

Police and Crime Panel

Meeting to be held on 31 January 2024

Police and Crime Commissioner's Precept Proposal 2024/25

Contact for further information: Steve Freeman, (01772) 535259 Office of the Police and Crime Commissioner for Lancashire, steve.freeman@lancashire-pcc.gov.uk

EXECUTIVE SUMMARY

This report sets out the latest forecast for the Police and Crime budgets in Lancashire for 2024/25 and the proposals in relation to the council tax precept.

RECOMMENDATION

The Police and Crime Panel is asked to;

- Note the details of the 2024/25 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 £11.95 (4.75%) for a Band D property in 2024/25.
- Make arrangements to ensure that a formal written response to the proposals is sent to the Commissioner by 8th February 2024.
- Note the draft capital investment programme for the period 2024/25 to 2028/29.
- Note the position of the Commissioner's reserves in 2024/25 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 2024/25 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 2023/24. The report sets out:
 - The draft revenue budget for 2024/25
 - The council tax proposal for 2024/25, 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 2024/25. 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 2024/25 budget are identified in an updated Medium Term Financial Strategy (MTFS) shown later in the report.
- 2.2. The budget for 2024/25 reflects the funding announcement made by the Police and Fire Minister in his statement on 14th December 2023.

3. Revenue Budget 2024/25

3.1. *Funding*

3.1.1. *Government funding*

The government announced the Provisional Police Grant Settlement on 14th December 2023. Lancashire has been allocated police grant of **£244.600m**, this compares to £239.937m in 2023/24, an **increase of £4.663m**. This increase is in addition to the permanent additional funding provided in 2023/24 of **£8.399m to support the 7% pay award** for police officers from September 2023.

The government have also confirmed a specific grant for increased employer pension costs of **£10.5m** per year.

As in previous years a separate specific grant has been provided that is linked to maintaining the delivery of the police officer uplift programme. This grant of **£13m** 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 2024/25** based on the latest estimates received from Lancashire's billing authorities and national trends providing additional income of £1.727m in 2024/25.

Final figures, for the taxbase for 2024/25 and any surplus or deficit for council tax collection in 2023/24, are required from billing authorities by 31st January 2024 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 2024/25 based upon these assumptions is:

	2023/24 £m	2024/25 £m	Change £m
Police grant	239.937	244.600	4.663
Pensions grant	3.104	10.500	7.396
Specific grant - Uplift	6.999	13.000	6.001
Specific grants	3.495	3.495	0
Council Tax – no increase in charge	115.151	116.878	1.727
Total Funding	368.686	388.473	19.787

In the provisional Police Grant Settlement on 14th December 2023, it was confirmed that PCCs could increase council tax for a Band D property by up to £13 in 2024/25 without the need to hold a referendum.

3.2. *Cost pressures (£25.244m)*

3.2.1. *Pay related costs (£22.104m)*

This includes:

- The impact of the 7% pay award made from September 2023 and the impact of future years' pay awards.
- The recruitment of officers and staff in respect of the national police uplift programme and the resulting pressure for incremental increases in pay and overtime. It also reflects the estimated level of vacancies that will occur during 2024/25.
- The impact of the triennial revaluation of employer pension contributions for police officers and staff.
- The impact of increased costs relating to ill-health retirements

3.2.2. *Inflation on non-pay costs (£2.340m)*

This includes:

- An allowance for the effect of inflation on all non-staff costs
- Specific pressure in respect of contributions to National IT programmes
- The impact of significant increases in the cost of insurance for the organisation.

3.2.3. *Capital financing costs (£0.800m)*

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

3.3. *Investment (£5.190m)*

3.3.1. *Targeting dangerous drivers (£0.400m)*

Specific investment in additional resources in the Roads Policing Unit to target dangerous driving.

3.3.2. **Further investment in Neighbourhood Policing Teams (1.000m)**

The provision of funding for the recruitment of an additional 20 officers for Neighbourhood Policing Teams across the county. This investment will enable 20 offices to become available to the Neighbourhood teams in 2024/25 and 2025/26.

3.3.3. **Supporting the ASB Hotspot programme (£0.450m)**

Making additional funding available over and above the £1m provided by government to support the delivery of ASB hotspot patrols and interventions across the county.

3.3.4. **Investment in support services for uplift (£0.200m)**

Additional resource in the legal, training and HR teams to support the increased number of officers achieved through the national uplift programme and precept investment in recent years

3.3.5. **Digital Investigations (£0.204m)**

Increase in number of officers in the Digital Investigations team

3.3.6. **Economic Crime Unit (£0.185m)**

Increased number of economic crime investigators

3.3.7. **Supporting the capital programme (£2.000m)**

To increase the annual contribution for the investment in short life (less than 5 years) assets made through the capital programme. This is mainly for investment in IT equipment and systems and the purchase of the majority of vehicles.

3.3.8. **Investment in IT (0.751m)**

Significant investment in IT is made directly through the revenue budget and includes the cost of renting cloud storage, the annual cost of system licences and the annual cost of support and maintenance made by providers

3.4. **Cost reductions/Savings**

3.4.1. **Savings (£5.932m)**

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 2024/25 as follows:

Changes to operating model	£m 2.732	Series of operational reviews delivering efficiency savings
Further savings	1.000	From the on-going budget management process
Energy cost – procurement saving	2.200	Cost reduction delivered through active management of energy procurement throughout the year
Total	5.932	

3.5. Budget position 2024/25

Budget Requirement 2023/24 brought forward	£m 369.526
Plus:	
Pay related costs	22.104
Inflation	2.340
Capital financing costs	0.800
Investment	5.190
Less:	
Savings and cost reductions	-5.932
Budget Requirement 2024/25	394.028
Funding 2024/25	£m
Police grant	244.600
Pensions grant	10.500
Specific grant - Uplift	13.000
Specific grants (Counter Terror team and Victim Services)	3.495
Council Tax with no increase to charge	116.878
Total Funding	388.473
Funding Gap	5.555

3.5.1. To meet the funding gap the **Commissioner proposes to increase council tax for a Band D property by £11.95 (4.75%)** providing additional income of **£5.555m** in 2024/25.

4. Risks and uncertainties

There are a number of risks and uncertainties that will impact upon the final position for 2024/25 and the MTFs for future years:

4.1. Council Taxbase

4.1.1. District and Unitary Councils have not yet provided the final taxbase figures to determine the 2024/25 budget position. There is a risk that the expected level of council tax income will be different to the figures included in this report.

4.1.2. For every 1% change in taxbase the level of income to the PCC changes by approximately £1.1m

4.2. Council tax surplus/deficit

4.2.1. The amount of council tax surplus or deficit on the council tax collected in 2023/24 will only be finalised when billing authorities have completed their respective year-end returns. As a result, the amount to be paid in 2024/25 may differ from that included in this report and the impact will have to be managed within the new financial year.

4.3. *Inflation and pay award*

- 4.3.1. 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.
- 4.3.2. 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.
- 4.3.3. Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

4.4. *Future government funding*

- 4.4.1. 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.
- 4.4.2. 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.

5. Medium Term Financial Strategy

- 5.1. Setting the 2024/25 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.
- 5.2. In the provisional funding settlement announcement on 14th December 2023, the Policing and Fire Minister confirmed the funding as previously announced in the three-year Comprehensive Spending review announced for the period 2022/23 to 2024/25.

5.3. 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
- No increase in council tax is assumed for future years
- These assumptions give rise to a range of potential outcomes but the scenario in the following table is currently considered the 'worst case' position:

	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Funding	394.028	398.310	402.645	
Budget Requirement	394.028	409.252	408.381	
Funding Gap	0	10.942	5.736	16.678

5.4. 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.

5.5. *Developing Savings Options*

5.5.1. In future years, the requirement for further savings will be influenced directly by the level of financial support from the government.

5.5.2. 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.

5.5.3. 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.

5.5.4. 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.

5.5.5. The Commissioner is confident that this programme will continue to deliver savings in future years to contribute to the financial challenges that will arise.

6. Draft Capital Programme

6.1. The latest draft capital programme is:

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
IT Strategy	8.324	6.970	7.000	7.000	7.000	36.294
Emergency Services Network (ESN)	0	0	2.000	4.000	4.000	10.000
Accommodation Strategy	46.693	50.102	32.120	31.000	31.000	190.915
Vehicle Replacement	5.700	5.000	4.000	4.000	4.000	22.700
Other Schemes	0.890	0.870	1.250	0.530	0.490	4.030
Total	61.607	62.942	46.370	46.530	46.490	263.939

- 6.1.1. The programme in 2024/25 includes previously identified 'slippage' from the 2023/24 original approved programme.
- 6.1.2. 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.
- 6.1.3. 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.
- 6.1.4. 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.
- 6.1.5. 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.
- 6.1.6. The final programme and its funding will be approved by the Commissioner as part of the 2024/25 budget decision which will also provide full details of the schemes within the agreed programme

7. Reserves

- 7.1. The Commissioner holds two types of reserve, general reserves, and earmarked reserves.
- 7.2. 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 2024 is currently £17.710m or 4.5% of the draft 2024/25 revenue budget.

7.3. The latest forecast position for the Commissioner's reserves on 31 March 2024 and the reasons for holding each reserve, is as follows:

	Forecast Position at 31/3/24
	£m
<u>EARMARKED RESERVES</u>	
Reserves held for 'one-off' investment	
Transition Reserve	4.283
Reserves held to support operational policing	
Capital Financing reserve	0.138
Employee/Public Liability reserves	0.685
Protective Clothing Reserve	0.719
Vehicle Workshop Reserve	0.008
National Driver Offender Retraining Scheme	0.847
Safer Roads Unit Reserve	1.496
Operational Policing Reserve	1.691
	5.584
Proceeds of Crime Act receipts reserves	1.153
Reserves held on behalf of other organisations	0.488
Total Earmarked Reserves	11.508
General Reserves	17.710

The final position for reserves will be reported in the 2023/24 outturn report.

7.4. 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/>

8. Engaging the Public on the Budget

8.1. The PCC conducted a survey of the people of Lancashire in respect of his budget proposals for 2024/25.

8.2. The survey closed on 22nd January 2024 and its results will be reflected in the Commissioner's budget decision for 2024/25.

8.3. In the survey the PCC asked

8.3.1. In developing my budget proposals, I want to see Lancashire Constabulary receive more funding to deliver investments in cutting and preventing crime, protecting the vulnerable and supporting victims across the county. Do you agree?

8.3.2. How much more would you pay to maintain growth and investment in policing in Lancashire?

- 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
- I would not be prepared to pay more

8.4. A total of 3,083 responses have been received to the survey:

8.4.1. 65% of respondents would be prepared to pay more council tax towards policing.

9. Equality and Diversity

9.1. 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.

10. Robustness of the Budget and the Adequacy of Reserves

10.1. 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.

10.2. 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.

10.3. 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 at a level that is 4.5% 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.

10.4. 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 2024.

11. Role of the Police and Crime Panel

- 11.1. 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 2024, of the precept, which the Commissioner is proposing to issue for the financial year.
- 11.2. 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.
- 11.3. 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.
- 11.4. The Police and Crime Panel's response to the Commissioner on the precept proposal must be made by 8 February 2024. 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 2024 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 2024 after which the Commissioner must respond formally to the Police and Crime Panel setting out the precept for the forthcoming year.

12. Conclusion

- 12.1. The Panel are asked to consider this report and the proposal in respect of the increase to the council tax precept for 2024/25 within it.
- 12.2. The Panel are requested to provide their response to these recommendations in line with the responsibilities set out in paragraph 11 of this report.