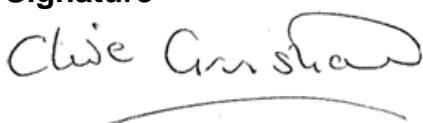




DECISION PAPER

DECISION: 2020/37	DATE: 23 FEBRUARY 2021
<p>TITLE The Police and Crime Commissioner for Lancashire's Revenue Budget and Council Tax for 2021/22 and Capital Investment Programme for 2021/22 and Future Years</p> <p>Appendices A and B refer</p>	
<p>REPORT BY: Steve Freeman, Chief Finance Officer</p>	
<p>Executive Summary Police and Crime Commissioners are required by the Local Government Finance Act (LGFA) 1992 to set a Budget Requirement and a Council Tax Requirement for 2021/22 and to issue a precept prior to 1st March 2021. The precept is the total budget requirement less formula funding, which for 2021/22 is the sum of Police Grant and DCLG formula funding. This report provides all the relevant information to assist the Commissioner in confirming the Revenue Budget, the Budget Requirement, Precept and Council Tax and Capital investment for 2021/22</p>	
<p>Recommendation: The Commissioner is asked to:</p> <ul style="list-style-type: none"> • Agree the efficiency savings, reductions in costs, investment in the service and cost pressures as set out in the report; • Agree a council tax requirement and precept for 2021/22, and consequent Band D amount that is based on a £15 increase on 2020/21 levels; • Approve a net budget requirement for 2021/22 of £319.391m and consequent council tax requirement of £100.256m and Band D council tax of £226.45 as set out in Appendix 'A'; • 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'; • Agree the 2021/22 delegated budgets for the Constabulary and the Office of the Police and Crime Commissioner. • Approve the 2021/22 Capital programme and its funding and note the proposed programme for 2022/23 and future years 	
<p>Signature  Police and Crime Commissioner Date 23rd February 2021</p>	

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: 2021/22 Budget requirement and precept

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.

Officer declaration	Date
LEGAL IMPLICATIONS – As above	
FINANCIAL IMPLICATIONS – As above	 22.02.2021
EQUALITIES IMPLICATIONS – As above	

CONSULTATION – As above	
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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

A handwritten signature in black ink, appearing to be 'A. J. ...', written over a light grey horizontal line.

Date: 22nd February 2021

**Police and Crime Commissioner for Lancashire
Revenue Budget 2021/22
Capital Investment Programme 2021/22 to 2025/26**

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 2021/22 and to issue a precept prior to 1 March 2021. 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 2021/22
- The Council Tax for 2021/22
- The capital investment programme for 2021/22 and future years

1.2. This report also 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 2nd February 2021 to set out his proposal in respect of the council tax precept for 2021/22. The Medium-Term Financial Strategy (MTFS) and 2021/22 budget set out in that report reflected the provisional Police Finance Settlement for 2021/22 and estimated level of council tax base for 2021/22.

1.4. It was reported to the panel that the budget figures would change on receipt of final council tax base figures along with other factors that impact directly on spending, this report reflects those final figures.

1.5. In the final Police Settlement published on the 4th February 2021, the government has made available an increase in grant funding to deliver an additional 6,000 police officers nationally by 31 March 2022 ('the national uplift programme').

1.6. The funding for 'uplift' covers the direct cost of the additional police officers (such as pay and direct on-costs). It also provides funding for the support infrastructure and equipment that the additional officers will need.

1.7. The Policing and Fire Minister is clear that to ensure that PCCs maintain their current levels of staffing he expects them to increase council tax by £15 for a Band D property to assist in meeting the existing cost pressures they face and in turn enable them to deliver the increase in officer numbers under the uplift programme.

2. Government Funding 2021/22

2.1. The government published the final Police Settlement on 4th February 2021. Lancashire has been allocated **police grant of £219.543m** that includes funding for the support costs arising due to the recruitment of an additional 150 officers as part of the national 'uplift' programme. The 150 for Lancashire includes 7 officers allocated to the North West Regional Crime Unit (NWROCU).

2.2. In addition to Police Grant the PCC will receive the following **specific grants in 2021/22**:

	£m
Uplift grant	2.545
Pension grant	3.104
Counter Terrorism Grant	1.626
Victims Services grant	1.722
Local Council Tax Support (LCTS) grant	2.354
Total	11.351

2.3. The Uplift grant of £2.545m will be paid over when recruitment of an additional 150 officers in Lancashire in 2021/22 has been delivered.

2.4. Pension grant of £3.104m continues in 2021/22 to meet, in part, the increase in cost that came in to effect in 2019/20.

2.5. Counter Terrorism grant contributes to the funding of Counter Terror officers in Lancashire

2.6. Victims Services grant contributes to the funding of the victim service in Lancashire

2.7. Local Council Tax Support grant contributes to the reduction in income that results from the council tax support scheme for households that are on low incomes that has been significantly increased during the Covid pandemic.

2.8. It should be noted that Police grant of £219.543m remains £10.3m less than the grant received by Lancashire in 2010/11. Since 2010/11 Lancashire has delivered annual savings of more than £86m to meet the shortfall generated by reductions in grant funding and increased costs.

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 a **deficit** on the Council tax collection fund for the PCC in 2020/21 that will require **£0.408m** to be paid to billing authorities by the PCC in 2021/22.

3.3. The City, Unitary and Borough Councils have also confirmed final taxbase figures for 2021/22 at **442,730.48** Band D equivalent properties.

3.4. The Police Funding announcement makes provision for Police and Crime Commissioners to increase their 2021/22 precept by up to £15 for a Band D property after which a referendum would be triggered.

3.5. The Commissioner proposed an increase for the 2021/22 precept of £15 for a Band D property to the Police and Crime Panel on 2nd February 2021. The Panel considered and supported the Commissioner's proposal.

3.6. **The Commissioner is therefore proposing that the council tax precept for 2021/22 be increased by £15 to £226.45 per annum for a Band D property.**

3.7. The amount of council tax available in 2021/22 as a result of the agreed increase in charge and the final tax base amount is:

	£
Council Tax	100,256,317
2020/21 Council Tax deficit	-407,912
Council Tax 2021/22	99,848,405

3.8. The total **resources available to the Commissioner to set the 2021/22** revenue budget are therefore:

Resources in 2021/22	£m
Police Grant	219.543
Specific grants:	
Uplift	2.545
Pension costs	3.104
Counter Terror	1.626
Victim Services	1.752
Local Council Tax Support	2.354
Council tax	99.848
Total resources 2021/22	330.772

4. Spending Requirement 2021/22

4.1. The Commissioner and Chief Constable have identified increases in cost that must be met in the 2021/22 revenue budget.

4.2. Uplift programme (£6.786m)

The cost of delivering the **uplift** programme in Lancashire providing 150 officers in 2021/22 is **£6.786m**. 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.

4.3. Cost increases (£5.060m)

4.3.1. Pay (£1.011m)

Government has announced a pay freeze for Police Officers in 2021/22. Traditionally pay increases for police staff mirror the pay award for police officers and it is therefore assumed that police staff pay will also be frozen in 2021/22. Staff earning less than £24,000 per annum are exempt from the freeze giving a cost pressure of **£0.715m**.

Terms and conditions have changed for Police officers and staff resulting in additional cost in respect of Car Allowances for Dog Handlers of **£0.064m**, pension related costs of **£0.100m** and costs maternity pay of **£0.132m**.

4.3.2. Capital financing charges (£0.900m)

This represents the impact of previous years' spending through the Capital Programme 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. The increase in cost in 2021/22 is **£0.900m**.

4.3.3. Increased cost of injury awards (£0.200m)

The costs of awards to individuals injured whilst at work has increased with a **pressure of £0.200m** in 2021/22. It is the value of each individual award that is increasing, not the number of awards made. In 2020/21, the number of awards has reduced from previous years, however due to the increased value of each award the cost for the budget continues to rise.

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

4.3.4. Increased contribution to North West Regional Organised Crime Unit (NW ROCU) (£0.065m)

Lancashire's share of the cost of the North West ROCU has increased by **£0.065m**.

4.3.5. Increased contribution to the National Police Air Service (NPAS) (£0.173m)

The annual cost for the National Air service has increased, in turn increasing the charge for Lancashire by **£0.173m**.

4.3.6. Full year effect of previously agreed commitments (£0.475m)

Commitments agreed in setting the budget for 2020/21 have implications for the 2021/22 revenue budget with a cost increase of **£0.475m** to reflect the Job Evaluation exercise undertaken in 2018/19 for Control Room operatives.

4.3.7. Inflation on non-pay costs (£0.725m)

Inflation is provided for non-staff costs incurred by the organisation totalling **£0.725m**; this reflects increases that are contractually agreed as well as a general provision for increased costs.

4.3.8. National IT and Enabling Programme charges (£0.620m)

The Home Office manages several national IT and 'enabling' projects on behalf of all forces. The Home Office has reduced the financial contribution it makes to these projects as part of its own savings exercise. These costs have been passed to each PCC resulting in an increased cost for Lancashire of **£0.340m**.

The cost of the national monitoring centre that forms part of the National Enabling programme for policing, previously funded by the Home Office, is now charged to each PCC resulting in a further additional cost of **£0.260m**.

There is an additional cost for Lancashire in respect of the nation 'Single on-line home' programme of **£0.020m**.

4.3.9. Forensic Services (£0.520m)

The cost of externally provided regional forensic services has increased by **£0.290m** and the cost of forensic services in respect of telecommunications has increased by **£0.230m**.

4.3.10. Accommodation related costs (£0.371m)

Costs related to the management and maintenance of accommodation has increased by **£0.371m**.

4.4. Investment (£8.621m)

4.4.1. Increase contribution to capital investment programme

The draft capital investment programme is shown later in the report. In developing his Medium-Term Financial Strategy (MTFS), the Commissioner has recognised that the resources available to invest in the capital programme from both capital grant from Government and from earmarked investment reserves have reduced considerably.

Capital investment is vital to ensure the efficient and effective operation of the organisation. 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 and the fleet renewal programme. When compared to the level of resources available, there is a clear shortfall.

To meet this requirement the annual contribution from the revenue budget is increased by **£1m**.

4.4.2. Increase to revenue budget for IT investment

The investment made by the Commissioner in supporting and delivering the IT infrastructure of the organisation is considerable. Effective systems and infrastructure are vital to ensure the effective and efficient operation of the force. The annual cost of maintaining and supporting this infrastructure and equipment has increased considerably and will increase further in future years.

To ensure the constabulary has systems, infrastructure and equipment that is fit for purpose the revenue budget is increased by **£2.520m**.

The main elements of this additional cost are £1.6m for the implementation of Microsoft windows 365 across the organisation that provides significant benefits in its operation and £0.7m in respect of the 'Pronto' system and software, that provides vital infrastructure to enable mobile working for officers.

4.4.3. Major Operations

There are several concurrent major investigations in operation and the budget to deliver these investigations needs to increase by **£0.865m** to meet the demand placed upon the force.

4.4.4. Overtime

It is recognised that the budget to deliver the consistent level of overtime undertaken during 'business as usual' for operational policing needs to increase by **£0.500m** to meet the demand placed upon the force.

4.4.5. Neighbourhood policing

The Commissioner and Chief Constable have identified a significant level of efficiency saving across the organisation. To meet the commitment made to the public the Commissioner intends to invest the saving in the recruitment of an additional 58 police officers in 2021/22. These officers are additional to the 150 officers provided by the uplift programme and will be assigned to Neighbourhood policing teams across the county. The cost of the 58 additional officers in 2021/22 is **£1.382m**.

4.4.6. LCTS – contribution to reserve

The government has provided a specific grant to meet the impact on income from the increase in Local Council Tax Support provided to low income households. The timing and level of the impact this policy will have is uncertain and it is recommended that the commissioner set aside this funding in reserves to meet the impact of the policy when it arises in 2021/22 and future years. The contribution to reserves is **£2.354m**

4.5. Cost reductions/Savings (£2.625m)

4.5.1. An on-going process to review the organisation's activity and identify cost reductions and savings is in place. This is undertaken in conjunction with the Constabulary's 'Futures Team' and has identified savings that will be delivered in 2021/22 as follows:

	2021/22
	£m
Efficiency savings target	2.400
Reduce insurance provision	0.100
Reduce cost of travel and subsistence allowances	0.125
Total	2.625

4.5.2. Efficiency savings

A number of savings across the organisation are realised through the on-going efficiency review. Individual savings can range in value but aggregate to a significant contribution to the revenue budget position.

This includes the review of all vacancies to determine if the business need for the post remains in place. Any vacant posts that do not have a prioritised business need are disestablished to realise a permanent saving.

Service efficiency reviews will deliver savings of **£2.400m** in 2021/22.

4.5.3. Insurance provision

The ongoing review of the combined liability policies has indicated that a **reduction in the annual provision** for these costs of **£0.100m** can be made. This provision is for costs arising from claims that are not met through the Commissioner's insurance cover often identified as the level to which the organisation is 'self-insured'.

4.5.4. Travel and subsistence allowances

The amount of travel and subsistence claimed has reduced significantly and the organisation has changed working practices to ensure that some of that reduction will be permanent. This realises a permanent saving for the revenue budget of **£0.125m**.

4.6. Budget requirement 2021/22

4.6.1. The information above in respect of spending requirements and the funding available gives the budget requirement as follows:

	£m
Budget Requirement 2020/21 brought forward	312.930
Uplift programme	6.786
Cost pressures	5.060
Investment	8.621
Budget Requirement 2021/22	333.397
Less: Savings and cost reductions	-2.625
Budget Requirement 2021/22	330.772
Funding 2021/22	330.772

5. The Revenue Budget 2021/22

5.1. The resources identified in 2021/22 and the spending requirement to deliver policing in Lancashire shown above therefore result in a balanced budget in 2021/22 summarised as follows:

	£000
2021/22 Spending Requirement	330,772.253
Less Specific Grant funding	-11,381.089
2021/22 Net Budget Requirement	319,391.164
Less Government Funding	-219,542.760
Add Council tax deficit 2020/21	407.913
Equals Council tax requirement 2021/22	100,256.317
Divided by Tax Base	442,730.48
2021/22 Band D Council Tax	£226.45
2020/21 Band D Council Tax	£211.45
Increase	£15.00
Percentage Increase	7.09%

5.2. Attached at Appendix B is a full breakdown of the consequent council tax in 2021/22 for each council tax 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:

	Cash Limit 2021/22
	£m
Constabulary:	
Staff costs	242.477
ACC Territorial Operations	12.295
ACC Specialist Operations	5.102
Deputy Chief Constable	0.811
Director of Resources	25.522
Centrally managed budgets	20.634
Total Constabulary	306.841
Office of the PCC	1.381
Communications	0.120
Reducing Crime and Reoffending	0.822
Community Safety	0.735
Victim and Domestic Abuse services	0.593
Corporate budget	8.899
TOTAL	319.391

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. Capital Investment Programme

7.1. The **capital programme** is set out below:

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
IT Strategy	6.278	4.000	4.000	4.000	4.000	22.278
Emergency Services Network (ESN)	0.200	3.900	3.900	3.800	1.300	13.100
Accommodation Strategy						
Critical Policing Infrastructure Programme	6.600	0	0	0	0	6.600
Pendle briefing base	7.150	7.000	1.521	0	0	15.671
Burnley police station replacement	0.629	4.300	4.800	5.651	0	15.380
Refurbishment of custody suites	0.825	2.583	3.842	2.409	0	9.659
Refurbishment of operating bases	5.134	9.575	19.385	13.910	3.000	51.004
East infrastructure strategy	0	5.742	5.800	6.582	8.000	26.124
Other major schemes	3.945	0	0	1.210	3.540	8.695
Minor works	1.000	1.000	1.000	1.000	1.000	5.000
Total Accommodation Strategy	25.283	30.200	36.348	30.762	15.540	138.133
Vehicle Replacement	4.355	4.000	4.000	4.000	4.000	20.355
Other Schemes	0.831	0.600	0.600	0.600	0.600	3.231
Total	36.947	42.700	48.848	43.162	25.440	197.097

The Commissioner is **recommended to approve the capital programme for 2021/22 and note the proposed programme in 2022/23 and future years.**

Each proposed project for the accommodation element of the capital programme is subject to further, final approval being provided by the Commissioner on a scheme by scheme basis.

7.2. The main areas of investment are:

- 7.2.1. A number of projects delivering IT requirements including the replacement of equipment and mobile devices, new and replacement systems and infrastructure replacement.
- 7.2.2. 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 significant, and the policing sector is negotiating with the Home Office about the level of cost that will fall to individual forces.
- 7.2.3. 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. 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.

7.2.4. The ongoing vehicle replacement programme continues and within 'other schemes' is the proposed increase in Taser provision across the force and the upgrade to the infrastructure in the Control Room.

Financing the capital programme

7.3. The financing needed to support the proposed programme in 2021/22 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 from government for 2021/22 is £0.294m.

7.4. 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.

7.5. Funding for the cost of ESN is under discussion with the Home Office. If government support is not provided the impact for Lancashire is significant requiring substantial contributions from the revenue budget to meet the cost of the scheme.

7.6. The capital programme also impacts on revenue expenditure from three main sources:

7.6.1. capital financing charges and the impact of borrowing particularly for long term assets (buildings)

7.6.2. the use of our own resources, and

7.6.3. revenue consequences arising from capital expenditure (computer hardware/software maintenance costs and running costs of new builds)

7.7. The financing of the capital programme has been reflected in the Revenue Budget for 2021/22 and in the Medium-Term Financial Strategy (MTFS) to 2025/26.

7.8. The investment programme is financed as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
Capital Grant/Contributions	0.294	0.294	0.294	0.294	0.294	1.470
Capital Receipts	0.500	0	0	0	0	0.500
Revenue Contribution	5.710	6.410	7.410	8.410	9.410	37.351
Borrowing	24.484	28.690	34.531	29.224	14.435	131.363
Reserves	5.960	3.406	2.713	1.433	0	13.513
Funding for ESN	0	3.900	3.900	3.800	1.300	12.900
Total	36.947	42.700	48.848	43.162	25.440	197.097

The Commissioner is ***recommended to approve the funding of the 2021/22 capital programme and note the proposed funding for future years.***

7.9. The table identifies contributions from reserves in each year of the programme, this requirement forms part of the Commissioner's Medium-Term Financial Strategy (MTFS) and reserves strategy.

7.10. The financing of the capital programme reflects the Commissioner's published Financial Strategy including the forecast use of contributions from the revenue budget. 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.

7.11. The cost of the borrowing included in the financing of the capital programme is reflected in the revenue budget requirement and MTFs.

8. Reserves

- 8.1. 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.
- 8.2. 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.
- 8.3. 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 2021 is £10.066m or 3.15% of the 2021/22 revenue budget. The Chief Finance Officer considers general reserves at this level to be appropriate and in line with the Commissioner's Reserves Strategy.
- 8.4. 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.
- 8.5. The Commissioner, in conjunction with the Chief Constable, will review the capital investment strategy and the reserves strategy during 2021/22 to ensure sufficient resources are made available for the financing of the capital programme in future years.

9. Robustness of the 2021/22 budget

- 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 depth of funding reductions and the ability of the organisation to deliver 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 transition fund. At this stage it is anticipated that general reserves will be maintained at around 3.2% 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.
- 9.4. 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.

9.5. 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

9.6. In determining the 2021/22 revenue budget and developing the Medium-Term Financial Strategy several risks and uncertainties have been identified that could impact on the financial position of the Commissioner.

- ***Council Taxbase***

The impact of the Covid pandemic on the wider economy is significant and in turn the impact this will have on the local council tax collection is unknown. Collection rates in 2021/22 and future years may be affected giving a degree of uncertainty in the level of income that can be expected in future years.

Regular information from District and Unitary Councils will assist in the management of this risk.

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

- ***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 2021/22 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.

- ***Impact of Comprehensive Spending Review***

Funding for policing services beyond 2021/22 will be set out in the findings of the Comprehensive Spending Review that is expected to take place during 2021. Until these findings are reported the level of funding that will be available for forces remains uncertain.

- ***Emergency Services Network (ESN) - Replacement of Airwave***

The emergency services communications network 'Airwave' replacement programme has already 'slipped' by more than three 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 Government Policy***

Central government has introduced a number of national programmes focussed on specific areas of activity for policing. These have been funded through specific grant, but confirmation of such grants is often at short notice and within strict time-bound constraint. Enabling such activity can have a wider impact on the revenue budget.

- ***Impact of the Police Pensions Remedy***

The Government introduced changes to public sector pensions and introduced revised pension arrangements for Police Officers in 2015. As part of the implementation a series of protection measures were put in place to protect those officers within 10 years of their normal retirement date. This policy was successfully challenged in the Courts and was found to be discriminatory on the basis of age. The Government has recently announced its proposals to remedy the discrimination. Whilst these proposals will take some time before they are in place, initial indications are that the cost of administering the remediation will be an additional cost on police forces and the ultimate cost of the remedy may require an increase in employer contributions of 10%. This will form detailed discussion with the Government and the extent to which sufficient funding is made available will be a key element of the discussion.

10. Equality Impact Assessments

10.1. 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.

11. Consultations

11.1. The Commissioner has undertaken survey with the people of Lancashire to ensure their needs are taken into consideration when setting the council tax precept.

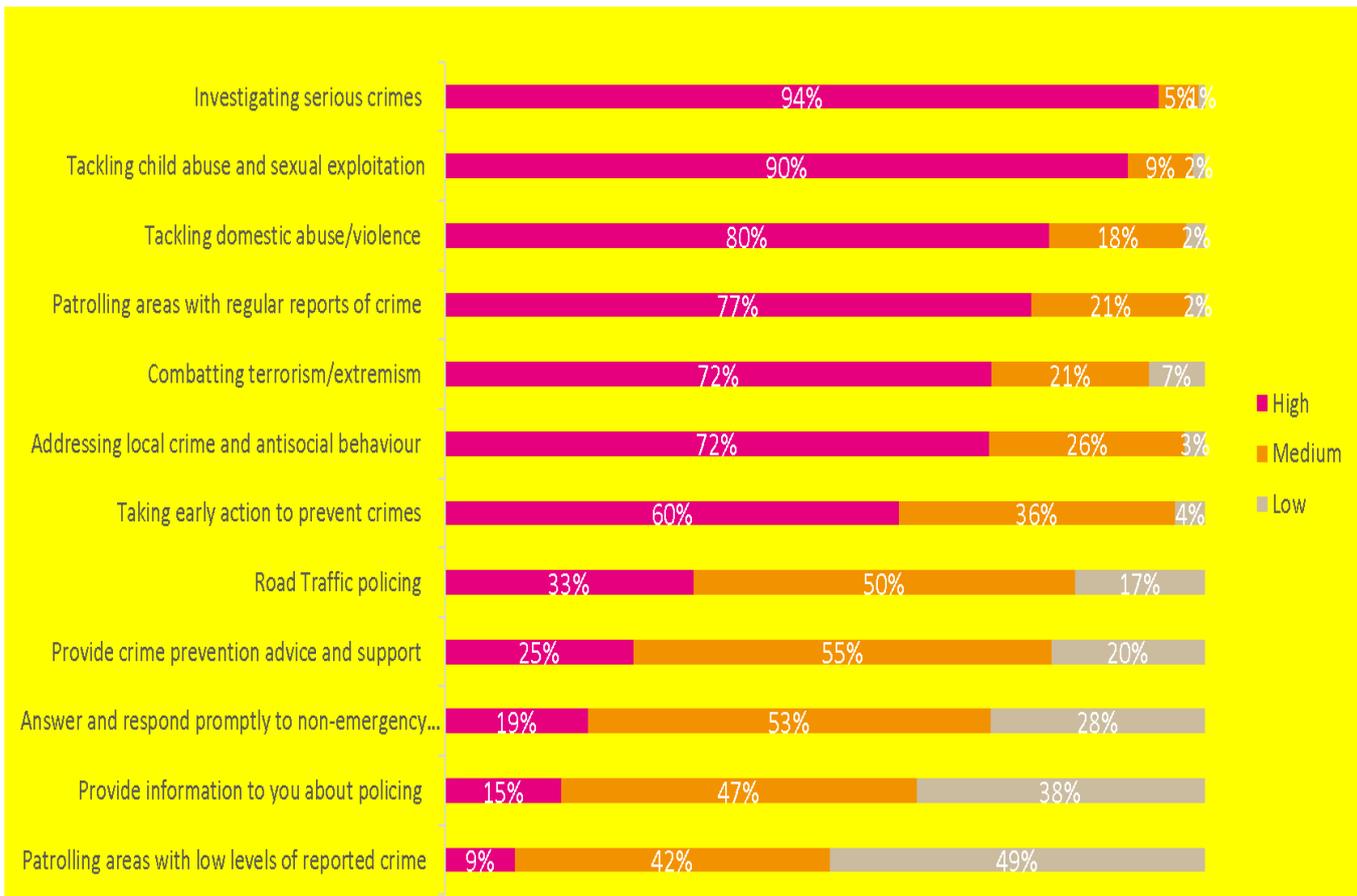
11.2. 4,679 Lancashire residents took part in the consultation and were asked the following question

"The Government is expecting the PCC to increase the council precept by £15 a year/29p a week for a band D property to fund the Police and Crime Commissioner's budget for 2021/22. This equates to £10 a year/20p per week for a band A property. If council tax is not increased to the level expected by the government, the Constabulary will be forced to make savings that could reduce the level of service the police are able to provide across Lancashire.

The Police and Crime Commissioner's intention is to invest the majority of the money raised through the precept into neighbourhood policing do you agree with this proposal?"

11.3. 83% of participants agreed with the Commissioner's proposal that the increase in precept should be focussed on neighbourhood policing.

11.4. Participants were also asked their views on policing priorities, ranking each as a high, medium or low priority. The following graph identifies which priorities are considered key in Lancashire:



11.5. The Police and Crime panel for Lancashire was consulted on, and approved, the precept proposal for 2021/22 on 2nd February 2021.

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

12. Summary

The Commissioner is asked to consider this report and the recommendations within it, including the approval of a £15 increase to the council tax precept for a Band D property in 2021/22.

Police and Crime Commissioner for Lancashire

2021/22 Budget Requirement and Precept

1. The Commissioner is asked to approve the net budget requirement for 2021/22 of £319.391m and consequent council tax requirement of £100.256m and Band D Council Tax of £226.45 (£15 or 7.09% increase from 2020/21) as follows:

	£000
2021/22 Spending Requirement	330,772.253
Less Specific Grant funding	-11,381.089
2021/22 Net Budget Requirement	319,391.164
Less Government Funding	-219,542.760
Add Council tax deficit 2020/21	407.913
Equals Council tax requirement 2021/22	100,256.317
Divided by Tax Base	442,730.48
2021/22 Band D Council Tax	£226.45
2020/21 Band D Council Tax	£211.45
Increase	£15.00
Percentage Increase	7.09%

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	150.97
Band B	176.13
Band C	201.29
Band D	226.45
Band E	276.77
Band F	327.09
Band G	377.42
Band H	452.90

3. Based on each district and unitary council's proportion of the total Band D equivalent tax base of 442,730.48 the share of the total Police and Crime Commissioner for Lancashire's precept of £100,256,317.20 to be levied on each council would be:

	£
Blackburn with Darwen	7,911,746.33
Blackpool	8,345,361.85
Burnley	5,269,038.60
Chorley	8,486,485.49
Fylde	7,014,288.75
Hyndburn	4,583,121.55
Lancaster	9,397,675.00
Pendle	5,411,702.10
Preston	8,881,821.90
Ribble Valley	5,436,385.15
Rosendale	4,615,051.00
South Ribble	8,201,883.13
West Lancashire	8,327,485.89
Wyre	8,374,270.46
	<hr/> 100,256,317.20 <hr/>