

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE

POLICE AND CRIME PANEL

Report of	OFFICE OF POLICE AND CRIME COMMISSIONER
Subject	PROPOSED PRECEPT 2023-24 AND MEDIUM-TERM FINANCIAL PLAN (MTFP)
Date	WEDNESDAY 1 FEBRUARY 2023
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Purpose of the Report

1. To present the 2023-24 Band D Precept Proposal and the additional considerations contained within it.
2. To present the Medium-Term Financial Plan (MTFP).

Recommendations

3. The Board is asked to:
 - a. Note the information presented in this report, including:
 - the total 2023-24 net budget requirement of £230.186m,
 - a council tax (precept) requirement for 2023-24 of £92.972m,
 - a transfer from the Budget Equalisation Reserve (BER) of £7.5m over the MTFP to fund Business Transformation costs as agreed at the Corporate Governance Board in July,
 - the transfer of £1m from Budget Equalisation Reserve to help reduce the budget deficit, with a view to longer term sustainability.
 - the use of the BER to fund an additional 1% (£1.1m) pay award costs for Police Officers and Police Staff if the pay award is above the 2% assumption included within the MTFP.
 - transfer of £0.6m from the OPCC reserve to the Force in order to support them in reducing the budget deficit and managing the financial challenge.
 - b. Support the proposal to increase the 2023-24 Precept by £15.00 per annum (5.81%) for police purposes to £273.2302 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 Review of the Medium-Term Financial Plan Budget Setting 2023-24 at Appendix 2, the Capital Strategy at Appendix 3 and the Treasury Management Strategy at Appendix 4.

Executive Summary

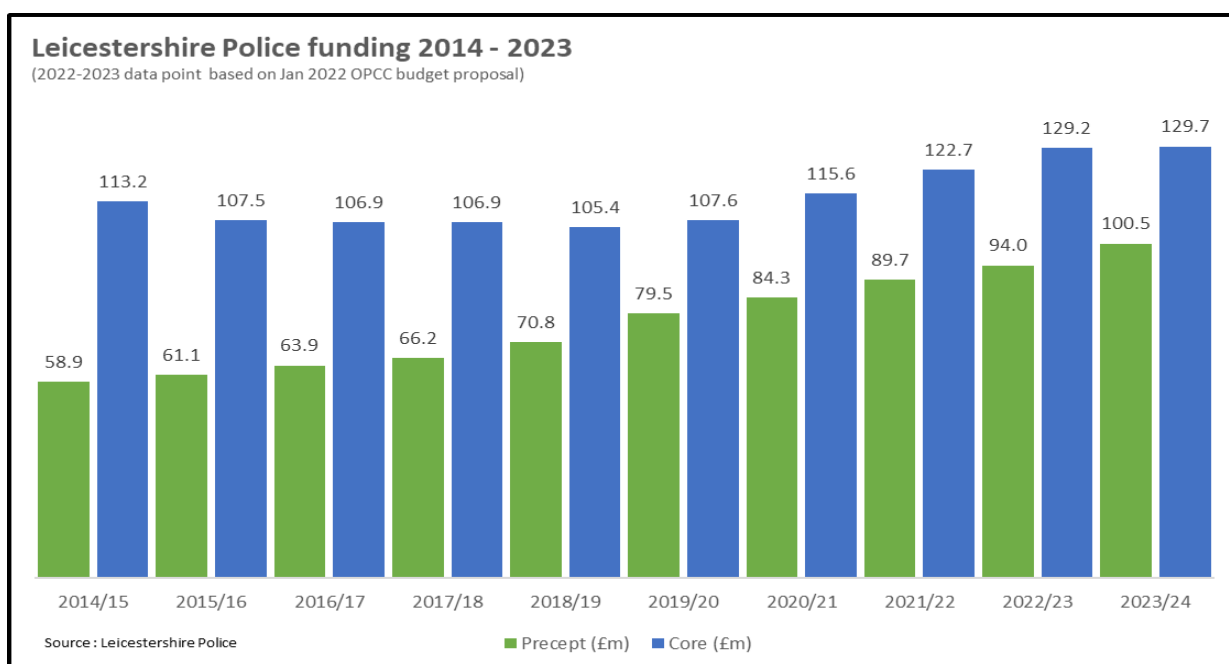
4. This report, and the Precept proposal, is the culmination of several months' work by the Office of the Police and Crime Commissioner (OPCC) and Force colleagues, and takes account of public and stakeholder consultation, key government announcements and economic pressures.
5. The Police Grant Provisional Settlement was announced on 14th December 2022 and confirmed a £0.3m increase in revenue grant funding. 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 2023-24 (See Appendix 2 – the Review of the Medium-Term Financial Plan Budget Setting 2023-24).
7. The Commissioner has been briefed on the current financial landscape, which has become a challenging one for policing. A nationally-set pay agreement for all Police officers and Police Staff, higher inflation, increasing energy and fuel costs and other inflationary pressures have put significant pressure on the Force's budget.
8. 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).
9. Other investment items totalling £2.239m are contained within the budget proposals for 2023-24 and beyond. This is to support organisational infrastructure and investment in digital transformation, deemed essential to deliver both service efficiency 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 use reserves to support the medium-term financial plan during a period of transition to a sustainable position.
11. In considering the proposed level of precept, the Commissioner was keen to consult with local residents regarding both their policing priorities and the level of precept they were prepared to pay. To this end he offered all residents of Leicester, Leicestershire and Rutland the opportunity to give their views. Due to the challenges outlined in paragraphs 6 and 7, the Commissioner informed respondents that, due to the challenges faced by the Force, if current service levels were to be protected the only option available to him is to levy a precept increase for local tax payers.
12. The survey asked if residents of LLR were prepared to pay an additional £10, £12 or £15 (on a Band D property) per year for policing services. There were 2,172 responses to the survey. Of these, 15% responses lived in Leicester, 73.8% lived in Leicestershire and 11.2% lived in Rutland. Overall, 50.3 % of respondents were supportive of a £15.00 Band D precept increase.

13. As part of the survey the Commissioner also asked the respondents to rank their priorities in relation to Policing, with 1 being the most important to the respondent and 6 being the least important. Respondents ranked the priority most important to them was 'Officers spending more time engaging with the public, problem solving, crime prevention and community policing'. The second most important priority was 'Technology to help our officers and staff out on patrol and improve investigations and fight crime'. The least important priority for the respondents was 'Victim Support Services'.
14. After careful consideration of these factors, the Commissioner is proposing a Band D precept increase of £15.00 per annum for the 2023-24 financial year in line with Home Office assumptions. The Commissioner will continue to allocate approximately 97.3% of the net revenue budget requirement of £230.186m 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

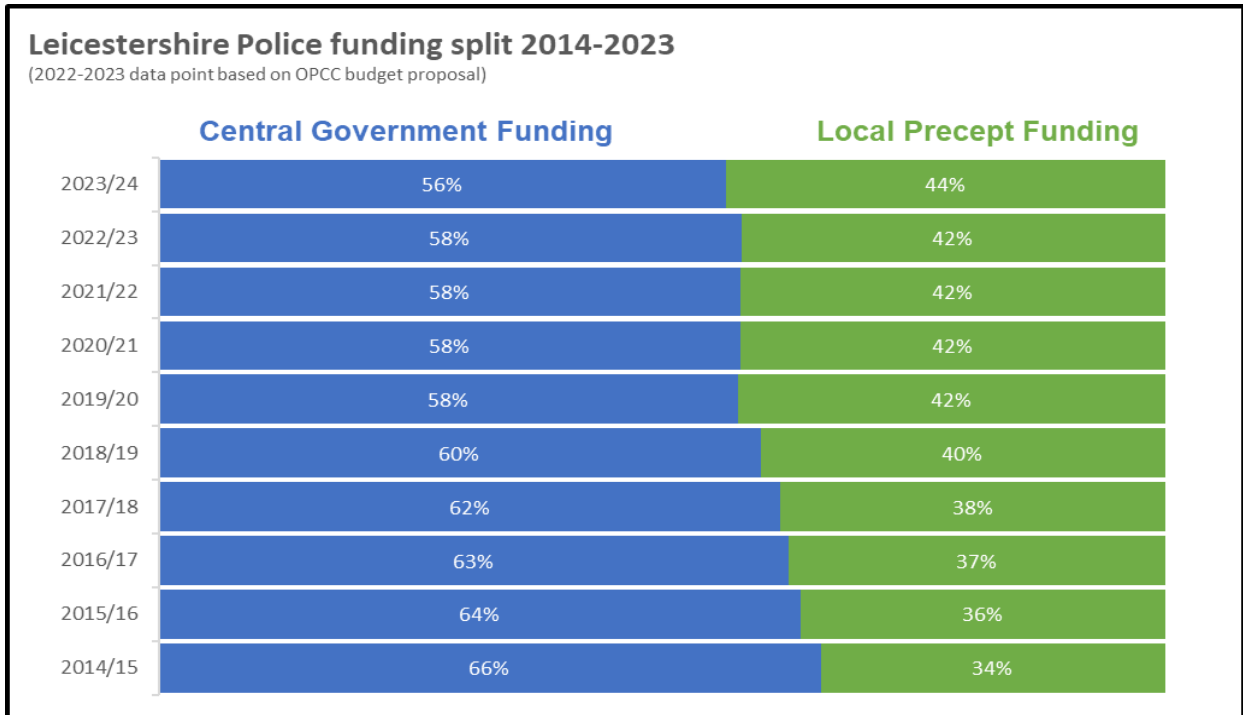
15. This section sets out some key information in relation to the policing area and the external factors that are driving demand which have a significant impact on policing in Leicester, Leicestershire and Rutland.
16. Chart 1 shows what has happened to core grant funding and the locally raised precept since 2013/14. It shows the actual cash grant received each year and does not consider the real terms reduction in funding.
17. The chart shows that core grant funding has increased from £113.2m in 2014-15 to £129.7m for 2023-24 an increase of 14.6%.
18. The graph also shows that the funding raised locally has increased significantly over the same period. In 2014-15 £58.9m was raised directly from residents of the area (and related grants) and for 2023-24 this will increase to £100.5m. An increase of £41.6m or 71% over the period.
19. In real terms government funding has been cut by 20% between 2010-2011 and 2022-23 and total funding has been cut by 6% during the same period.

Chart 1 - Leicestershire Police Funding 2014-2023



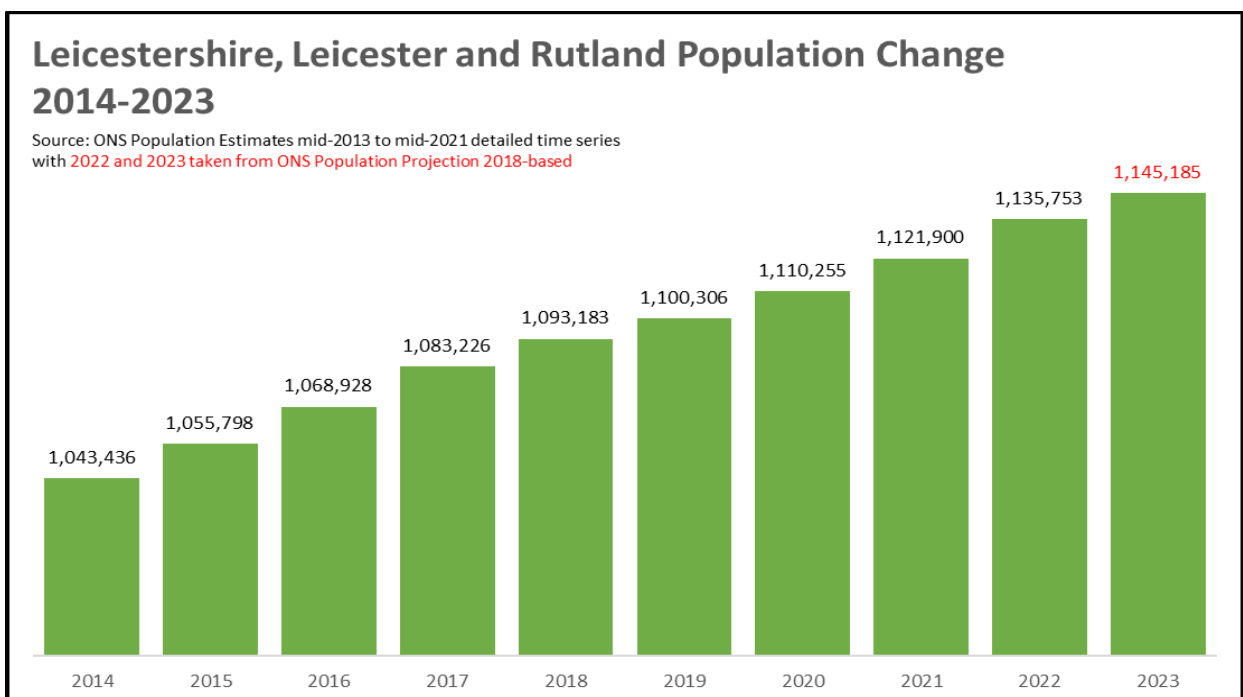
20. Chart 2 demonstrates how the total funding has moved between Core Grant and Precept Funding since 2013-14. It shows that in 2014-15 66% of the funding came from Core Grant with the balance of 34% coming from the local precept. For 2023-24 this has moved significantly to show that 56% of the total funding will come from Core Grant and that 44% of funding now comes directly from the local taxpayer (and related grants).

Chart 2 - Leicestershire Police Funding Split 2014-2023



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

Chart 3 – LLR Population Change 2014-2023



22. The below table shows how the demand for the service has changed over the last 6 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 for 2022 further underlines the point as detailed below:

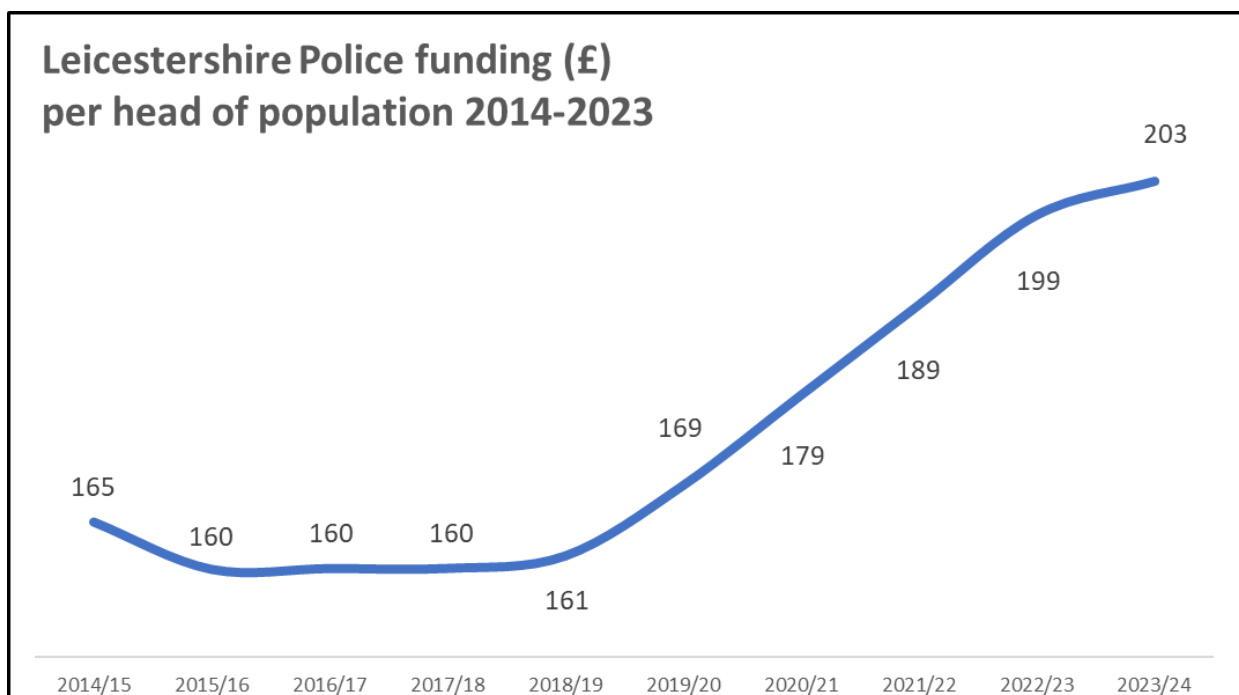
	2016	2022	% Change
999 Calls	133,298	194,114	45.6%
101 Calls	489,160	303,619	-37.9%
Number of child referrals to Child protection teams	11,292	20,507	81.6%
Domestic crime and incident	20,561	24,996	21.6%
Missing Persons Incidents	6021	6981	15.9%

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

23. 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 £203 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.

24. Leicestershire Police funding per head of the population is the 13th lowest in the country.

Chart 4 - Leicestershire Police Funding by Population 2014-2023



Grant Settlement 2023-24

25. On the 12th December 2022 the Government released local government finance policy statement 2023-24 to 2024-25, which set out its intentions for local government finance settlement for the next two years. The policy statement states:

- a. A £15 referendum principle on Band D bills for Police and Crime Commissioners.

26. The Provisional Police Grant Settlement was announced on 14th December 2022. The Home Office are obtaining feedback from stakeholders on the contents of the provisional settlement and the final settlement is expected in January 2023.
27. The increased Core and Ex-MHCLG funding quoted for Leicestershire is £0.3m. The overall increase in funding is broken down as follows:

	2022-23	2023-24	£m	%
	£m	£m	Increase	Increase
Home Office Core Funding	79.8	80.0	0.2	0.3%
Ex-MHCLG Formula Funding	47.6	47.7	0.1	0.2%
Council Tax Support Grant*	7.0	7.0	0.0	0.0%
Council Tax Freeze Grant	1.9	1.9	0.0	0.0%
Precept & Collection Fund	86.9	93.5	6.6	7.6%
Total	223.2	230.1	6.9	3.1%

NB. Excludes £4.1m Home Office Uplift Grant & £1.9m Home Office Pension Grant

28. The additional precept funding is only delivered if the Policing element of the Band D Council Tax bill increases by £15.00 (5.81%) from £258.23 to £273.23. This generates an extra £6.5m in revenue funding based on a Band D tax base of 340,271 and an estimated Collection Fund surplus of £0.5m.
29. 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

30. 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.
31. The total tax base is used to calculate the total precept that will be collected by billing authorities on behalf of the Commissioner.
32. In 2022-23 the tax base used in setting the budget for the Commissioner was 334,801 Band D equivalent properties. For 2023-24 this has increased to 340,271 Band D equivalent properties.
33. The collection fund surplus for 2023-24 is currently estimated at £0.5m. This is currently an estimate as awaiting confirmation from billing authorities which is expected late January/early February 2023.

Council Tax Referendum Limit

34. 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.
35. 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 2023-24, Police and Crime Commissioners can increase their precept on a Band D property by up to £15.00 without triggering a referendum.

Risks

36. There are number of financial risks within the draft budget requirement, as summarised below:
- a. Pay inflation – is included for 2023-24 at 2% and for each year over the MTFP period. However, the Home Office has suggested that PCC's should plan for a 2023 pay award in excess of 2%. The pay award will be subjected to independent pay review and treasury ratification in the Autumn. It has been agreed that any costs in excess of 2% will be funded from the Budget Equalisation Reserve (BER) for 2023-24 and be included in the base budget for future years.
 - b. Increase in Fuel Duty – a 12p increase in fuel duty could be implemented in 2023-24 (previous budgets cancelled previously announced increases). The Chancellor will confirm on the 15th March whether the planned increase will go ahead. This would put further pressure on the fuel budget of approximately £0.1m
 - c. In the 2022 Autumn Statement the Chancellor announced that from the 1st April 2023, business rate bills in England will be updated to reflect changes in property values since the last valuation in 2017. Whilst a package of targeted support worth £13.6 billion over the next 5 years will support organisations as they transition to the new bills, it is not yet known how the police estate will be impacted by these changes, and any increase in costs will have to be managed in year.
 - d. 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 budget to cover the job evaluation team cost. Pay protection and ongoing pay costs have been estimated at £4.0m over the MTFP period, with a further £2.5m estimated costs in 2027-28. 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 April 2024. This remains a financial risk until the pay assimilation is completed, the actual costs are confirmed and options to fund these costs are developed.
 - e. 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. Claimants have lodged claims for compensation under two active sets of litigation, Aarons and Penningtons. Government Legal Department settled the injury to feelings claims for Aarons on behalf of Chief Officers without seeking any financial contributions. Pecuniary loss claims are due to be heard by the Employment Tribunal in December 2022. The settlement of the injury to feelings claims for Aarons sets a helpful precedent. As at 31 March 2022, it is not possible to reliably estimate the extent or likelihood of the Pennington claims being successful. Given this uncertainty, no liability costs are currently included in the MTFP.
 - f. Emergency Services Network (ESN) – The Emergency Services Mobile Communications Programme (ESMCP) have announced a further delay of at least 3 years. The earliest transition date for the Force is now September 2027. The continuing airwave costs have been included in the IT budget. Due to the delay, budgetary provision has been made in the Capital Programme for a complete refresh of the airwave terminals as these are now beyond economic repair at a cost of £1.54m. Due to the delay in the ESN rollout the project resources have been scaled back for 2023-24 and no running costs are included as these should not be incurred until 2028-29.
 - g. Digital transformation and Cloud migration – the Force has developed a digital transformation strategy, part of 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.

- h. In 2024-25 an increase in the Employers pension contribution rate of 3.5% (£3.1m) is expected and has been included within the MTFP from 2024-25 onwards. As of yet there is no indication that this will be funded by Central Government.

Base Budget Preparation, Approach, and Scrutiny

- 37. 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.
- 38. The Force continues to consider key corporate risks when setting the budget.
- 39. 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.
- 40. 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.
- 41. 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.
- 42. 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.
- 43. The revised four-year financial forecast and, in particular, the 2023-24 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.
- 44. 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 2023-24. 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.
- 45. 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.
- 46. 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.
- 47. 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 18th January 2023, at which, agreement of the Force budget for 2023-24 between the Commissioner and the Chief Constable was reached.

Revenue Budget 2023-24

48. The base budget for 2023-24 has been built based upon the 'budget rules' which are consistent with previous years and the risk based approach outlined earlier in the report.

49. In line with this approach, the Panel is advised that the total net budget requirement in 2023-24 is £230.186m. This equates to an increase of £6.93m (3.1%) from the 2022-23 net budget requirement level of £223.258m (see Appendix 1).

50. The table overleaf summarises the 2023-24 draft budget requirement:

	£	£
2023-24 Base Budget Requirement (Gross)		
Police Officer Pay & Allowances	126,328,395	
Staff & PCSO Pay & Allowances	62,891,957	
Regional Collaboration	9,848,533	
Police Officer Pensions	3,802,012	
Non-Pay Expenditure	46,249,877	
Inflation Contingency	3,678,930	
Income	(16,621,400)	
Office of the Police and Crime Commissioner	1,631,712	
Commissioning	4,560,292	
TOTAL		242,370,308

There are other budget streams which when added to the above makes up the 2023-24 net budget requirement. These are listed below.

	£	£
2023-24 Base Budget Requirement (Gross)		242,370,308
Investment	2,239,086	
Specific Grants	(1,278,828)	
Home Office Pension Grant	(1,902,540)	
Home Office Uplift Grant	(4,100,000)	
Transfers to / (from) liability & equipment reserves	35,876	
Efficiency Savings	(3,914,020)	
Transfer from BER for specific projects	(1,400,590)	
General transfer to / (from) reserves	(982,347)	
Transfers to / (from) other reserves	(880,931)	
2023-24 Base Budget Requirement (Net)		230,186,014

51. 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.
 - The 2022 pay award of £1,900 per officer
 - Changes to the effective rates for National Insurance and Pension contributions. The Social Care Levy of 1.25% has been removed (the Police Grant has been adjusted for this).
 - A full time equivalent (FTE) establishment of 2,242 officers, this is 35 officers above the threshold to receive the police uplift grant.
 - To receive the 2023-24 Police Uplift Grant of £4.1m the Force needs to have 2,295 officers (headcount) on the 31st March 2024.

The officer establishment of 2,242 includes a number of funded posts. Where future transformation and modernisation is required to mitigate future funding deficits, the establishment may need to be reviewed.

Financial year 2022-23 was the last year of the Government's uplift programme for police Officers. 2023-24 will be focussed on maintaining the uplift numbers of 297 officers. Whilst receipt of the Police Uplift Grant will be linked to the maintenance of police officer numbers, the detail is yet to be published.

- **Support Staff & Police Community Support Officers (PCSOs)** – The budget is based on 1,406 FTEs which includes the investment posts approved in 2022-23 to address demand. Employer's National Insurance has been reduced by 1.25% to remove the Social Care levy. The September 2022 pay award of £1,900 has been budgeted for. This equates to approximately a 5% increase. This was above the 2022-23 pay award provision of 2% and no additional grant funding was received.

The Force is also currently undertaking Job Evaluation of its police staff posts and estimated pay protection and related costs of £4.0m have been included within the MTFP, with a further £2.5m 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 2023-24 is £9.8m (full requirement) which is still subject to ratification by regional PCCs at the time of writing this report. This includes the cost of the Regional Organised Crime Unit (ROCU) uplift officers.
- **Non-pay** – In common with other public sector organisations the Force has had to manage the consequences of higher inflation rates than forecast in the MTFP. This has caused particular pressures for IT, utilities and contracts related expenditure. The most significant increases include:
 - IT systems / hardware maintenance £1.2m
 - Network and radio equipment hire £0.09m
 - Software Licences / Purchases £0.17m
 - Infrastructure maintenance £0.1m
 - Dangerous dogs £0.15m
 - Gas £0.47m
 - Electricity £0.74m
 - Cleaning Contract £0.1m
 - Estate Repairs, planned maintenance and Service Contracts £0.142m

The energy markets continue to be volatile. Whilst a new business support package from the 1st April 2023 is being announced on the 10th January, it is unlikely that the Force will benefit from this. The gas and electricity for the financial year 2023-24 is currently being purchased by Crown Commercial Services, and there are indications that utility costs will increase by £1.21m during 2023-24 to £2.9m. Any further increases may require additional in year funding.

Investments

52. Investment items totalling £2.239m are contained within the budget proposals for 2023-24. This includes additional resources and organisational infrastructure deemed essential to deliver both service transformation and support for the growth in officer numbers. Of the £2.239m investments, a total of £1.34m will be funded through the Budget Equalisation Reserve. The investments include:
- a) Redaction software £0.08m.
 - b) Salary costs necessary to meet changes in demand of £0.47m.
 - c) Increase in resources to deliver IT Transformation, including transitioning to the Cloud £0.8m.
 - d) The implementation of a new digital forensic solution for the processing of mobile devices £0.8m.
 - e) Resources for the People Directorate to invest in transforming the service £0.4m.
 - f) UKAS Accreditation costs of £0.04m.

Capital Strategy, Capital Programme and Treasury Management Strategy

53. The Capital Strategy 2023-24 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.
54. The Capital Programme includes investment in operational areas of premises, IT and vehicle fleet.
55. The Emergency Services Mobile Communications Programme (ESMCP) have announced a further delay of at least 3 years. The earliest transition date for the Force is now September 2027. The continuing airwave costs have been included in the IT budget. Due to the delay, budgetary provision has been made in the Capital Programme for a complete refresh of the airwave terminals as these are now beyond economic repair at a cost of £1.54m.
56. 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)

57. 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.
58. 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 2027. 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 2023-24 and no indication of potential funding beyond next financial year.

59. 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.
60. In 2023-24, the Commissioner will allocate approximately 97.3% of the net budget requirement to the Chief Constable for use on local policing and regional collaborations.
61. 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 2024-25, 2025-26 and 2026-27 respectively.
 - b. All existing council tax related grants continue up to and including 2026-27.
 - c. Core Government funding increases by 1.93% in 2023-24 and 1.63 in 2024-25. The uplift grant has been increased from £2m in 2022-23 to £4.1m in 2023-24 to support the growth in officer numbers.
 - d. The precept increases by £15.00 per Band D equivalent property for 2023-24 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 2023-24, and each year thereafter. The 2023-24 pay award could be higher than 2% but this will not be confirmed until the Autumn. Any increase above 2% would require additional funding which the PCC has agreed can be met from reserves for 2023-24, with ongoing costs to be included in the base budget.
 - f. In 2024-25 an increase in the Employers pension contribution rate of 3.5% (£3.1m) has been included within the MTFP from 2024-25 onwards. As of yet there is no indication that this will be funded by Central Government and therefore no provision has been included for this. If the Government do provide funding for the Employers pension contribution this would reduce the deficit in 2024/25 and future years by up to £3.1m per year.
 - g. Non-pay inflation is included at 2% for certain goods and services for 2023-24 and for each year thereafter. Utility and vehicle fuel inflation is included at significantly higher rates in line with market forecasts. IT contractual inflation is included at actual rates averaging 10%.
 - h. At this stage, there are no significant impacts on grant funding incorporated into the MTFP from the Funding Formula Review.
 - i. No additional, unfunded responsibilities are given to the Commissioner.
 - j. Further borrowing beyond the capital programme is not required.
62. Taking into account the above assumptions, the position is as follows:

Summary of the Budget Requirements (see Appendix 1 for detailed analysis)				
	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Net Budget Requirement	236.1	245.0	251.6	260.2
Net Funding	230.2	237.2	242.2	247.3
Funding Gap / (Surplus)	5.9	7.8	9.4	12.9
Reductions:				
Efficiency Savings	-3.9			
Scaling back on investments	-0.4			
Contribution from OPCC	-0.6			
Use of BER	-1.0			
Revised Funding Gap / (Surplus)	0.0	7.8	9.4	12.9

Efficiency Savings

63. As part of the budget proposals, the Commissioner has agreed with the Chief Constable that an efficiency savings target of £3.9m will be included within the MTFP in order close the funding gap for 2023-24. Any year on year efficiency savings realised in 2023-24 will be built into the MTFP and will contribute towards reducing the deficits in future years.

64. A number of options are being explored for 2023-24 including the following:

- Reducing police staff establishment by up to 8%,
- Reduction in Regional Collaboration cost,
- Reduction in non-pay costs.

65. An efficiency savings plan for future years will be developed by the Force over the next 12 months.

Use of Reserves and Balances

66. In considering the 2023-24 budget, the Commissioner has reviewed all of the reserves held.

67. In January 2023 a Reserves Strategy was agreed which set out the following 'guiding principles' for managing reserves:

- As per the Home Office guiding principles the General fund reserves should be in the range of 2% to 5% of the total net budget (between £4.60m and £11.51m based on the 2023-24 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.

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

a. General Reserve

There is a General Reserve which will be reduced to 2.2% of the net revenue expenditure for 2023-24 (cash value maintained at £5m) and is within the recommended limits referred to above. The General Reserve balance will return to 2.3% of net revenue expenditure in future years. 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 2023-24 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 £13.7m at 31st March 2023, decreasing to £4.3m by 31st March 2027. Its purpose when established was twofold:

1. To fund 'invest to save' and other new initiatives and investments.
2. To recognise that some savings would take time to implement and to smooth the impact of these changes

It is proposed that £7.5m of the BER is used during the MTFP period to fund ongoing historical investigations of £0.3m, Job Evaluation Pay protection costs of £0.2m and Business Transformation costs of £7m. An additional £1m has been earmarked against the BER to fund pay award costs above the 2% assumption included within the MTFP. An additional £1m has been used to meet the budget deficit with a view to longer term sustainability and invest to save. This will reduce the BER to £4.2m at the end of the MTFP period.

c. Earmarked Reserves

The Commissioner currently holds a number of Earmarked Reserves which at 31 March 2024 are estimated to total £6.5m (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. The PCC agreed to transfer £620k from the OPCC reserves to the force to help manage the budget deficit for 2023-24.

Civil Claims £1.3m – This reserve holds funds set aside where considered prudent for Civil Claims (Public and Employer liability) in line with professional advice.

Capital Reserve £0.3m – to support future Capital expenditure.

Proceeds of Economic Crime - £1.6m – reserve funded from proceeds of crime, used to support the Force's capability in specific investigative areas.

69. 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
Investments	-1.341
Funding 2023/24 Base Budget	-0.982
	<u>-2.383</u>
<u>Other Earmarked Reserves</u>	
Economic Crime (POCA)	-0.010
Equipment Reserve	-0.269
Team Leicestershire Academy (Legacy)	-0.227
MAPPA	-0.024
Commissioning	-0.620
	<u>-1.150</u>
	<u>-3.533</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)	
Earmarked Reserves	<u><u>-3.228</u></u>

Office of the Police and Crime Commissioner

70. 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 2022-23.

71. The total cost of the Office of the Police and Crime Commissioner is £1.63m, which is a net increase of £64k from 2022-23. 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 77% of total office expenditure.

72. 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 39.9% to £90k for 2023-24 as a consequence of changes in the nationally agreed rates.

73. Detailed budgets for the office are available upon request.

74. The main costs are summarised overleaf:

	<u>£000</u>
Staffing	1,259
Transport	8
Supplies and Services	365
Total Expenditure	<u>1,632</u>
Income (MOJ Grant)	<u>(82)</u>
Net Expenditure	<u><u>1,550</u></u>

Commissioning

75. The Commissioning Framework for 2023-24 aligns to the priorities contained within the Police and Crime Plan and provides a budget of £4.560m. The commissioning budget held by the OPCC has remained the same as a proportion of the overall budget.

76. The budget is funded as follows:

	£000
Base budget	3,363
Ministry of Justice Grant	<u>1,197</u>
Total funding	<u><u>4,560</u></u>

77. The 2023-24 Commissioning Budget includes £0.4m for small grants to Community Organisations which are awarded at the discretion of the Commissioner.

78. The Ministry of Justice (MoJ) Victims and Witnesses Grant has been confirmed at £1.279m for 2023/24 and 2024/25.

79. 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 2023-24. The OPCC has already secured additional funding of £3.5m for 2022-23, £2.3m for 2023-24 and £2.2m for 2024-25.

Precept Proposal

80. 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 assumptions to maximise resources for operational policing.

81. 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

82. In proposing the precept the PCC has sought views from the Chief Constable and his statement on the PCC's precept proposal for 2023/24 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 advice to the PCC is that he should seek a £15.00 increase for Band D properties and its equivalents for other bands. The external environment and the 2022/2023 pay award have created £9.9 million of in-year cost pressures that will run into the Medium-Term Financial Plan. Despite a proposed £15.00 precept increase, the force will be required to manage significant efficiencies and savings in order to meet budgetary pressures. An

increase is necessary, in my opinion, in order to find sustainable options financially and operationally in the short and medium-term.

It is necessary for me to point out that the force continues to see an increase in demand; national requirements linked with accreditation have risen; and the latest census confirmed a 10% growth in population.

My advice to the PCC is that we sustain officer numbers in order to maintain and manage our service to local communities. With details of the budget settlement now available, we have modelled maintaining 2,242 police officers. This means the force continues to benefit from the national 'uplift' programme and we will seek to pass those benefits on to the people of Leicester, Leicestershire and Rutland operationally, efficiently and sustainably.

The force will also need to find efficiencies and reductions through a range of measures, implemented steadily, in a manner which protects performance and service. Initial plans and further details will be set out elsewhere at an operational level.

As Chief Constable, it is my priority to deliver a clear focus on the force's core service, high standards and sustainability. Those elements will be at the heart of the next phase of Leicestershire Police's transformation and change."

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

83. *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 2023-24", 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, capital, operational and Police and Crime Plan requirements (Appendix 2) for 2023-24 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 details that the budget can be balanced for 2023-24 with the use of the Budget Equalisation Reserve (BER) and the delivery of £3.9m efficiency savings. The Force has identified a number of areas for potential savings and a detailed plan will be worked up in the next few weeks and months. I am confident that the Force will be able to deliver the cashable efficiencies in order to meet the budget.

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 2.2% for 2023/24 or cash value of £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 2023-24 with the use of reserves and an achievable efficiency target, the MTFP shows that in 2024-25 and beyond there are financial deficits. The PCC has asked the Chief Constable to develop plans with a view to creating further efficiencies and to achieve further cashable savings. 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 2023-24:

- 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.*
- 4. Includes an achievable efficiency savings target however, the financial landscape after 2024-25 is challenging and further savings will need to be realised in order to close the budget deficit.*

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.
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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 2023-24 to 2026-27

Appendix 2 Review of the Medium-Term Financial Plan Budget Setting 2023-24

Appendix 3 Capital Strategy 2023-24

Appendix 4 Treasury Management Strategy 2023-24

Background Papers

Provisional Police Funding Settlement 2023-24 – December 2022

Leicestershire Police and Crime Commissioner Precept Survey – January 2023

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