




## DECISION PAPER

<b>DECISION:</b> 2018 - 54	<b>DATE:</b> 25 <sup>TH</sup> FEBRUARY 2019
<b>TITLE</b> <b>The Police and Crime Commissioner for Lancashire's Revenue Budget and Council Tax for 2019/20 and Capital Investment Programme for 2019/20 and Future Years (Revised)</b>  <b>Appendices A, B and C refer</b>	
<b>REPORT BY:</b> Steve Freeman  <b>Executive Summary</b> Following the receipt of updated information in respect of the 2018/19 collection fund surplus position the budget decision (2018-50) has been revised as set out in the attached report. This report provides all of the relevant information to assist the Commissioner in confirming the Revenue Budget, the Budget Requirement, Precept and Council Tax for 2019/20.	
<b>Recommendation:</b> The Commissioner is asked to: <ul style="list-style-type: none"> <li>• Agree the efficiency savings, reductions in costs, investment in the service and cost pressures as set out in the report;</li> <li>• Agree a council tax requirement and precept for 2019/20, and consequent Band D amount that is based on a £24 increase on 2018/19 levels;</li> <li>• Approve a net budget requirement for 2019/20 of £286.085m and consequent council tax requirement of £88.263m and Band D council tax of £201.45 as set out in Appendix 'A';</li> <li>• Agree, on the basis of the above and the fixed ratios between valuation bands set by the Government, the Police and Crime Commissioner's council tax for each valuation as set out in Appendix 'B';</li> <li>• Agree the 2019/20 delegated budgets for the Constabulary and the Office of the Police and Crime Commissioner.</li> <li>• Approve the 2019/20 Capital programme and its funding and note the proposed programme for 2020/21 and future years</li> </ul>	
<b>Signature</b>  <b>Police and Crime Commissioner</b>  <b>Date</b> 25 <sup>th</sup> February 2019	<b>Signature</b>  <b>Chief Constable</b>  <b>Date</b>

**1. Background and Advice**

The report for consideration is attached at Appendix 'A'

**2. Link to Police and Crime Plan**

All of the Commissioner's priorities are met through the effective allocation and management of the revenue budget and capital programme.

**3. Consultation**

Consultation has taken place with key staff, stakeholders and the public

**4. Implications:**

**Risk:** The risks have been highlighted throughout the report.

**a. Legal**

Contained within the report

**b. Financial**

Contained within the report

**c. Equality considerations**

All savings proposals contained within the report are subject to equality impact assessments forming part of the internal decision making process that identifies them.

**5. Background Papers**

Appendix A: Revenue budget report and capital investment programme  
Appendix B: 2019/20 Budget requirement and precept  
Appendix C: Capital Investment Programme

**6. Public access to information**

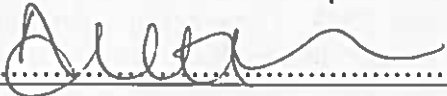
Information in this form is subject to the Freedom of Information Act 2000 and other legislation.

Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

<b>Officer declaration</b>	<b>Date</b>
<b>LEGAL IMPLICATIONS – As above</b>	
<b>FINANCIAL IMPLICATIONS – As above</b>	
<b>EQUALITIES IMPLICATIONS – As above</b>	
<b>CONSULTATION – As above</b>	

**Director to the Office of the Police and Crime Commissioner (Monitoring Officer)**

I have been informed about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire.

Signature..........Date.....1.3.2019.....

**Police and Crime Commissioner for Lancashire  
Revenue Budget 2019/20  
Capital Investment Programme 2019/20 to 2023/24**

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**1. Background and Advice**

- 1.1. The Police and Crime Commissioner (PCC) for Lancashire is required under the Local Government Finance Act, to set a budget requirement and a council tax requirement for 2019/20 and to issue a precept prior to 1 March 2019. The precept is the total budget requirement less the sum of DCLG formula funding and Police Grant. As part of the process Commissioners are required to consult their Police and Crime Panel on the proposed precept level and to take the recommendations of the panel into account before setting the final precept. This report sets out the:
- Revenue budget for 2019/20
  - The Council Tax for 2019/20
  - The capital investment programme for 2019/20 and future years
- 1.2. 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.
- 1.3. The Commissioner took a report to the Police and Crime Panel on 21<sup>st</sup> January 2019 to set out his proposal in respect of the council tax precept for 2019/20. The Medium Term Financial Strategy (MTFS) and 2019/20 budget set out in that report reflected the provisional Police Finance Settlement for 2019/2020 and estimated level of council tax base for 2019/20.
- 1.4. It was reported to the panel that the budget figures would change on receipt of the final settlement and council tax base figures along with other factors that impact directly on spending, this report reflects those final figures.
- 1.5. The budget for 2019/20 reflects the funding announcement made by the Police and Fire Minister in his final settlement statement made on 24<sup>th</sup> January 2019. In his statement the minister acknowledged that PCCs needed to invest in additional resource to meet the significant increase in demand the service faces. The minister also recognised that PCCs were facing a major pressure relating to the cost of pensions for police officers.
- 1.6. The Minister made it clear in his statement that additional funding for policing needed to be delivered through additional grant from government and an increase to council tax by PCCs. The Home Office has set out a funding position that requires PCCs to increase council tax for a Band D property by £24 in 2019/20 to deliver the additional investment needed to meet some of the increased demand faced by forces.

**2. Government Funding 2019/20**

- 2.1. The final 2019/20 financial settlement for Lancashire was published on 24<sup>th</sup> January 2019 and included an increase in core grant of £3.721m giving Lancashire a total Police Grant of **£193.745m** for 2019/20. An additional government grant has also been provided of **£3.104m** towards the additional costs of employer contributions to the police officer pension scheme.
- 2.2. Police grant of £193.745m is £48.9m less than the grant received by Lancashire in 2010/11, a reduction of 21.29% in grant funding. This has required total savings of £86m to be delivered since 2010/11 once cost pressures have also been taken into account.

2.3. The government also announced that it recognised additional investment in policing was needed to meet the increase in demands placed upon this service. To deliver the level of investment set out by the government PCCs were given permission to increase the council tax charge for a Band D property by £24 without requiring a local referendum. The Home Office has assumed that all PCCs will increase Council Tax by this amount in the statements made about total funding available for policing in 2019/20.

2.4. The settlement provided additional grant funding in 2019/20 to offset the additional pension costs imposed upon policing in 2019/20 and the impact for Lancashire is as follows:

	£m
Increase in Police Grant	3.721
Specific grant for pension costs	3.104
<b>Total additional funding from government in 2019/20</b>	<b>6.825</b>
<b>Forecast additional pension costs</b>	<b>7.100</b>

2.5. The additional grant funding provided to Lancashire in 2019/20 does not meet the full additional cost of pensions so savings will be identified elsewhere in the budget to meet the remaining cost.

2.6. In addition to Police grant and the specific funding for the costs of changes to pension contributions, the PCC will receive the following **specific grants in 2019/20**:

	£m
Counter Terrorism Grant	1.626
Victims Services grant	1.722
Loan charges grant	0.130
<b>Total</b>	<b>3.478</b>

### 3. Council Tax

3.1. The council tax represents a significant source of revenue to support the police budget. Each year the 14 Unitary, Borough and City Councils determine their taxbase (the number of band D equivalent properties in the area) and the level of surplus or deficit on the Council tax Collection Fund in relation to council tax due for previous years.

3.2. The City, Unitary and Borough Councils have confirmed the **surplus** on the Council tax collection fund in 2018/19 at **£973,461**.

3.3. The City, Unitary and Borough Councils have also confirmed final taxbase figures for 2019/20 at **438,137.67** Band D equivalent properties.

3.4. The Police Funding announcement makes provision for Police and Crime Commissioners to increase their 2019/20 precept by up to £24 for a Band D property after which a referendum would be triggered. In determining a proposed precept for 2019/20 the Commissioner has considered the future financial position and has taken a number of factors into consideration including:

- The Minister's statement that additional national funding for policing of £970m is provided **ONLY** if all PCCs increase their council tax precept charge by the maximum allowed under the referendum limits (£24 for a Band D property)
- That this 'additional funding' is the only available resource for PCCs to meet the increasing demand pressures on the budget and the cost pressures that arise as a

result of the Police Officer and Staff pay award of 2% and from inflation on non-pay costs

- The Council Tax Referendum limits
- Consultation Responses from the Public
- Response from the Police and Crime Panel

3.5. The Commissioner proposed an increase in the 2019/20 precept of £24 for a Band D property to the Police and Crime Panel on 21<sup>st</sup> January 2019. The Panel considered the Commissioner's proposal and supported the proposal without further qualification or comment.

3.6. **The Commissioner is therefore proposing that the council tax precept for 2019/20 be increased by £24 to £201.45 per annum for a Band D property.**

3.7. The amount of council tax available in 2019/20 as a result of the agreed increase in charge and the final tax base amount is:

	£
Council Tax	88,262,834
2018/19 Council Tax surplus	973,461
<b>Council Tax 2019/20</b>	<b>89,236,295</b>

3.8. The total resources available to the Commissioner to set the 2019/20 revenue budget are therefore:

Resources in 2019/20	£m
Police Grant	193.745
Specific grant – Pension costs	3.104
Specific grants	3.478
Council tax	89.236
<b>Total resources 2019/20</b>	<b>289.563</b>

#### 4. Spending Requirement 2019/20

4.1. The Commissioner has considered a number of proposals for investment identified by the Chief Constable and has determined the following should be made in 2019/20:

<u>Investment</u>	2019/20 £m
Neighbourhood policing task force and Tactical Operations	3.058
Additional Investigation officers	1.100
Support Services Review	0.500
HQ Rationalisation support	0.400
<b>Total</b>	<b>5.058</b>

➤ *Neighbourhood policing task force*

Additional officers in every District in Lancashire, based in local communities, focussed on neighbourhood policing issues including specific officers dedicated to rural crime.

➤ *Tactical Operations*

Increase the resource in the tactical support units in particular to provide support to local officers in meeting the demand arising from cross border crime and serious and organised crime gangs

➤ **Investigations officers**

Additional officers will be recruited in to teams delivering the investigation function of the force to ensure crime detection is resourced effectively.

➤ **Support Services Review**

Following the leadership review of the Constabulary's Support Services functions a subsequent review of the structures to support the new delivery model has been conducted.

The outcome of this review has generated a new structure which is crucial to deliver and maintain the essential infrastructure requirements to enable operational policing to properly function. A number of posts have been created across the Resources portfolio to underpin delivery. This increased provision adds resources to what is already a low cost function relative to similar services provision within other police forces.

➤ **HQ rationalisation Support**

In order to maximise the effective use of the Headquarters site at Hutton and the broader estate a team is to be set up to deliver the process from planning to delivery.

4.2. Government has awarded Police Officers and Staff a 2% **pay** increase in 2018/19 and the forecast assumes a similar increase in 2019/20.

4.3. As a result of the **Pension** revaluation process published in 2018 employer contributions in respect of Police Officer pensions have increased by just under 7% in 2019/20.

The impact of these **pay and pension** cost increases for 2019/20 is shown below:

	2019/20 £m
Pension contributions increase	7.100
Pay award	4.503
<b>Pay and pensions</b>	<b>11.603</b>

4.4. A number of budgetary pressures have been identified that relate to the cost to the Constabulary of dealing with additional **demand** for the service and supporting the front line in meeting that increased demand:

<u>Demand</u>	2019/20 £m
Revenue consequences of the capital programme	0.500
Increased cost of injury awards for ill-health retirements	0.200
Right-size overtime budget	0.800
Increased contribution to North West ROCU	0.192
Reduce spend to match reduction in Counter Terrorism grant	-0.614
Reduced PoCA income	0.340
Contribution to Capital Investment Programme	1.052
Increase spend on backlog maintenance of buildings	0.250
Forensic Academy staffing (One year only)	0.114
ISO Accreditation – Quality Assurance	0.070
Custody	1.000
Inflation on non-pay budgets	0.620
<b>Demand</b>	<b>4.524</b>

➤ **Revenue consequences of the capital programme**

This represents the impact of the changes to the Capital Programme proposed for 2019/20 to 2023/24 upon the revenue budget and reflects changes to the costs of financing the programme in particular the forecast level of borrowing in respect of major accommodation schemes.



- **Increased cost of injury awards for ill-health retirements**  
 The cost of additional injury awards to individuals retiring due to ill-health retirement continue to increase in value however the number of awards remains consistent. The budget has been increased to meet the increased cost faced.
- **Right Size overtime budget**  
 The budget for overtime has been reviewed and it has been identified that this should be increased. Performance against this increased budget will be closely monitored during the year.
- **Increased contribution to North West Regional Organised Crime Unit( NW ROCU)**  
 The annual cost of Lancashire's membership of the North West ROCU has increased due to the impact of the police officer and police staff pay awards and increased pension costs.
- **Reduce spend on Counter Terrorism unit**  
 The grant paid to Lancashire in respect of Counter Terror activity has been reduced by the Home Office, spend in the budget is therefore reduced by a matching amount.
- **Reduced PoCA income**  
 The amount of income generated through Proceeds of Crime receipts has reduced in recent years, the budget is therefore adjusted to reduce the income target for the Constabulary.
- **Increase contribution to capital investment programme**  
 The required capital expenditure is considered later in the report. However, it is clear that the expenditure requirements for capital are significant, due mainly to the combination of an ageing estate and the need to deliver and develop essential information technology infrastructure. When this is compared to the level of resources available, there is a clear shortfall. To safeguard and mitigate this risk the revenue budget includes an additional contribution to meet requirements in the capital investment programme for shorter life assets.
- **Increase spend on backlog maintenance of buildings**  
 As indicated above the Constabulary's estate is ageing and a review of buildings has identified an increased requirement for maintenance of the PCC's building stock to prolong the life of assets and prevent higher spend on major refurbishment works.
- **Forensic academy staff**  
 A requirement for additional staffing to service the forensic academy has been identified for a fixed one year period
- **ISO Accreditation/Audit – Quality Assurance**  
 An increase in the number of processes for which Lancashire Constabulary requires ISO accreditation requires an increase in the number of staff to deliver the necessary quality assurance audits to deliver successful accreditation for the Constabulary. The compliance and quality regime, which underpins ISO accreditation is likely to require significant investment in future years. Failure to invest in this area will jeopardise the ability to deliver investigation activities.
- **Custody**  
 Investment in provision of custody service through an in-house function to meet service demand and social value requirements
- **Inflation on non-staff costs**  
 Inflation at 2% is provided for non-staff costs incurred by the organisation.



4.5. A key element of the Commissioner's financial management strategy is the ongoing review of the organisation's activity and the identification of additional cost reductions and savings that can be made. This work is undertaken in conjunction with the Constabulary's 'Futures Team' and has identified further savings that will be delivered in 2019/20 as follows:

<b>Cost reductions and savings</b>	<b>2019/20 £m</b>
Remove budget for non-consolidated element of 2018/19 pay award	-0.747
Revised MRP (Minimum Revenue Provision) policy	-0.769
End of three year period for redeployment mileage in contact centre	-0.257
Forensic Academy	-0.300
Zero based budget review of non-staff spend	-0.750
Service reviews	-0.187
Leaving Motorway Policing collaboration arrangement	-0.290
Departmental non-staff savings target	-0.200
<b>Cost reductions and savings</b>	<b>-3.500</b>

- **Non-consolidated pay award**  
The 2018/19 pay award included a 1% one-off increase. This was brought in to the budget in 2018/19 and can now be removed in 2019/20 as it has not been repeated.
- **Revised MRP policy**  
The Commissioner has previously agreed a revised policy for the accounting treatment of the Minimum Revenue Provision (which is a measure of the cost of owning assets) made in his Revenue Budget. The impact of the revised treatment realises a revenue saving.
- **Redeployment mileage**  
The three year term agreed for the payment of mileage costs for staff redeployed in to the contact centre and other reviews ends in 2018/19 realising a saving.
- **Forensic Academy**  
Additional income will be realised through the Forensic Academy partnership.
- **Zero based budget review**  
A review of all non-staff budgets has been undertaken to establish those which are not required. This has realised a saving that can be taken in 2019/20.
- **Service review requirements**  
As part of the on-going examination of support and frontline services a number of changes have been identified that deliver a net reduction to the revenue budget
- **Exiting the regional motorway collaboration**  
The decision to leave the North West Motorway collaboration has delivered an annual revenue saving whilst service delivery has been maintained.
- **Non-staff cost savings target**  
Constabulary has set a savings target across departmental non-staff cost budgets.

4.6. The investment in additional front line services, cost pressures and savings identified above deliver a **spending requirement** in 2019/20 as follows:

	<b>£m</b>
<b>Budget Requirement 2018/19</b>	<b>271.878</b>
Pay Award	4.503
Increased Pension Contribution costs	7.100
Investment	5.058
Demand/Volume cost pressures	4.524
<b>Spending Requirement 2019/20</b>	<b>293.063</b>
Less: Savings and cost reductions	-3.500
<b>Budget Requirement 2019/20</b>	<b>289.563</b>

## 5. The Revenue Budget 2019/20

5.1. The resources identified in 2019/20 and the spending requirement to deliver policing in Lancashire shown above therefore result in a balanced budget in 2019/20 summarised as follows:

	<b>£000</b>
2019/20 Spending Requirement	289,562.992
Less Specific Grant funding	-3,477.639
<b>2019/20 Net Budget Requirement</b>	<b>286,085.353</b>
Less Government Funding	-196,849.058
Less Council tax surplus 2018/19	-973.461
<b>Equals Council tax requirement 2019/20</b>	<b>88,262.834</b>
Divided by Tax Base	438,137.67
2019/20 Band D Council Tax	£201.45
2018/19 Band D Council Tax	£177.45
Increase	£24.00
Percentage Increase	13.5%

5.2. Attached at Appendix B is a full breakdown of the net budget requirement for 2019/20 of £285.930m and the consequent council tax for each valuation band.

## 6. Cash Limits

6.1. As part of the budget setting process it is necessary to set delegated cash limits for both the Office of the Police and Crime Commissioner and the Chief Constable. These are set out in the table below:

	<b>Cash Limit 2019/20</b>
	<b>£m</b>
<b>Constabulary:</b>	
Staff costs	223.639
ACC Territorial Operations	10.865
ACC Specialist Operations	3.043
Deputy Chief Constable	2.151
Director of Resources	19.613
Head of Change	1.661
Centrally managed budgets	17.559
<b>Total Constabulary</b>	<b>278.531</b>
Office of the PCC	1.398
Communications	0.120
Reducing Crime and Reoffending	0.837
Community Safety	0.924
Victim and Domestic Abuse services	0.181
Corporate budget	4.094
<b>TOTAL</b>	<b>286.085</b>

6.2. The corporate cash limit includes the costs of financing the capital programme and the financing of elements of the Local Government Pension Fund.

## 7. Investing for the future

- 7.1. In order to preserve the operational integrity and ability of the force in future years whilst delivering the savings required to meet the funding gap identified above, the Commissioner must consider a number of proposals that will change how the service operates.
- 7.2. It is recognised that, in order to deliver savings proposals to meet the funding gap faced by the Commissioner in future years, the way the police service is delivered will need to change significantly. It is also recognised that improving the efficiency in which assets are used such as buildings, infrastructure and IT networks and equipment, is crucial if the level of service being provided is to be maintained whilst the way it is delivered changes.
- 7.3. In order to improve the efficiency of the service it has been identified that significant investment is therefore needed in these assets which is recognised in both the ICT and the Asset Management strategies.
- 7.4. These strategies identify a number of investments that will ensure that, as far as is possible, frontline policing is protected and made as efficient as possible in future years. The one-off investment is provided through the Commissioner's Capital Investment Programme. This investment will help to deliver the permanent savings in the revenue budget that are required in future years to ensure that the Commissioner can provide policing services in Lancashire within the resources he has available.
- 7.5. The Commissioner, as part of his medium term financial strategy, considers the investment needed to deliver the capital investment programme and has in recent years set aside

specific reserves to provide the funding necessary to deliver these key investments. The following section of this report sets out the proposed investment programme and the funding that has been identified to deliver it.

## 8. Capital Investment Programme

8.1. The capital programme is set out below:

	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m	£m
IT Strategy	5.645	3.478	3.204	4.608	7.060	23.995
Accommodation Strategy	15.300	18.800	18.500	5.000	1.000	58.600
Vehicle Replacement	3.300	3.000	2.400	2.900	4.100	15.700
Other Schemes	1.721	0.622	0.427	0.437	1.037	4.244
<b>Total</b>	<b>25.966</b>	<b>25.900</b>	<b>24.531</b>	<b>12.945</b>	<b>13.197</b>	<b>102.539</b>

The Commissioner is *recommended to approve the capital programme for 2019/20 and note the proposed programme in 2020/21 and future years.*

8.2. The programme is set out in full at Appendix 'C' to this report and some of the main areas of investment are highlighted below.

### I.T. Strategy

- Replacement of equipment and mobile devices (£6.6m)
- New and replacement systems (£7.0m)
- Infrastructure replacement (£5.9m)
- ESN requirements (£5.7m)
  - Emergency Services Network (ESN) is the system that will replace the existing network used for communications by the Emergency Services. The costs shown are the best forecast that can be made at this point in time.
  - The nationally run programme has slipped by more than two years already and is subject to further delay.
  - The costs associated with the programme and the impact of the period of slippage are not clear but significant investment will be required upon its implementation.

### Accommodation strategy

- Minor Capital works and refurbishment (5.0m)
- Major refurbishment schemes (£18.4m)
- Pendle Briefing Base (£6.4m)
- Hutton HQ rationalisation (£7.2m)
- Adaptations at Greenbank (£9.6m)
- New Public Order training facility (£7.5m)

### Financing the capital programme

8.3. The financing needed to support the proposed programme in 2019/20 and future years depends upon the extent of Government support for capital expenditure and upon financing decisions taken by the Police and Crime Commissioner. The Capital grant allocation for 2019/10 has been announced at £1.121m.

8.4. Other financing available to support expenditure arises from the sale of property which generates a capital receipt, the use of ear-marked revenue reserves, contributions from the revenue budget and monies held within the capital funding reserve which arise from underspends in previous years and specific additional revenue contributions.

- 8.5. The capital programme also impacts on revenue expenditure from three main sources:
- capital financing charges and the impact of borrowing particularly for long term assets ( buildings)
  - the use of our own resources, and
  - revenue consequences arising from capital expenditure ( computer hardware/software maintenance costs and running costs of new builds)

8.6. The financing of the capital programme has been reflected in the Revenue Budget for 2019/20 and in the Medium Term Financial Strategy (MTFS) to 2023/24.

8.7. The investment programme is financed as follows:

	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m	£m
Capital Grant/Contributions	1.342	1.100	1.100	1.100	1.100	5.742
Capital Receipts	0.710	0	0	0	0	0.710
Revenue Contribution	1.717	2.650	3.650	4.650	4.650	17.317
Reserves	7.232	4.478	1.453	0	0	13.163
Borrowing	14.965	17.672	17.390	4.700	0.940	55.667
Financing to be identified	0	0	0.938	2.495	6.507	9.940
<b>Total</b>	<b>25.966</b>	<b>25.900</b>	<b>24.531</b>	<b>12.945</b>	<b>13.197</b>	<b>102.539</b>

The Commissioner is *recommended to approve the funding of the 2019/20 capital programme and note the proposed funding for future years.*

- 8.8. The table identifies 'financing to be identified' from 2021/22 onwards, this requirement forms part of the Commissioner's Medium Term Financial Strategy (MTFS) and reserves strategy.
- 8.9. The financing of the capital programme reflects the Commissioner's published Reserves Strategy including the forecast use of £13.2m from ear-marked investment reserves. This source of funding is used for assets with a shorter life such as IT systems and equipment as it is considered a more prudent approach to use such funding in this way rather than unsupported borrowing. Borrowing will continue to be used for the financing of longer life assets such as property as this reflects an appropriate method of financing for such assets.
- 8.10. The cost of the borrowing included in the financing of the capital programme is reflected in the revenue budget requirement and MTFS.

## 9. Reserves

- 9.1. It is illegal for the Commissioner to allow expenditure to exceed the resources available and the PCC's Chief Finance Officer (CFO) has a duty to report if it appears that this is likely to arise. A reasonable level of reserves is needed to provide an overall safety net against unforeseen circumstances.
- 9.2. The Commissioner sets out his reserves strategy each year that explains the reserves held and their planned use in conjunction with the Medium Term Financial Strategy.
- 9.3. The Commissioner holds two types of reserve, General reserves that 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 1 April 2019 is £11.331m or 4.0% of the 2019/20 revenue budget. The Chief Finance Officer considers general reserves at this level to be appropriate and in line with the Commissioner's Reserves Strategy.

- 9.4. There are also a number of earmarked reserves that are available to support the transition process including investment in capital projects that will support the delivery of savings in the future.
- 9.5. The Commissioner, in conjunction with the Chief Constable, will review the capital investment strategy and the reserves strategy during 2019/20 to ensure sufficient resources are made available for the financing of the capital programme in future years.

## **10. Robustness of the 2019/20 budget**

- 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 depth of funding reductions and the ability of the organisation to deliver 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 transition fund. At this stage it is anticipated that general reserves will be maintained at around 4.0% 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 which provides 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 including investment in the capital programme as identified elsewhere in this report. The level and appropriateness of earmarked reserves is kept under review, in accordance with the Commissioner's reserves strategy, to ensure that sums are only held if required, and released when not. At this stage these reserves are regarded as adequate with plans in place to invest the majority of the earmarked reserves on the capital ICT infrastructure and estates strategies that will support the future of the constabulary as it downsizes and strives to deliver high quality services.
- 10.5. As the statutory finance officer of the PCC, the CFO must advise on the robustness of the estimates upon which the PCC's budget is based. At this stage the CFO's opinion is that the budget process has taken all practical steps to identify and make appropriate provision for the commitments to which the PCC is exposed.

### ***Risks and Uncertainties***

- 10.6. In determining the 2019/20 revenue budget and developing the Medium Term Financial Strategy a number of risks and uncertainties have been identified that could impact on the financial position of the Commissioner.
- ***Impact of Comprehensive Spending Review (CSR 2019)*** Funding for policing services beyond 2019/20 will be set out in the findings of the Comprehensive Spending Review that will take place during 2019. Until these findings are reported the level of funding that will be available for forces remains uncertain.

- **Partner Funding for PCSOs** Some funding for PCSOs is received from partners across Lancashire and is match funded by the Commissioner. Several partners have already removed or reduced their funding for PCSOs and a number have yet to confirm their commitments for 2019/20, therefore the final PCSO budget available will not be known until all partners have set their budgets.
- **Emergency Services Network (ESN) - Replacement of Airwave** The emergency services communications network 'Airwave' replacement programme has already 'slipped' by more than two years. There is a financial consequence of a delay in moving over to the new system that is not yet clear. There is also a capital requirement for the equipment that will be required to operate on the new system that will impact upon future years' capital investment programme. The financial impact of these is not yet fully known with estimated provision included in the draft capital programme based on best available information. When further information is received from the Home Office the financial forecast will be updated.
- **Impact of cuts to Local Government funding** Local Authorities continue to face significant budget reductions. As services are removed or reduced, particularly in relation to mental health care, adult social care and children safeguarding, the demands faced by policing services increase dramatically. The impact of these changes is extremely difficult to forecast but as information becomes available it will be reflected in future iterations of the MTFs.
- **Anti-Fracking protests** During the current financial year the constabulary has incurred significant expenditure associated with the policing of anti-fracking protests. The cost in 2018/19 is forecast to exceed £5m, and the cost in 2017/18 was £7m. The Home Office has awarded special grant to meet 85% of the additional cost element of the operation that resulted in a grant of £5.8m to the end of 2018/19 towards the total cost to Lancashire of £12m. The protest will continue in 2019/20 and will therefore continue to have a significant impact on the revenue budget.

## 11. Equality Impact Assessments

- 11.1. The Commissioner and the Constabulary have a 'Futures' Programme to identify and deliver the required savings. 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.

## 12. Consultations

- 12.1. The Commissioner has undertaken significant research and consultation with the people of Lancashire to ensure their needs are reflected with regards to the decision taken on the council tax precept. 4,615 opinions have been gathered to help inform this decision.
- 12.2. The public consultation was conducted via a telephone survey of 1,404 residents across Lancashire plus an on-line survey that was promoted via social media, 'in the know' and through the PCC website. The on-line survey received 3211 responses.
- 12.3. Respondents were asked "Are you willing to pay more council tax to support policing in your area?"
- 12.4. Around two thirds (63%) revealed they were willing to pay more council tax to support policing in their area. Just under a third (31%) said they were unwilling to pay more council tax and a small minority (6%) said they did not know.



12.5. The Police and Crime panel for Lancashire was consulted on, and approved, the precept proposal for 2019/20 on 21<sup>st</sup> January 2019 and received the results of the public consultation exercise as part of that report.

12.6. Close consultation on the preparation of the budget and savings proposals has been carried out with the Chief Constable and his senior officer team.

### **13. Summary**

The Commissioner is asked to consider this report and the recommendations within it, including the approval of a £24 increase to the council tax precept for a Band D property in 2019/20.

## Police and Crime Commissioner for Lancashire

### 2019/20 Budget Requirement and Precept

1. The Commissioner is asked to approve the net budget requirement for 2019/20 of £285.930m and consequent council tax requirement of £88.263m and Band D Council Tax of £201.45 (£24 or 13.5% increase from 2018/19) as follows:

	£000
2019/20 Spending Requirement	289,562.992
Less Specific Grant funding	-3,477.639
<b>2019/20 Net Budget Requirement</b>	<b>286,085.353</b>
Less Government Funding	-196,849.058
Less Council tax surplus 2018/19	-973.461
<b>Equals Council tax requirement 2019/20</b>	<b>88,262.834</b>
Divided by Tax Base	438,137.67
2019/20 Band D Council Tax	£201.45
2018/19 Band D Council Tax	£177.45
Increase	£24.00
Percentage Increase	13.5%

2. On the basis of the above and the fixed ratios between valuation bands set by the Government, the Police and Crime Commissioner for Lancashire's council tax for each valuation would be:

BAND	£
Band A	134.30
Band B	156.68
Band C	179.07
<b>Band D</b>	<b>201.45</b>
Band E	246.22
Band F	290.98
Band G	335.75
Band H	402.90

3. Based on each district and unitary council's proportion of the total Band D equivalent tax base of 438,137.67 the share of the total Police and Crime Commissioner for Lancashire's precept of £88,262,834 to be levied on each council would be:

	£
Blackburn with Darwen	7,018,423
Blackpool	7,357,155
Burnley	4,671,827
Chorley	7,480,723
Fylde	6,057,199
Hyndburn	4,217,154
Lancaster	8,340,030
Pendle	4,847,149
Preston	7,752,199
Ribble Valley	4,675,453
Rossendale	4,108,774
South Ribble	7,209,372
West Lancashire	7,102,386
Wyre	7,424,990
	<u>88,262,834</u>

**Capital Investment Programme 2019/20 - 2023/24**

	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£	£	£	£	£	£
<b>IT Strategy</b>						
<b>Device Upgrade and Replacement</b>						
Endpoint Replacement/Upgrade Programme	850,000	630,000	662,000	695,000	730,000	3,567,000
Blackberry Upgrade/Refresh	50,000	-	-	70,000	-	120,000
Hand Held Smart Device Programme	990,000	990,000	990,000	-	-	2,970,000
	<b>1,890,000</b>	<b>1,620,000</b>	<b>1,652,000</b>	<b>765,000</b>	<b>730,000</b>	<b>6,657,000</b>
<b>New and Replacement Systems</b>						
Replacement External CCTV	300,000	-	-	-	-	300,000
Health Services System	110,000	-	-	-	100,000	210,000
Digital Media Investigation Unit (DMIU) Infrastructure Refresh	416,000	-	-	-	1,000,000	1,416,000
Integrated Command and Control System (ESN)	727,000	-	-	-	1,500,000	2,227,000
Door Entry Alarms/Proximity/CCTV	50,000	50,000	50,000	50,000	50,000	250,000
Custody Infrastructure Refresh	175,000	250,000	-	-	-	425,000
Future Developments	250,000	-	-	-	-	250,000
	<b>2,028,000</b>	<b>300,000</b>	<b>50,000</b>	<b>50,000</b>	<b>2,650,000</b>	<b>5,078,000</b>
<b>Network Access &amp; Security</b>						
Voice and Data Infrastructure Refresh	650,000	683,000	717,000	753,000	790,000	3,593,000
<b>New Requirements</b>						
Digital Evidence Management and Transfer	100,000	50,000	50,000	50,000	150,000	400,000
Office 365 Migration	172,000	100,000	-	-	-	272,000
Emergency Services Network (ESN) Testing, Trials and Pilots	-	50,000	100,000	-	-	150,000
ESN/Airwave Replacement	-	65,000	125,000	2,480,000	2,480,000	5,150,000
Storage Array Replacement	260,000	260,000	260,000	260,000	260,000	1,300,000
Replacement Trueview Network Monitoring Tool	45,000	-	-	-	-	45,000
WiFi Rollout	150,000	-	-	-	-	150,000
Achieving Best Evidence (ABE) Suite Technical Refresh	100,000	100,000	-	-	-	200,000
Centralised Access System	250,000	250,000	250,000	250,000	-	1,000,000

	1,077,000	875,000	785,000	3,040,000	2,890,000	8,667,000
<b>Total IT Strategy</b>	<b>5,645,000</b>	<b>3,478,000</b>	<b>3,204,000</b>	<b>4,608,000</b>	<b>7,060,000</b>	<b>23,995,000</b>
<b>Accommodation Strategy</b>						
Minor Capital Works and Refurbishments	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Skelmersdale Major Refurbishment	3,800,000	-	-	-	-	3,800,000
Pendle Briefing Base	3,000,000	3,400,000	-	-	-	6,400,000
HQ Rationalisation	4,900,000	1,000,000	1,300,000	-	-	7,200,000
Refurbishment of Custody Suites	100,000	1,400,000	1,100,000	-	-	2,600,000
Refurbishment of Operating Bases	-	4,000,000	4,000,000	4,000,000	-	12,000,000
Adaptations Blackburn Greenbank	900,000	4,500,000	4,200,000	-	-	9,600,000
Southern Communications base	-	-	2,900,000	-	-	2,900,000
Relocate Occupational Health	1,600,000	-	-	-	-	1,600,000
Public Order Facility	-	3,500,000	4,000,000	-	-	7,500,000
<b>Total Accommodation Strategy</b>	<b>15,300,000</b>	<b>18,800,000</b>	<b>18,500,000</b>	<b>5,000,000</b>	<b>1,000,000</b>	<b>58,600,000</b>
<b>Vehicle replacement programme</b>	<b>3,300,000</b>	<b>3,000,000</b>	<b>2,400,000</b>	<b>2,900,000</b>	<b>4,100,000</b>	<b>15,700,000</b>
<b>Other Schemes</b>						
HQ Crime Specialised Equipment Replacement Programme	150,000	150,000	150,000	150,000	150,000	750,000
ANPR Cameras	275,000	75,000	215,000	225,000	825,000	1,615,000
ANPR Mobile	212,000	60,000	12,000	12,000	12,000	308,000
POD Working	620,000	-	-	-	-	620,000
Force Control Room Upgrade - POD working	414,000	287,000	-	-	-	701,000
HQ Operations Specialised Equipment Replacement Programme	50,000	50,000	50,000	50,000	50,000	250,000
<b>Total other schemes</b>	<b>1,721,000</b>	<b>622,000</b>	<b>427,000</b>	<b>437,000</b>	<b>1,037,000</b>	<b>4,244,000</b>
<b>TOTAL EXPENDITURE</b>	<b>25,966,000</b>	<b>25,900,000</b>	<b>24,531,000</b>	<b>12,945,000</b>	<b>13,197,000</b>	<b>102,539,000</b>