated average budgeted strength to 188 FTE. The decision has been made to fund 4 School Liaison Officers from the PCSO budget in 2022-23, therefore PCSO strength may need to be lowered to 196 FTE.

- **Support Staff** – The budget is based on 1,203FTEs (including the OPCC and excluding PCSO's) which includes a number of changes to the establishment to address demand. Employer's National Insurance has been increased by 1.25% to reflect the new levy which is approximately £538k in total. There is also growth in weekend enhancements reflecting a change in policy, and shift allowances have also increased. The Force is also currently undertaking Job Evaluation of its police staff posts and estimated pay protection and related costs of £3.9m have been included within the MTFP, with a further £1.4m estimated costs in 2026-27.
- **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 2022-23 is £9.8m.
- **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.

The energy markets are very volatile at present, and there are indications that utility costs will increase by £0.7m during 2022-23 to £1.8m. Any further increases may require additional in year funding.

- **Revenue contribution to capital** – The budget includes a revenue contribution to capital of £3m. Government funding of capital has decreased significantly over the past few years and been removed completely for 2022-23. Therefore, a revenue contribution to capital will reduce the borrowing requirement, which minimises the debt charges incurred over the medium term and beyond.

Office of the Police and Crime Commissioner

50. The amount of funding for the OPCC including commissioning equates to 2.7% of the total net budget requirement; the remaining 97.3% is allocated to the Chief Constable for use on local policing and regional collaborations. The percentage allocation to the force remains unchanged from 2021-22.
51. The total cost of the Office of the Police and Crime Commissioner is £1.57m, which is a net increase of £165k from 2021-22. The office structure has recently been reviewed to allow the OPCC to hold the Chief Constable to account more effectively, to understand better the views and expectations of the public and to communicate more effectively with stakeholders; such as Councillors, Community groups and the wider criminal justice system. It employs 23 members of staff whose costs represent 85% of total expenditure.
52. 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 28% to £64k for 2022-23 as a consequence of changes in the nationally agreed rates.
53. Detailed budgets for the office are available upon request.
54. The main costs are summarised overleaf:

	<u>£000</u>
Staffing	1,215
Transport	8
Supplies and Services	344
Total Expenditure	<u>1,567</u>
Income (MOJ Grant)	<u>(80)</u>
Net Expenditure	<u>1,487</u>

Commissioning

55. The Commissioning Framework for 2022-23 aligns to the priorities contained within the Police and Crime Plan and provides a budget of £4.438m. The commissioning budget held by the OPCC has remained the same as a proportion of the overall budget.

56. The budget is funded as follows:

	£000
Base budget	3,237
Ministry of Justice Grant	1,201
Total funding	<u>4,438</u>

57. The 2022-23 Commissioning Budget includes £0.4m for small grants to Community Organisations which are awarded at the discretion of the Commissioner.

58. The Ministry of Justice (MoJ) Victims and Witnesses Grant is included at flat-cash as the funding allocation for 2022-23 is unknown at the time of writing this report.

59. 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. It is anticipated that further significant additional funding will be acquired for 2022-23.

Growth

60. Growth items totalling £1.85m are contained within the budget proposals for 2022-23 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) re-platforming of the Niche Database, £0.1m,
- b) digital interaction project, and cloud services integration costs of £0.2m,
- c) process re-alignment costs in Criminal Justice of £0.1m,
- d) salary costs for additional posts required to meet changes in demand of £0.7m,
- e) UKAS Accreditation costs of £0.3m,
- f) other enabling services requirements (including Office 365 and Voice Strategy) of £0.4m.

Proposed Efficiency Savings

61. As part of the budget proposals for 2022-23, the Commissioner has agreed with the Chief Constable that an efficiency savings target will be included within the MTFP. This is to ensure that the MTFP remains affordable and sustainable. There is a target built into the MTFP of £0.5m, which will balance the budget over the MTFP period.
62. There is also an expectation of the Commissioner that the force will continue to deliver an efficient and effective service. Therefore, the Commissioner expects the Force to deliver annual efficiency savings of at least 0.5% of the total annual budget for the life of the MTFP.

Capital Strategy, Capital Programme and Treasury Management Strategy

63. The Capital Strategy 2022-23 is set out in Appendix 3. The revenue consequences of the proposed programme have been considered in the development of the revenue budget, and the required prudential indicators are set out.
64. The Capital Programme includes investment in operational areas of premises, IT and vehicle fleet.
65. 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.
66. The Treasury Management Strategy report is set out at Appendix 4. 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.

Medium Term Financial Plan (MTFP)

67. 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 next election for PCCs. Elections are due to take place in May 2024. Thus the relevant date is 31st March 2025.
68. 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 31 March 2026. 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 2022-23 and an indication of potential funding through to 2024-25 only.
69. 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.
70. In 2022-23, the Commissioner will allocate approximately 97.3% of the net budget requirement to the Chief Constable for use on local policing and regional collaborations.
71. 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 1.5% for financial years 2023-24, 2024-25 and 2025-26 respectively.
- b. All existing council tax related grants continue up to and including 2025-26.
- c. Core Government funding increases by 1.45% in 2023-24 and 2024-25. The uplift grant has been increased from £1.5m in 2021-22 to £2.0m from 2022-23 onwards to align with funding expectations around officer growth.
- d. The precept increases by £10.00 per Band D equivalent property for 2022-23 and by £10 each year thereafter in line with the prevailing national view, and modelling assumptions in each of the other East Midlands region Force areas. It should be noted that no decision on future years precept has yet been taken.
- e. Pay awards for officers and staff are included at 2% for 2022-23, and each year thereafter. The 2022-23 pay award could be as high as 3% but this will not be confirmed until the Autumn. Any increase above 2% would require additional funding.
- f. Non-pay inflation is included at 2% for 2022-23 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.

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

Summary of the Budget Requirements (see Appendix 1 for detailed analysis)				
	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Net Budget Requirement	223.2	228.9	235.9	240.8
Net Funding	223.2	228.9	235.9	240.8
Funding Gap / (Surplus)	0.0	0.0	0.0	0.0

Use of Reserves and Balances

73. In considering the 2022-23 budget, the Commissioner has reviewed all of the reserves held.

74. In January 2021 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 £4.46m and £11.16m based on the 2022-23 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.

75. Three types of Reserve are held and these are explained further below:

a. General Reserve

There is a General Reserve which will be increased to £5m from £4.25m with £0.75m being transferred from the BER. The £5m Reserve balance represents 2.2% of the net budget requirement for 2022-23 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 2022-23 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 £13.3m at 31st March 2022, decreasing to £13.1m by 31st March 2023. 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 in the short term with a clear exit strategy.

It is proposed that £2m of the BER is used during the MTFP period to fund ongoing historical investigations of £0.2m, Job Evaluation Pay protection costs of £1.4m, and a further £0.4m is ring fenced in 2025-26 for ESN dual running costs. This will reduce the BER to £11.3m at the end of the MTFP period.

c. Earmarked Reserves

The Commissioner currently holds a number of Earmarked Reserves which at 31 March 2022 are estimated to total £6m (excluding the General Reserve and BER) and those to note are as follows:

OPCC & Commissioning Reserve £0.6m – This contributes towards supporting the cost of the Commissioning Framework.

Civil Claims £1.2m – 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 - £1.4m – reserve funded from proceeds of crime, used to support the Force's capability in specific investigative areas.

76. 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	-0.060
Job Evaluation	-0.119
	<u>-0.179</u>
<u>Other Earmarked Reserves</u>	
Economic Crime (POCA)	-0.054
Equipment Reserve	-0.425
Capital Reserve	-0.014
MAPPAs	-0.028
Collection Fund	-0.071
	<u>-0.591</u>
	<u>-0.771</u>

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

	£m
Net Transfers to/(from)	<u></u>
Earmarked Reserves	<u>-0.466</u>

Precept Proposal

77. After careful consideration of all the factors highlighted within this report, the Commissioner is proposing a £10.00 Band D Precept increase in line with Home Office assumptions to maximise resources for operational policing.

78. In making this proposal, the Commissioner is extraordinarily grateful to those who took part in the precept survey 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

79. In proposing the precept the PCC has sought views from the Chief Constable and his statement on the PCC's precept proposal for 2022-23 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 Band D precept of £10. This will best enable the Force to deliver the new 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 accessible and visible policing. A £10 precept increase balances the MTFP through to 2024-25 and allows for a reduction in the Force's borrowing to fund the Capital Strategy. This is the most financially and operationally sustainable option.

This is the twelfth occasion that I have been involved as Chief Constable in the budget setting process for Leicestershire Police. Last year I highlighted the reliance on reserves, and the desire for a multi-year budget settlement. The latter has come to pass, with a three year settlement which the Government funding announcement links to precept levels, which are actually a responsibility for the PCC and this Panel.

I make no apology for again 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. In the context of a growing population, maintaining sustainable numbers is important for the service that we provide to local communities.

We have sustained our neighbourhood model which was enhanced just as the COVID pandemic started. Our neighbourhood teams include dedicated neighbourhood officers, patrol officers and investigators who are located within local communities. They are supported by accessible Force resources covering a wide array of other areas including roads policing, specialist investigation of concerns such as domestic abuse and sexual assaults, dealing with public calls for service, firearms response, cybercrime, county lines drug dealing and regional teams covering forensics, major crime and counter terrorism.

With details of the budget settlement now available we have modelled on maintaining a minimum of 2242 police officers. This allows the Force to continue to meet the national 'uplift' requirement whilst also ensuring that the 2021/22 recruitment profile continued and was delivered. By maintaining 2242 it ensures there is not a reduction to operational capability, as of the 31 March 2022.

In the past year we have recruited a total of 601 new joiners to the Force; that includes 284 Police officers, 204 staff, 40 PCSOs, 14 Special Constables and 56 community volunteers.

During this time we have dealt with 158,725 emergency calls with 94.3% answered in 10 seconds. We have also dealt with 320,203 non-emergency calls of which 69.1% were answered within 60 seconds. Above that we have had 31,285 online reports submitted to us with 11,466 being crime reports. In total we have recorded 94,632 recordable crimes

Every day we safeguarded numerous people across Leicestershire: during the year we have dealt with 4993 missing persons which is an average 13.6 missing people per day.

We have had 12,979 people that have passed through our custody suites who were under arrest, which is an average of 35.5 per day.

We have maintained lean and efficient functions across the Force, with HMICFRS comparisons showing us comparing favourably with other Forces nationally. In that context the efficiency savings proposal outlined in this report will reinforce the ongoing search for efficiencies that the Force has made across the past decade, and will provide focus to do so.

Challenges ahead include the omnipresence of a digital footprint of some sort in most offences, cross border criminality, and advances in technology, which occur at pace.

Within this budget we will seek to enhance our Criminal Justice work, ensure availability of our fleet and ensure our finance team can meet workload within payroll. We will also drive forward work on increasing public confidence, an enhanced Force and partnership response to rural crime, a focus on business crime, continued work on violent and serious & organised crime. We will set out to improve the quality of service to tackle domestic abuse, enhance work on prevention and early intervention and increase the use of volunteers and Neighbourhood Watch schemes. We will seek to ensure that the Force has the technology infrastructure to manage the rapid growth in data and digital material along with using technology to automate and become more efficient.

This proposal for a £10 Band D precept increase has my support. It enables us in a sustainable fashion to police communities across Leicester, Leicestershire and Rutland."

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

80. *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 Corporate Governance 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 2022-23", 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 and the 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 Corporate Governance 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 tax base and council tax surplus or deficits.

The Chief Constable has discussed the revenue and capital operational and Police and Crime Plan requirements (Appendix 1) for 2022-23 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.

This report presents a balanced budget over the MTFP period. The level of General Reserve, which should be held as a 'contingency of last resort' or to provide funds on a very short term basis, is held at £5m and there are no plans to utilise any of it over the next 4 years. This level of General Reserve is within the range expected and defined by the Reserves Strategy as set out earlier in the report.

In coming to my conclusion on the robustness of the budget I have also reviewed the separate papers on Capital Strategy (Appendix 3) and Treasury Management (Appendix 4).

Whilst a balanced budget is presented for the MTFP it is reasonable to assume that the financial and operational challenges will change over the course of the medium term. As such the MTFP contains the best estimates available at this point in time and assumptions contained within the MTFP are reasonable, prudent and will be updated as new information emerges.

I conclude, therefore, that the budget for 2022-23:

- 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 2022-23 to 2025-26
Appendix 2 Operational Requirement Budget Setting 2022-23
Appendix 3 Capital Strategy 2022-23
Appendix 4 Treasury Management Strategy

Background Papers

Provisional Police Funding Settlement 2022-23 – December 2021
Leicestershire Police and Crime Commissioner Precept Survey – January 2022

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