

Police and Crime Panel

Meeting to be held on 1 February 2023

Police and Crime Commissioner's Precept Proposal 2023/24

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EXECUTIVE SUMMARY

This report sets out the latest forecast for the Police and Crime budgets in Lancashire for 2023/24 and the proposals in relation to the council tax precept.

RECOMMENDATION

The Police and Crime Panel is asked to;

- Note the details of the 2023/24 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 £15 (6.34%) for a Band D property in 2023/24.
- Make arrangements to ensure that a formal written response to the proposals is sent to the Commissioner by 8th February 2023.
- Note the draft capital investment programme for the period 2023/24 to 2027/28.
- Note the position of the Commissioner's reserves in 2023/24 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 2023/24 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 2022/23. The report sets out:
 - The draft revenue budget for 2023/24
 - The council tax proposal for 2023/24, 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 2023/24. 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 2023/24 budget are identified in an updated Medium Term Financial Strategy (MTFS) shown later in the report.
- 2.2. The budget for 2023/24 reflects the funding announcement made by the Police and Fire Minister in his statement on 14th December 2022.

3. Revenue Budget 2023/24

3.1. *Funding*

3.1.1. *Government funding*

The government announced the Provisional Police Grant Settlement on 14th December 2022. Lancashire has been allocated police grant of **£231.500m**, this compares to £230.767m in 2022/23, an **increase of £0.733m**.

Also provided is a separate specific grant of **£7.027m** that the government has linked to maintaining the delivery of the police officer uplift programme, this represents an **increase of £1.841m** compared to 2022/23 (£5.186m). 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 1.5% in 2023/24** based on the latest estimates received from Lancashire's billing authorities and national trends providing additional income of £0.469m in 2023/24.

The government has been clear that it expects every PCC to increase their council tax precept by £15 to help meet the extraordinary pressures placed upon budgets by significant increases in costs, this increase would realise an additional **£7.150m** in 2023/24.

Final figures, for the taxbase for 2023/24 and any surplus or deficit for council tax collection in 2022/23, are required from billing authorities by 31st January 2023 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 2023/24 based upon these assumptions is:

	2022/23 £m	2023/24 £m	Change £m
Police grant	230.767	231.500	0.733
Pensions grant	3.104	3.104	-
Specific grant - Uplift	5.186	7.027	1.841
Specific grants	3.495	3.495	-
Council Tax	107.476	115.095	7.619
Total Funding	350.028	360.221	10.193

Spending pressures 2023/24

3.2. *Uplift programme (£4.061m)*

3.2.1. *Uplift*

This is the full year effect of the additional cost of delivering the **uplift** programme in Lancashire providing the additional 203 officers in 2022/23.

3.3. *Cost pressures (£17.924m)*

3.3.1. *Pay costs (£10.653m)*

This reflects the impact of the 5% pay award made from September 2022 and the impact of future years' pay awards, recruitment of officers and staff and pressure from incremental increases in pay. It also includes the impact of the triennial revaluation of employer pension contributions for police staff and the reversal of the increase to employer National Insurance contributions.

3.3.2. *Increased cost of injury awards (£0.200m)*

The cost of each award made to individuals injured whilst at work continues to increase each year.

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

3.3.3. *Inflation on non-pay costs (£2.000m)*

This reflects increases that are contractually agreed as well as a general provision for increased costs and represents the latest forecast for price increases for 2023/24.

This reflects an average rate of inflation at 10%.

3.3.4. *Increased cost of energy (£3.600m)*

This represents an increase of 150% of the current budget and follows the latest contract negotiation undertaken by the Constabulary procurement team.

3.3.5. *Increased cost of fuel (£0.500m)*

This reflects the latest forecast for the cost of fuel.

3.3.6. *Capital financing costs (£0.971m)*

To meet the additional cost of financing the capital programme through borrowing.

3.4. Cost reductions/Savings

3.4.1. Savings (£7.875m)

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 2023/24 as follows:

Departmental savings	£m 2.350	Delivered through the business planning process providing efficiency savings
Changes to operating model	2.500	Series of operational reviews delivering efficiency savings
Vacancy savings	2.500	Increase vacancy factor applied to all staffing budgets by 1%
Reduce establishment	0.525	Remove 15 posts from establishment that have been vacant for over 12 months
Total	7.875	

3.4.2. The saving of £7.875m is the equivalent of 3% of the revenue budget.

3.5. Budget position 2023/24

3.5.1. Contribution from reserves (£3.917m)

In order to deliver a balanced budget in 2023/24 it is necessary to draw down a contribution from reserves. In 2024/25 a contribution back into reserves will be made in line with the Commissioner's reserves strategy.

This will clearly require further savings to be delivered in 2024/25 to meet cost pressures and provide a contribution back in to reserves. The PCC and Chief Constable will continue to develop savings proposals and monitor their delivery over the next two years.

Budget Requirement 2022/23 brought forward	£m 350.028
Plus:	0
Uplift programme	4.061
Cost pressures	17.924
Less:	0
Savings and cost reductions	-7.875
Contribution from reserves	-3.917
Budget Requirement 2023/24	360.221

Funding 2023/24	£m
Police grant	231.500
Pensions grant	3.104
Specific grant - Uplift	7.027
Specific grants (Counter Terror team and Victim Services)	3.495
Council Tax 2023/24	115.095
Total Funding	360.221

3.5.2. To meet this requirement **the Commissioner proposes to increase council tax for a Band D property by £15 (6.34%)** providing additional income of £7.150m in 2023/24 and to draw down a contribution from reserves of £3.917m.

3.6. *Risks and uncertainties*

3.6.1. There are a number of risks and uncertainties that will impact upon the final position for 2023/24 and the MTFS for future years:

3.6.2. ***Council Taxbase***

District and Unitary Councils have not yet provided the final taxbase figures to determine the 2023/24 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 approximately £1m

3.6.3. ***Council tax surplus/deficit***

The amount of council tax surplus or deficit on the council tax collected 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 2023/24 may differ from that included in this report and the impact will have to be managed within the new financial year.

3.6.4. ***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.

Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

3.6.5. ***Future government funding***

The government has indicated that funding will increase by 1% per year when the current CSR ends in 2024/25. Recent announcements by both the Prime Minister and Chancellor have indicated that firm control over government spending in future years is necessary which could affect this.

There is therefore significant risk in any assumption on government funding in future years that will, undoubtably, be subject to significant pressure in future years.

4. **Medium Term Financial Strategy**

4.1. Setting the 2023/24 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 the provisional funding settlement announcement on 14th December 2022, the Policing and Fire Minister confirmed the continuation of the funding announced in the three-year Comprehensive Spending review announced for the period 2022/23 to 2024/25.

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 1.5% each year
- The government's expectation that council tax precept in 2024/25 will increase by £10, no increase in council tax is assumed for 2025/26
- These assumptions give rise to a range of potential outcomes but the scenario in the following table is currently considered the 'worst case' position:

	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m
Funding	360.221	370.299	372.121	
Budget Requirement	360.221	373.597	378.807	
Funding Gap	0	3.298	6.686	9.984

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. In future years, the requirement for further savings will be influenced directly by the level of financial support from the government.
- 4.5.2. The ability to deliver savings is also 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. The government has also stated that the uplift target for officer numbers must be maintained in years beyond 2023/24 and that reductions in funding to PCCs will be made if this level is not done.
- 4.5.3. This means that efficiency savings made in policing cannot be 'realised' simply through reductions in officer numbers which, in turn, 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.
- 4.5.4. Through the business planning process, the PCC and Chief Constable will continue to examine all aspects of the service to ensure efficiency is achieved, and savings taken, wherever possible.
- 4.5.5. 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:

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m

IT Strategy	5.991	6.000	6.000	6.000	6.000	29.991
Emergency Services Network (ESN)	0.010	2.000	0	4.000	4.000	10.010
Accommodation Strategy	22.874	50.661	37.810	16.465	2.411	130.221
Vehicle Replacement	3.500	3.500	3.500	3.500	3.500	17.500
Other Schemes	0.840	0.862	0.721	1.331	0.543	4.297
Total	33.215	63.023	48.031	31.296	16.454	192.019

- 5.1.1. The programme spend in 2023/24 does not reflect any cost that may 'slip' from 2022/23. 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 several 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 2023/24 budget decision which will also provide full details of the schemes within the agreed programme

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 2023 is £14.465m or 4.0% of the draft 2023/24 revenue budget.
- 6.3. The budget proposal for 2023/24 includes a draw down on reserves of £3.917m which would bring general reserves to a forecast level of £10.549m (2.9%) by 31 March 2024. This is just below the target range set in the Commissioner's Reserves strategy (of general reserves level between 3% and 5% of the revenue budget) however the Commissioner's Section 151 Officer considers that reserves at this level continue to ensure the ability of the organisation to remain a going concern should an unexpected issue occur.
- 6.4. The 2024/25 budget will include a contribution back in to reserves that will bring their level to within the range as set out in the Reserves strategy,

6.5. The forecast position for the Commissioner's reserves on 31 March 2023 and the reasons for holding each reserve, is as follows:

	Forecast Position at 31/3/23
	£m
<u>EARMARKED RESERVES</u>	
Reserves held for 'one-off' investment	
Transition Reserve	2.356
Reserves held to support operational policing	
Capital Financing reserve	0.758
Employee/Public Liability reserves	0.685
Protective Clothing Reserve	0.092
Vehicle Workshop Reserve	0.008
Wellbeing reserve	0.017
National Driver Offender Retraining Scheme	0.697
Operational Policing Reserve	1.691
	3.948
Proceeds of Crime Act receipts reserves	0.875
Reserves held on behalf of other organisations:	
Forensic Partnership reserve	0.249
Road Safety Reserves	1.792
Total Earmarked Reserves	9.220
General Reserves	14.465

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 commissioned a survey of the people of Lancashire in respect of his budget proposals for 2023/24.

7.2. The survey closed on 15th January 2023 and its results will be reflected in the Commissioner's budget decision for 2023/24.

7.3. The survey asked

7.3.1. Would you like to see Lancashire Constabulary receive more funding to deliver the investments it is making in cutting crime, preventing crime, protecting the vulnerable and supporting victims across the county?

7.3.2. Would you be prepared to pay more for policing to help deliver the investments being made to increase visible policing and fight crime?

7.3.3. How much more would you be prepared to contribute to support the delivery of the investment in policing?

- Up to £10 a year (up to 19p a week)
- Up to £20 a year (up to 38p a week)
- More than £20 a year
- Other amount (please specify in the box below)

7.4. A total of **2,859** responses have been received to the survey and the summary results are:

- 7.4.1. **48%** of respondents would be prepared to pay more council tax towards policing, **26%** would consider paying more and **26%** would not be prepared to pay more.
- 7.4.2. In respect of how much respondents would be prepared to pay, **29%** would pay up to £10 more per year, **38%** would pay up to £20 more per year and **24%** would pay over £20 more per year.
- 7.4.3. This means that **62%** of respondents would be prepared to pay £20 or more in additional council tax in 2023/24

8. Equality and Diversity

8.1. The Commissioner and the Constabulary have set up a Business Planning 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 2.9% 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 2023.

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 2023, 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 2023. 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 2023 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 2023 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 2023/24 within it.
- 11.2. The Panel are requested to provide their response to these recommendations in line with the responsibilities set out in paragraph 10 of this report.