

Police and Crime Panel

Meeting to be held on 1 February 2022

Police and Crime Commissioner's Precept Proposal 2022/23
(Appendix A refers)

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EXECUTIVE SUMMARY

This report sets out the latest forecast for the Police and Crime budgets in Lancashire for 2022/23 and the proposals in relation to the council tax precept.

RECOMMENDATION

The Police and Crime Panel is asked to;

- Note the details of the 2022/23 provisional police finance settlement, cost pressures and investments and the impact on Lancashire's budget.
- Consider the Commissioner's proposal to increase the council tax precept by £10 (4.42%) for a Band D property in 2022/23.
- Make arrangements to ensure that a formal written response to the proposals is sent to the Commissioner by 8th February 2022.
- Note the draft capital investment programme for the period 2022/23 to 2026/27.
- Note the position of the Commissioner's reserves in 2022/23 and future years

1. Introduction

- 1.1. The Police and Crime Commissioner has a statutory requirement to set an annual Police and Crime budget and, as part of that process, to notify the Police and Crime Panel regarding any proposals in relation to the council tax precept. This report sets out the latest forecast for the Police and Crime budgets in Lancashire for 2022/23 and the proposals in relation to the precept.
- 1.2. Included in the report is the current financial position that reflects the changes in the level of resources, additional cost pressures, reductions in the cost base and the identification of additional savings agreed by the Commissioner since setting the budget for 2021/22. The report sets out:
 - The draft revenue budget for 2022/23
 - The council tax proposal for 2022/23, and
 - The draft capital investment programme
- 1.3. In addition, the report sets out the advice of the Commissioner's Chief Finance Officer on the robustness of the budget and the adequacy of the level of reserves as required by section 25 of the Local Government Act 2003.

2. Background

- 2.1. This report identifies the current provisional funding position for 2022/23. It also identifies the cost pressures that have emerged, savings required, and investment needed for policing in Lancashire. The impact of the proposals for the 2022/23 budget are identified in an updated Medium Term Financial Strategy (MTFS) shown later in the report.
- 2.2. The budget for 2022/23 reflects the funding announcement made by the Police and Fire Minister in his statement on 16th December 2021.

3. Revenue Budget 2022/23

3.1. *Funding*

3.1.1. *Government funding*

The government announced the Provisional Police Grant Settlement on 16th December 2021. Lancashire has been allocated police grant of £230.767m that includes funding for the costs arising due to the recruitment of an additional 204 officers as part of the national 'uplift' programme.

Also provided is a separate specific grant of £3.436m that the government has linked to the delivery of the uplift programme. This will be received during the year when recruitment of the officers is confirmed as delivered.

3.1.2. *Council Tax*

It is assumed that the council taxbase in Lancashire will **increase by 1% in 2022/23** based on the latest estimates received from Lancashire's billing authorities and national trends.

The forecast reflects the recovery of the council tax income deficit in 2020/21 that resulted from the impact of Covid.

The shortfall in council tax income in 2020/21 for the PCC was £1.224m, the government permitted all local authorities to repay that deficit over a period of three years. The impact for the PCC is a deficit in 2022/23 of £0.408m which is reflected in the forecast of total income.

Final figures, for the taxbase for 2022/23 and the deficit for 2021/22, are required from billing authorities by 31st January 2022 and have not been received to be included in this report. The final figures will be reflected in the formal budget decision made by the Commissioner.

3.1.3. The funding available to the PCC in 2022/23 based upon these assumptions is:

	2022/23 £m
Police grant	230.767
Pensions grant	3.104
Specific grant - Uplift	3.436
Specific grants (Counter Terror team and Victim Services)	3.358
Council Tax 2022/23	101.259
Council tax deficit from 2021/22	-0.408
Total Funding	341.516

Spending requirement 2022/23

3.2. *Uplift programme (£9.9m)*

3.2.1. **Uplift**

The cost of delivering the **uplift** programme in Lancashire providing an additional 204 officers in 2022/23 is **£9.9m**. This includes the direct pay costs of the additional officers plus the cost of support services, the infrastructure and equipment required to service the increased workforce and the investment needed in additional front-line support resulting from the increased workload generated by the increase in officer numbers.

The allocation of 204 officers includes 11 that will be provided to the North West Regional Organised Crime Unit giving 193 additional officers in Lancashire Constabulary

The cost reflects that the additional officers will be recruited throughout the year and is therefore not the full annual cost of 193 officers, a further impact will be included in the 2023/24 budget to reflect the total annual cost of the officers.

3.3. *Cost increases (£10.6m)*

3.3.1. **Pay**

We have made allowance for a pay award increase of up to 3% from 1 September 2022 based upon the latest information available and dependent upon the ongoing pay negotiations. This would give a cost pressure of **£4.725m** in 2022/23.

3.3.2. **Employer National Insurance contributions**

The Chancellor announced an increase in national insurance contributions for employers from 1st April 2022. The impact for Lancashire is an increase in cost estimated to be **£2m** in 2022/23.

3.3.3. **Increased cost of injury awards**

The cost of each award made to individuals injured whilst at work continues to increase each year, this has given a further **pressure of £0.200m** in 2022/23.

The PCC scrutinises such awards and the constabulary seeks to ensure the number of cases is minimised through effective working practices.

3.3.4. **Inflation on non-pay costs**

Inflation is provided for non-staff costs incurred by the organisation totalling **£1m**; this reflects increases that are contractually agreed as well as a general provision for increased costs.

3.3.5. **Force control room project officers**

To ensure the force control room is operating as effectively and efficiently as possible an investment of £0.075m is being made to introduce two project officer posts.

These posts will monitor performance and deliver continuous improvement for the contact centre ensuring the service provided to the public in this vital part of the business is as effective as possible.

3.3.6. **Other costs**

Various cost pressures have been identified across the organisation totalling **£2.6m**:

	£m	
Full year effect of previous year's budget decision	1.000	To reflect the total annual cost of cost pressures and savings identified in budget decision for 2021/22
Mobile phone contract	0.330	Increased cost of mobile phone and data contract
Fleet review	0.060	Additional investment in fleet operation resulting from service review
Reduced vacancy allowance	0.500	During current period of significant additional recruitment to the organisation the ability to realise vacancy savings is reduced
Revenue impact of capital investment	0.660	Increases to revenue budgets to meet ongoing costs resulting from capital investment in accommodation and IT infrastructure
Utilities	0.050	Increased cost for utilities
	2.600	

3.4. Cost reductions/Savings

3.4.1. An on-going process to review the organisation's activity and identify cost reductions and savings is in place and has identified savings that will be delivered in 2022/23 as follows:

	£m	
Capital financing	0.455	Lower than previously forecast spend on capital projects has reduced requirement for the funding of borrowing
Employer pension contributions	1.700	Saving realised through 'up-front' payment of employer pension contributions (year 3 of 3 saving)
Overtime	1.000	Reduction in amount of overtime incurred
Ill-health retirements	0.428	The number of ill health retirements has reduced from 25 to 20 (on average) enabling a reduction in the budget required
Hire vehicles	0.128	Reduction in amount of vehicle hire across all departments
Fleet	0.198	Withdrawal of a number of non-responding vehicles from the fleet
ICT licences	0.380	Reduced number of licences required
Youth Justice service	0.173	Reduced contribution to the service
Increased income	0.156	From firearms and public order training and the recovery of legal costs
Departmental savings	0.056	A number of small departmental savings across the organisation
Staff savings	1.549	Reduction of 50 fte staff posts
Further savings	1.432	Process to deliver further permanent savings is on-going and will deliver against the target during 2022/23
Total	7.655	

3.5. Investment in policing (£4.701m)

3.5.1. 2022/23 represents the final year for the delivery of the national police uplift programme delivering 20,000 additional police officers for England and Wales. By 31 March 2022 Lancashire will have delivered an additional 303 officers as part of the programme. In 2022/23 a further 193 officers will be recruited in Lancashire using the funding provided by the government in the police settlement for 2022/23.

3.5.2. The savings identified in 3.4 will ensure the cost pressures identified for 2022/23 are met.

3.5.3. The Commissioner and Chief Constable have identified further investment in policing in Lancashire to deliver the Commissioner's police and crime plan and the governments beating crime plan.

3.5.4. Investment over and above the uplift programme is proposed in:

	£m	
Additional investment in police officers (45)	3.000	20 additional officers in a county wide RASSO (Rape and Serious Sexual Offences) team 17 additional neighbourhood officers across the three divisions 4 PCs, 3 Sergeants, 1 Inspector for the rural taskforce
Rural policing equipment	0.150	Investment in equipment to support the rural taskforce

Contribution to capital investment	1.595	Increase in the annual revenue budget to support on-going capital investment in the Critical Policing Infrastructure programme
	4.745	

3.6. *Budget position 2022/23*

	£m
Budget Requirement 2021/22	328.398
Plus:	
Uplift programme	9.900
Cost pressures	10.600
Investment in policing	4.745
Less: Savings and cost reductions	-7.655
Budget Requirement 2022/23	345.988
Funding 2022/23	341.516
Funding Requirement 2022/23	4.472

3.6.1. To meet this requirement and **deliver the investment for policing in Lancashire** as set out in 3.5 **the Commissioner proposes to increase council tax for a Band D property by £10 (4.42%)** providing additional income of £4.472m in 2022/23.

3.7. *Risks and uncertainties*

3.7.1. There are a number of risks and uncertainties that will impact upon the final position for 2022/23 and the MTFs for future years:

3.7.2. **Council Taxbase**

District and Unitary Councils have not yet provided the final taxbase figures to determine the 2022/23 budget position. There is a risk that the expected level of council tax income will be different to the figures included in this report.

For every 1% change in taxbase the level of income to the PCC changes by £1m

3.7.3. **Council tax deficit**

The amount of council tax deficit that requires repayment in 2022/23 will only be finalised when billing authorities have completed their respective year-end returns. As a result, the amount to be paid in 2022/23 may differ from that included in this report and the impact will have to be managed within the new financial year.

3.7.4. **Inflation and pay award**

Recent announcements about the rate of inflation and the forecast of future rates indicate that there will be significant pressure placed upon budgets in future years. The level of inflation remains uncertain and will be closely monitored as part of the continuing financial planning process.

In turn it is expected that this pressure will impact upon the level of pay award made to police officers and staff which will directly affect the PCC budget in future years.

3.7.5. Impact of the Covid pandemic

The impact of the pandemic has a direct impact on the delivery of policing services in Lancashire and the demands placed upon the force. This is expected to continue in 2022/23 with little certainty about how long and how significant the impact will be.

The broader impact of the pandemic on the economy and government finances is uncertain and it is not unreasonable to anticipate significant stress on government spending as a result.

It is widely anticipated that funding for public services in future years will be severely restricted which will in turn directly affect budgets for policing.

3.7.6. Additional government funding

The three-year funding announcement made by the Minister of Policing in December 2021, and the financial settlement provided, is welcomed as it gives greater certainty to inform financial planning over the spending review period.

The Minister also indicated that there will be additional funding for a number of areas including for Serious Violence, Violence Against Women and Girls and for Victims of Domestic and Sexual Abuse over the three-year funding period.

The amount of funding for these areas remains uncertain at this time and will be announced in the coming months.

4. Medium Term Financial Strategy

4.1. Setting the 2022/23 revenue budget forms part of the overall Medium Term Financial Strategy (MTFS) process for the Police and Crime Commissioner. The MTFS is based on information provided by central government regarding future funding, together with professional judgement and assumptions on future levels of council tax receipts, cost pressures including inflation and pay and demand for services. From this, the level of savings required to deliver a balanced budget in future years is forecast and the Commissioner and the Chief Constable then work together to develop options to drive out further efficiencies and deliver the required savings in future years.

4.2. In his announcement on 16th December 2021, the Policing and Fire Minister confirmed the Provisional Funding Settlement for Policing for 2022/23 and provided an indication of the level of total funding in the next two financial years.

4.3. The MTFS includes the following assumptions:

- Grant funding from government will reflect the levels announced by the minister.
- The council tax proposal in this report is accepted.
- The council taxbase will grow in future years by 1% each year
- No increase in council tax precept in future years is assumed
- The 2020/21 council tax deficit will be recovered over three years
- Pay award of 3% in 2022/23 and 2% in both 2023/24 and 2024/25
- No identified savings have been included for 2023/24 or 2024/25
- These assumptions give rise to a range of potential outcomes but the scenario in the following table is currently considered the 'worst case' position:

	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m
Funding	345.988	349.515	354.696	
Budget Requirement	345.988	364.789	358.420	
Funding Gap	0	15.273	3.724	18.997

4.4. As is always the case, the additional level of forecast savings required in future years is dependent upon future funding announcements and financial settlements. Therefore, the figures quoted above are likely to change.

4.5. *Developing Savings Options*

- 4.5.1. Lancashire is recognised by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) as 'outstanding' in its use of resources and the efficiency of its financial management.
- 4.5.2. This has enabled the Commissioner to reinvest efficiency savings in the delivery of enhanced neighbourhood policing as set out in this report.
- 4.5.3. In future years, the requirement for further savings will be influenced directly by the level of financial support from the government.
- 4.5.4. The ability to deliver savings is directly affected by the national uplift programme. In order to deliver the uplift, and ensure the additional funding provided for the programme is received, police officer number must increase by the allocated amount each year. This means that efficiency savings made in policing cannot be 'realised' through reductions in officer numbers. This increases the pressure on police staff roles and non-pay spending to deliver any savings that are required. Effectively the base budget from which savings can be taken is significantly reduced making the delivery of such savings considerably more difficult.
- 4.5.5. This therefore limits the scope for realising cash savings, however the Futures Programme continues to examine all aspects of the service to ensure efficiency is achieved, and savings taken, wherever possible. This is enabled by investment as set out above that improves productivity and increases the opportunity to deliver cash savings in the future.
- 4.5.6. The Commissioner is confident that this programme will continue to deliver savings in future years to contribute to the financial challenges that will arise.

5. Draft Capital Programme

5.1. The latest draft capital programme is:

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
IT Strategy	5.572	5.930	5.996	6.000	6.034	29.532
Emergency Services Network (ESN)	0	3.500	3.900	3.800	1.300	12.500
Accommodation Strategy	13.581	33.301	44.190	26.781	30.644	148.497
Vehicle Replacement	4.402	3.500	3.500	3.500	3.500	18.402
Other Schemes	0.944	1.157	0.357	0.357	0.357	3.172
Total	24.499	47.388	57.943	40.438	41.835	212.103

- 5.1.1. The programme spend in 2022/23 reflects the latest forecast of costs that are expected to 'slip' from 2021/22. Such slippage is liable to change, and the programme will be amended to reflect the final position at year-end.
- 5.1.2. The draft capital programme includes a number of projects delivering IT requirements including the replacement of equipment and mobile devices, new and replacement systems, and infrastructure replacement.
- 5.1.3. A significant cost is forecast in respect of the national programme to replace the Emergency Services Network (ESN) managed by the Home Office. The costs are substantial, and the policing sector is negotiating with the Home Office about how much of this will fall to individual forces.
- 5.1.4. The Commissioner's estate has been subject to a full programme of condition surveys and as a result, an extensive refurbishment and replacement programme for buildings and facilities has been developed including a number of stations across the county.
- 5.1.5. There is also a significant project examining the critical estate requirements for the delivering of policing in future years called the Critical Policing Infrastructure Programme (CPIP). This programme reflects the significant amount of investment required to ensure the estate can sustain not only the existing organisation but meet the needs generated by the recruitment of additional officers in future years.
- 5.1.6. The final programme and its funding will be approved by the Commissioner as part of the 2022/23 budget decision which will also provide full details of the schemes within the agreed programme
- 5.1.7. The programme is currently forecast to be £212m to 2026/27, it is anticipated that over the next ten years the programme will be more than £300m representing a significant investment in policing in Lancashire.

6. Reserves

- 6.1. The Commissioner holds two types of reserve, general reserves, and earmarked reserves.
- 6.2. General reserves are available to support the revenue budget and provide security should the organisation face an unexpected issue that realises a call on its resources. The forecast level of these general reserves for 31 March 2022 is £11.465m or 3.3% of the draft 2022/23 revenue budget.
- 6.3. General reserves at this level are considered appropriate by the Commissioner's Section 151 Officer to ensure the ability of the organisation can remain a going concern should an unexpected issue occur. This level of reserves is within the 3% to 5% range set as acceptable in the Commissioner's reserve strategy.
- 6.4. The Commissioner holds a number of earmarked reserves including those set aside for investment in the capital programme. At 31 March 2021 earmarked reserves are forecast to be £6.750m including £2.400m held on behalf of Lancashire Road Safety Partnership which are not available to the Commissioner for use.
- 6.5. The forecast position for the Commissioner's reserves at 31 March 2022 and the reasons for holding each reserve, is as follows:

	Position at 1/4/21	Forecast Position at 31/3/22
	£m	£m
<u>EARMARKED RESERVES</u>		
Reserves held for 'one-off' investment		
Transition Reserve	6.048	0.500
Reserves held to support operational policing		
Capital Financing reserve	0.175	0.235
Employee/Public Liability reserves	0.685	0.685
Protective Clothing Reserve	0.223	0.162
Vehicle Workshop Reserve	0.008	0.008
Wellbeing reserve	0.017	0.017
Regional collaboration reserve	0.022	0
Operational Policing Reserve	1.691	1.691
	2.821	2.798
Proceeds of Crime Act receipts reserves	0.970	0.920
Reserves held on behalf of other organisations:		
Forensic Partnership reserve	0.132	0.132
Road Safety Reserves	2.400	2.400
Total Earmarked Reserves	12.371	6.750
General Reserves	11.748	11.465

6.6. The Commissioner is required to review his reserves strategy each year and it is available here: <https://www.lancashire-pcc.gov.uk/transparency/financial-information/financial-strategy/> .

7. Engaging the Public on the Budget

7.1. The PCC has commissioned a survey of the people of Lancashire in respect of his budget proposals for 2022/23.

7.2. The survey closes on 26th January 2022 and its results will be reflected in the Commissioner's budget decision for 2022/23.

8. Equality and Diversity

8.1. The Commissioner and the Constabulary have a set up a Futures Programme to deliver the required savings through a series of reviews of the organisation's processes and operational arrangements. As each review area is progressed, an equality impact assessment is carried out to assess the impact of the proposed recommendations on service recipients and is an integral part of the process.

9. Robustness of the Budget and the Adequacy of Reserves

- 9.1. Section 25 of the Local Government Act 2003 requires the Commissioner's Chief Finance Officer to advise the Commissioner as he is making budgetary decisions on the robustness of the assumptions underlying the budget and the adequacy of the Commissioner's reserves in the context of the financial risks to which the organisation is exposed.
- 9.2. The basis of the estimates on which the budget has been prepared, as in previous years, relies on forecasts of demand and other activity prepared by the constabulary. The forecast is kept under review as part of the budget monitoring process and actions identified to identify any financial risks arising from changes in the forecast as they occur. The main risks relate to the pace and scale of increases in cost and demand placed on the service and the ability of the organisation to meet these within the required timeframes.
- 9.3. The resources available to the Commissioner to manage these risks consist of the various reserves held by the Commissioner, principally general funds, and the transitional funds. At this stage, it is anticipated that general reserves will be maintained at around 3.3% of the Commissioner's budget requirement reflecting the level of financial risk that the combination of significant ongoing spending reductions and resource uncertainties creates. This should allow the Commissioner to respond to any changes that may occur in a planned way providing stability to services and certainty to communities.
- 9.4. In addition to general reserves, the Commissioner maintains a range of earmarked reserves for specific purposes shown above. The level and appropriateness of earmarked reserves is kept under review to ensure that sums are only held if required, and released when not, this will be reflected in the revised reserve strategy that will be published before 1 April 2022.

10. Role of the Police and Crime Panel

- 10.1. Schedule 5 of the Police Reform and Social Responsibility Act (2011) states that the Commissioner must notify the Police and Crime Panel, by 1 February 2022, of the precept, which the Commissioner is proposing to issue for the financial year.
- 10.2. Under the requirements of the Act, Police and Crime Panels must review the proposed precept notified to it and must make a report to the Commissioner on the proposed precept. The report may include recommendations, including recommendations as to the precept that should be issued for the financial year.
- 10.3. The Police and Crime Panel has the power to veto the proposed precept if at least two-thirds of the panel membership (the full membership rather than those present at the meeting) at the time when the decision is made vote in favour of making that decision. If the panel vetoes the proposed precept, the report made to the Commissioner must include a statement that the panel has vetoed it.
- 10.4. The Police and Crime Panel's response to the Commissioner on the precept proposal must be made by 8 February 2022. A Commissioner is unable to set a precept until the end of the scrutiny process is reached and should the Police and Crime Panel veto the proposals, the Commissioner must submit a revised precept for consideration of the panel by the 15 February 2022 to which the Police and Crime Panel must also respond. A further response from the Police and Crime Panel must be received by 22 February 2022 after which the Commissioner must respond formally to the Police and Crime Panel setting out the precept for the forthcoming year.

11. Conclusion

- 11.1. The Panel are asked to consider this report and the proposal in respect of the increase to the council tax precept for 2022/23 within it.
- 11.2. The Panel are requested to provide their response to these recommendations in line with the responsibilities set out in paragraph 11 of this report.