



## **POLICE & CRIME COMMISSIONER**

**DECISION : 2017/49**

**DATE: 16 February 2018**

**TITLE: The Police and Crime Commissioner for Lancashire's Revenue Budget and Council Tax for 2018/19 and Capital Investment Programme for 2018/19 and Future Years**  
**Appendices A, B and C refer**

**Report by: Steve Freeman, Chief Finance Officer, OPCC**

### **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 2018/19 and to issue a precept prior to 1st March 2018. The precept is the total budget requirement less formula funding, which for 2018/19 is the sum of Police Grant and DCLG formula funding.

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 2018/19.

### **RECOMMENDATION**

The Commissioner is asked to:

- 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 2018/19, and consequent Band D amount that is based on a £12 increase on 2017/18 levels;
- Approve a net budget requirement for 2018/19 of £267.755m and consequent council tax requirement of £76.726m and Band D council tax of £177.45 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 2018/19 delegated budgets for the Constabulary and the Office of the Police and Crime Commissioner.
- Approve the 2018/19 and future years Capital programme

Signature

*Clive Arnold*

Police and Crime Commissioner

Date

*16th February 2018*

### **1. Background and Advice**

The report for consideration is attached at Appendix 'A'

### **2. Links to the 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. Consultations**

Consultation has taken place with key staff within the Custody and Criminal Justice Department who are responsible for the day to day requirements within the force, and the Procurement and Contracts Department.

### **4. Implications**

#### **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. Risk Management**

The allocation of the revenue budget is considered as part of the overall financial stewardship for the Office of the Police and Crime Commissioner for Lancashire that ensures a legal and sustainable budget is set.

### **6. Background Papers**


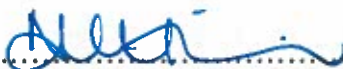
None

### **7. Public access to information**

Contact / Telephone:

Steve Freeman  
Chief Finance Officer

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Officer declaration	Date
As above	
<b>LEGAL IMPLICATIONS</b>	
As above	
<b>FINANCIAL IMPLICATIONS</b>	
As above	
<b>EQUALITIES IMPLICATIONS</b>	
As above	
<b>CONSULTATION</b>	
<p><b>Chief Executive Officer (Monitoring Officer)</b></p> <p>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.</p> <p>Signature..........Date.....16.2.2018.....</p>	

# **Police and Crime Commissioner for Lancashire Revenue Budget 2018/19 Capital Investment Programme 2018/19 to 2022/23**

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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 2018/19 and to issue a precept prior to 1 March 2018. 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 2018/19
  - The Council Tax for 2018/19
  - The capital investment programme for 2018/19 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 22<sup>nd</sup> January 2018 to set out his proposal in respect of the council tax precept for 2018/19. The Medium term Financial Strategy and 2018/19 budget set out in that report reflected the provisional Police Finance Settlement for 2018/19 and estimated level of council tax base for 2018/19.
- 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.

## **2. Funding position**

- 2.1. The Police and Crime Commissioner's Medium Term Financial Strategy (MTFS) for the period 2018/19 to 2021/22 is framed in the context of the final financial settlement for Lancashire published on 31<sup>st</sup> January 2018.
- 2.2. In the period 2010/11 to 2018/19 the funding for Lancashire received from central government has fallen by £52.6m (23%).

## **3. Budget Process**

### ***Medium Term Financial Strategy***

- 3.1. Over recent years the Commissioner, in consultation with the Chief Constable, has continued to develop the Medium Term Financial Strategy (MTFS). The MTFS is based on information provided from central government regarding future funding, estimates of future council tax receipts together with assumptions on cost pressures including inflation and demand for services. From this, the level of savings required to deliver a balanced budget has been identified and the Commissioner and the Chief Constable are working together to develop options to drive out further efficiencies and deliver more savings in future years.

### ***Funding assumptions***

- 3.2. The Government has not provided information on the level of core Police funding to be provided beyond 2018/19 in the final settlement published on 31<sup>st</sup> January 2018. The Minister for Policing has stated that he intends to maintain grant levels in 2019/20 at the same level as is in place in 2018/19, it has therefore been assumed that grant from government in 2019/20 will be the same as has been confirmed for 2018/19. In future years it is assumed that the previously prevailing rate of reduction in government funding will take place, i.e. an annual reduction of 0.9%.
- 3.3. The Ministry of Justice have confirmed the level of funding the Commissioner will receive in 2018/19 in respect of the delivery of Victims Services (£1.732m). Specific grants for Counter Terrorism activity and loan charges have not been confirmed for 2018/19, the budget and MTFS therefore assume these grants will continue at current levels in future years.

### ***The 'Funding Gap'***

- 3.4. In each year covered by the MTFS a spending requirement is identified along with the resources expected to be available to fund that spending. Where the required spending is greater than the resources available a 'funding gap' is determined which requires action to be taken to identify savings to bridge that gap.
- 3.5. The 2017/18 budget report identified a funding gap of £13.4m to 2019/20. The Commissioner and Chief Constable have continued to review the MTFS to 2021/22 and have identified a revised funding gap of £18m which is detailed in this report.
- 3.6. The Commissioner has approved additional savings of £6.2m in delivering this revised funding gap which means that the Commissioner and the Constabulary have identified a total amount of savings of £84.6m from 2011/12 to 2021/22 to date. To meet the outstanding funding gap a further £18m of savings need to be delivered. This means that by 2021/22 total savings in excess of £102m will have been delivered since 2011/12 which is the equivalent of 35% of the 2011/12 original revenue budget.

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

### ***Developing Savings Options***

- 3.8. In developing options the Commissioner and the Chief Constable look to protect front line services and drive out efficiencies wherever possible whilst maintaining service delivery. This approach together with the overall approach to managing the financial position was recently recognised as good practice by Her Majesty's Inspectorate of Constabulary (HMIC) from which Lancashire Constabulary was again rated as 'good' in the recent Police Effectiveness Efficiency and Legitimacy "Peel efficiency" inspection.

## **4. Medium Term Financial Strategy 2018/19 to 2021/22**

- 4.1. The MTFs has been updated to reflect the final funding settlement announced on 31<sup>st</sup> January 2018 and final council tax information provided by City, District and Unitary authorities on 31 January 2018 and is summarised below:

	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>Total £m</b>
<b>Resources:</b>					
Government Funding	190.024	190.024	188.314	186.619	
Specific grants	4.122	4.122	4.122	4.122	
Council tax	77.732	77.877	79.045	80.231	
<b>Total Resources</b>	<b>271.878</b>	<b>272.023</b>	<b>271.481</b>	<b>270.972</b>	
Base budget requirement brought forward	265.769	271.878	272.023	271.481	
Investment	4.495	-0.459	-0.284	0	<b>3.752</b>
Demand/Volume	1.287	1.311	0.750	0.420	<b>3.768</b>
Pay Award	4.132	4.388	4.346	4.307	<b>17.173</b>
Inflation	1.145	1.137	1.171	1.206	<b>4.659</b>
<b>Budget Requirement</b>	<b>276.828</b>	<b>278.255</b>	<b>278.006</b>	<b>277.414</b>	
<b>Funding gap</b>	<b>4.950</b>	<b>6.232</b>	<b>6.525</b>	<b>6.442</b>	<b>24.149</b>
Savings identified	-4.950	-1.025	-0.179	0	<b>-6.154</b>
<b>Funding gap</b>	<b>-</b>	<b>5.207</b>	<b>6.346</b>	<b>6.442</b>	<b>17.995</b>

This forecast of the funding gap reflects the following:

### **Government Funding**

- 4.2. The final police grant settlement for 2018/19 was announced on 31<sup>st</sup> January 2018 and Lancashire was allocated £190.024m. It is assumed that

government funding will remain at the same level in 2019/20 and then will reduce by 0.9% per annum in each subsequent year.

- 4.3. Specific grants in respect of the delivery of counter terrorism activity will be confirmed during 2018/19. It is assumed that any change in the level of these grants will be matched by a change in expenditure and therefore have no impact of the funding gap position.
- 4.4. The Home Office has previously undertaken a review of the **funding formula** used to allocate funding to individual PCCs with the stated intention to implement its outcome in 2018/19. This has not taken place and it has been indicated by the Minister that this will be reviewed as part of the next spending review scheduled for 2019 but with no indication if or when it might be implemented.
- 4.5. At this stage there is little information available to provide a forecast in the MTFs however the impact could be significant for Lancashire with previous reviews indicating a potential cut to funding of between £8.5m and £25m for Lancashire.

#### **Council Tax**

- 4.6. 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.
- 4.7. **The MTFs reflects a proposed increase of £12 to the council tax charge for a band D property in 2018/19 as approved by the Police and Crime Panel at its meeting on 22<sup>nd</sup> January 2018.**
- 4.8. The City, Unitary and Borough Councils have confirmed the surplus on the Council tax collection fund in 2017/18 at £1.005m. The City, Unitary and Borough Councils have also confirmed final taxbase figures for 2018/19 at 432,383.56 Band D equivalent properties.
- 4.9. The forecast assumes an increase in the council tax base (i.e. the number of households that pay council tax) of 1.5% per year in future years to reflect the latest trend information provided by District Councils. The forecast does not include an increase to the council tax precept in any year beyond 2018/19.
- 4.10. **The amount of council tax to be received in 2018/19 is £77.732m.**

## Investment

4.11. The MTFs shown above includes investment in key areas of policing activity as follows:

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Implementation and support of Crime and Intelligence system for safeguarding vulnerable victims	1.398	-0.543	-0.204	-	0.651
Contact management	1.471	0.084	-	-	1.555
Digital Media Investigations Unit	1.126	-	-0.080	-	1.046
Emerging issues	0.500	-	-	-	0.500
<b>Total</b>	<b>4.495</b>	<b>-0.459</b>	<b>-0.284</b>	<b>-</b>	<b>3.752</b>

➤ **Crime and Intelligence**

A new system has been introduced to replace the current ageing in house systems which do not meet fully statutory management information requirement relating to Police Information. The system will meet these requirements and provide significantly better protection for potential victims of high impact crime.

➤ **Contact Management**

As the demand placed upon the constabulary's contact management team continues to increase at a significant rate it has been recognised that a redesign of the way the service is delivered is required. The redesigned service will increase efficiency and productivity but the level of the public's demand for the service requires additional resource to be provided in the team.

➤ **Digital Media Investigations Unit**

The level of crime involving digital and media platforms is increasing in both the number of platforms being used and the complexity of analysing the digital media. Additional investment in this service is vital to enable Lancashire to continue to deliver an effective response to this type of crime.

➤ **Emerging issues**

A number of issues have been identified that require investment in staff required to support: collaboration opportunities, workforce representation, liaison with CPS to review working practices to expedite rape and serious sexual offences cases.

## Demand/Volume

4.12. The demand and volume pressures included in the MTFs are:

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Revenue consequences of the capital programme	0.987	1.011	0.750	0.420	3.168
Insurance provision	0.300	0.300	0	0	0.600
<b>Total</b>	<b>1.287</b>	<b>1.311</b>	<b>0.750</b>	<b>0.420</b>	<b>3.768</b>



- **Revenue consequences of the capital programme**  
This represents the impact of the changes to the Capital Programme agreed in the 2017/18 budget report 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.
- **Insurance provision**  
A recent assessment of the combined liability policies has indicated that the value of historic claims combined with estimates of current claims significantly outstrips the value of provision made to meet these liabilities. Therefore it is necessary to increase the amount of resources available to meet these liabilities over the next two years.

### Savings

- 4.13. A key element of the Commissioner's financial management strategy is the ongoing review of the organisation's activity and the identification of additional 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 2018/19 and future years as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Remove contribution to reserves	-1.074	-	-	-	-1.074
Reduced charge for NPAS	-0.190	-	-	-	-0.190
Reduction in non-pay budgets	-1.346	-	-	-	-1.346
Review of Front Counters	-0.926	-	-	-	-0.926
Learning and Development Forensics	-	-0.300	-	-	-0.300
Organisational reviews	-1.414	-0.725	-0.179	-	-2.318
<b>Total</b>	<b>-4.950</b>	<b>-1.025</b>	<b>-0.179</b>	<b>-</b>	<b>-6.154</b>

- **Remove contribution to reserves**  
The contribution to the investment reserve included in the 2017/18 revenue budget has been removed in 2018/19 and generates a saving
- **Reduced charge for the National Police Air Service (NPAS)**  
The charge for the service provided by NPAS has been reduced in 2018/19
- **Reduction in non-pay budgets**  
The Constabulary conduct an annual review of all non-pay budgets and through this process have identified savings that can be delivered in 2018/19
- **Review of Front Counters**  
The full year effect of the savings generated by the review of front counter provision is shown in 2018/19
- **Learning and development - Forensics**

The partnership activity with UCLan in the provision of Forensics qualifications provides the opportunity for the Constabulary to generate an income stream realising a 'saving' for the revenue budget through additional income

➤ **Organisational reviews**

The Constabulary has an ongoing programme of reviews of its activity and structure with a view to deliver the maximum value for money it can. These reviews have identified a number of efficiency savings that can be delivered over the period of the MTFS.

**RISKS AND UNCERTAINTIES**

4.14. In delivering this forecast a number of risks and uncertainties were identified that were not reflected in the position shown above. These are shown in detail in paragraph 10.6 and include:

- Specific Grant allocations
- Future levels of top-slicing
- Partner Funding for PCSOs
- Emergency Services Network (ESN) - Replacement of Airwave
- Review of the Police Funding Formula
- Impact of cuts to Local Government funding
- Anti-Fracking protests

## 5. The 2018/19 Revenue Budget

In the development of the multi-year financial strategy (MTFS) the 2018/19 revenue budget is identified as follows:

**2018/19 spending requirement**

<b>Summary position</b>	<b>£m</b>
2017/18 Base Budget	265.769
Investment	4.495
Demand Pressures	1.287
Pay Award	4.132
Non-pay inflation	1.145
Savings	-4.950
<b>2018/19 Spending requirement</b>	<b>271.878</b>

**Resources available in 2018/19**

5.1. The resources available to support the Police and Crime Commissioner's 2018/19 budget are:

- Revenue grant support received from Central Government
- Specific grants from Central Government, and
- Council tax

## 5.2. Revenue Grant Support

The final police settlement announced on 31 January 2018 confirmed government revenue grant funding for Lancashire of **£190.024m**.

## 5.3. Specific Grants

The Commissioner will receive the following specific grants in 2018/19 – the Counter Terrorism grant and Loan charges grant are provisional allocations, if the level of grant changes on final allocation, related spend will adjust accordingly to the grant level:

- Counter Terrorism grant **£2.240m**
- Loan charges grant **£0.150m**
- Restorative Justice and Victims of Crime funding **£1.732m**.

## 5.4. Council Tax Resources

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.

The City, Unitary and Borough Councils have confirmed the surplus on the Council tax collection fund in 2017/18 at £1.005m.

The City, Unitary and Borough Councils have also confirmed final taxbase figures for 2018/19 at 432,383.56 Band D equivalent properties.

The Police Funding announcement makes provision for Police and Crime Commissioners to increase their 2018/19 precept by up to £12 for a Band D property after which a referendum would be triggered. In determining a proposed precept for 2018/19 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 £270m is provided **ONLY** if all PCCs increase their council tax precept charge by the maximum allowed under the referendum limits
- That this 'additional funding' is the only available resource for PCCs to meet the pressures on budget that have arisen as a result of the Police Officer and Staff pay award of 2% and the pressure on the budget that arises from inflation on non-pay costs
- The Council Tax Referendum limits
- Consultation Responses from the Public
- Response from the Police and Crime Panel

The Commissioner proposed an increase in the 2018/19 precept of £12 for a Band D property to the Police and Crime Panel on 22<sup>nd</sup> January 2018. The Panel considered the Commissioner's proposal and supported the proposal without further qualification or comment. The Commissioner is therefore **proposing that the council tax**

precept for 2018/19 be increased by £12 to £177.45 per annum for a Band D property.

The amount of council tax available in 2018/19 as a result of the agreed increase in charge and the final tax base amount is:

	£000
Council Tax	76,726.463
2017/18 Council Tax surplus	1,005.206
<b>Council Tax 2018/19</b>	<b>77,731.668</b>

5.5. The total level of resources available for 2018/19 is set out in the table below:

	£m
Government funding	190.024
Specific grants: Counter Terrorism Unit grant	2.240
Loan Charges grant	0.150
Restorative justice and victims of crime	1.732
Council Tax	77.732
<b>Resource available in 2018/19</b>	<b>271.878</b>

5.6. The overall position for the 2018/19 budget therefore results in a balanced budget as summarised below:

	£000
2018/19 Spending Requirement	271,877.416
Less Specific Grant funding	-4,122.000
<b>2018/19 Net Budget Requirement</b>	<b>267,755.416</b>
Less Government Funding	-190,023.747
Less Council tax surplus 2017/18	-1,005.206
<b>Equals Council tax requirement 2018/19</b>	<b>76,726.463</b>
Divided by Tax Base	432,383.56
2018/19 Band D Council Tax	£177.45
2017/18 Band D Council Tax	£165.45
Increase	£12.00
Percentage Increase	7.25%

Attached at Appendix B is a full breakdown of the net budget requirement for 2018/19 of £267.755m 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 together with the budget for the centrally retained corporate budgets.

<b>Cash Limits 2018/19</b>	
	<b>£m</b>
Office of the Police and Crime Commissioner	1.441
Crime, Community Safety and Victims	2.680
Chief Constable	258.248
Corporate Budget	5.386
<b>TOTAL</b>	<b>267.755</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 projects that will ensure frontline policing is protected and made as efficient as possible in future years. The one-off investment in these projects 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 long 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. The 2018/19 and future years Capital Programme

### *Background*

8.1. The capital programme for the five years from April 2018 is attached at Appendix 'C' and reflects the current priorities within the Police and Crime budget and supports the 'futures' review process that has been developed in order to deliver a significant amount of revenue savings in future years. The programme meets the needs for capital investment to maintain the infrastructure required to deliver effective policing within the County. It has been subject to considerable internal scrutiny by both the Constabulary and the Office of the Police and Crime Commissioner and reflects detailed discussion on the business benefits to be delivered from the planned investment.

### *Determining the Capital Programme*

8.2. The main elements of the capital programme are the **ICT and Accommodation strategies** and reflect the need for prioritised investment in these key areas which increasingly underpin the delivery of an efficient and effective police service.

8.3. The key elements of **ICT investment** are:

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m	£m
Device upgrade and replacement	0.725	1.075	0.750	0.750	0.750	4.050
New and replacement systems	3.471	0.410	0.310	0.310	1.180	5.681
Network infrastructure and security	3.612	2.875	2.725	2.725	2.725	14.662
<b>Total</b>	<b>7.808</b>	<b>4.360</b>	<b>3.785</b>	<b>3.785</b>	<b>4.655</b>	<b>24.393</b>

8.4. The investment in **accommodation** included in the programme is:

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m	£m
West Division HQ	1.083	-	-	-	-	1.083
Minor Works	0.600	0.600	0.600	0.600	0.600	3.000
Skelmersdale Major Refurbishment	3.500	-	-	-	-	3.500
Greenbank Custody Suite Refurbishment	-	1.000	-	-	-	1.000
Pendle Briefing Base	0.510	4.490	-	-	-	5.000
HQ Rationalisation	2.000	3.500	-	-	-	5.500
<b>Total</b>	<b>7.693</b>	<b>9.590</b>	<b>0.600</b>	<b>0.600</b>	<b>0.600</b>	<b>19.083</b>

8.5. The programme follows the principles of affordability, prudence/sustainability, value for money, stewardship, planning and practicality found within the

Prudential Code. A detailed appraisal process is followed in terms of assessing requirements for capital investment and the scrutiny approach taken to determine prioritised areas of investment. The consideration of requirements over a 5 year period meets the best practice outlined by the various inspection regimes which the Office of the Police and Crime Commissioner and the Constabulary are covered by.

- 8.6. The programme also seeks to identify and manage the related costs impacting on the revenue budgets and the level of revenue resources required for the planned level of investment. This has been built into the 2018/19 revenue budget proposals and the longer term implications have been factored into the medium term financial strategy.
- 8.7. The total overall requirement for investment over the 5 years is £57.9m and is shown at Appendix 'C', the Capital Investment Programme is summarised as follows:

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m	£m
ICT	7.808	4.360	3.785	3.785	4.655	<b>24.393</b>
Accommodation	7.693	9.590	0.600	0.600	0.600	<b>19.083</b>
Vehicle Replacement Programme	2.856	3.200	2.700	2.200	2.300	<b>13.256</b>
Other Schemes	0.340	0.200	0.200	0.200	0.200	<b>1.140</b>
<b>Total</b>	<b>18.697</b>	<b>17.350</b>	<b>7.285</b>	<b>6.785</b>	<b>7.755</b>	<b>57.872</b>

### *Financing the Capital Programme*

- 8.8. The financing needed to support the proposed programme in 2018/19 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 2018/19 has been announced at £1.097m.
- 8.9. 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.
- 8.10. 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)

8.11. The financing of the capital programme has been reflected in the Revenue Budget for 2018/19 and in the financial strategy for 2019/20 to 2022/23.

8.12. The financing for the 2018/19 to 2022/23 programme is as follows:

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m	£m
Capital Grant/Contributions	1.097	1.097	1.097	1.097	1.097	5.485
Capital Receipts	0.620	0.430	-	-	-	1.050
Contribution from the Revenue budget	2.509	2.509	2.509	2.509	2.509	12.545
Earmarked Reserves	8.083	4.229	3.109	2.609	3.579	21.609
Borrowing	6.388	9.085	0.570	0.570	0.570	17.183
<b>Total</b>	<b>18.697</b>	<b>17.350</b>	<b>7.285</b>	<b>6.785</b>	<b>7.755</b>	<b>57.872</b>

8.13. The financing of the capital programme reflects the Commissioner's published Reserves Strategy including the forecast use of £21.6m from earmarked 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.

8.14. 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 2018 is £11.984m or 4.5% of the 2018/19 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. These reserves include the Transition Reserve and the PCC Strategic Investment Reserve.

- 9.5. In total £20.243m is currently forecast to be available in these reserves however £21.609m is required from such reserves to fund the capital investment programme to 2022/23. The Commissioner, in conjunction with the Chief Constable, will review the capital investment strategy and the reserves strategy during 2018/19 to ensure sufficient resources are made available for the financing of the capital programme in future years.

## **10. Robustness of the 2018/19 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 4.5% 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 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 2018/19 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.

➤ **Specific Grant allocations**

Final allocations for specific grants such as the Counter Terrorism Grant have not been made and are expected later in the financial year. Should there be any changes in grant provided for these services this will be offset by corresponding changes in expenditure requirements.

➤ **Future levels of top-slicing**

The Commissioner's MTFS includes the impact of previously announced top-slices to the national funding level for police services. No announcements have been made, however, on the level of top-slicing that will take place beyond 2018/19 therefore the estimated impact currently reflected in the forecast could be subject to change when future announcements are made.

➤ **Partner Funding for PCSOs**

The Commissioner is committed to ring-fencing police budgets that currently fund PCSOs however the overall funding available will be dependent upon the continuation of partner funding. 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 in 2017/18 and a number have yet to confirm their commitments for 2018/19, 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' is being replaced over the next four years. Lancashire Constabulary was initially amongst the first forces scheduled to transfer to the new network in 2017/18 and as a result will incur considerable capital expenditure in respect of equipment and infrastructure.

The timetable for the programme has already 'slipped' by 18 months and it has been made clear by the Home Office that there will be further delay with no specific implementation date provided. This clearly adds considerable uncertainty to the process. It is also not clear how much the transition to the new system will cost and when these costs will begin to be incurred.

➤ **Review of the Police Funding Formula**

In 2017/18 the Home Office stated its intent to implement a revised funding formula in 2018/19 which would have a significant impact upon

the amount of grant received by the Commissioner for policing in Lancashire.

The previous attempt to deliver a new formula provided a range of potential outcomes for Lancashire from a loss of funding of £8.5m to a loss of funding of £25m. Clearly there is a significant risk that there could be a substantial loss of funding for Lancashire as a result of this process. The Home Office has not implemented the revised formula in the provisional settlement for 2018/19 and has indicated that this will be revisited as part of the next Spending Review period which is expected to be conducted during 2019. The potential date for any implementation of a revised funding formula remains unknown.

➤ **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 of the operation so far is in excess of £5m and whilst a submission has been made to the Home Office for Special Police grant to assist with this cost, as yet there has been no indication from the Home Office as to whether grant will be made available. The additional cost will fall in the first instance to existing reserves and it is also likely that significant cost will continue in 2018/19 which will place more pressure 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**

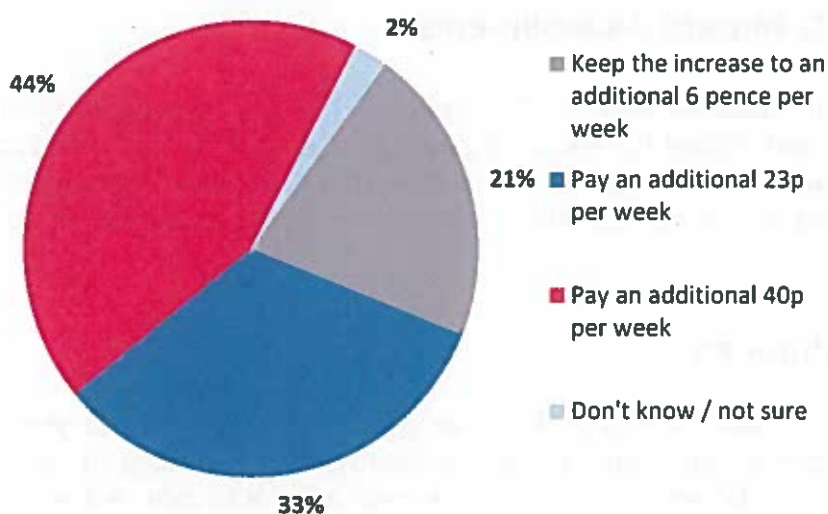
- 12.1. The Commissioner has undertaken significant research and consultation with the people of Lancashire to ensure their needs are reflected with regards to the decision taken on the council tax precept. More than 3,400 opinions have been gathered to help inform this decision.

- 12.2. The different methods of consultation included:

- The telephone survey of 1,416 residents across Lancashire

- Online survey promoted via social media, In the Know, PCC website and local media.
  - Online and paper surveys returned numbered 2,000.
- 12.3. Respondents were asked how much they were willing to pay towards policing in 2018/19 and given three options to choose from. These were:
- Keep the precept increase to an additional 6p per week
  - Pay an additional 23p per week
  - Pay an additional 40p per week
- 12.4. 77% of respondents to all surveys supported increasing the council tax precept by at least 23p per week (£12 a year for band D properties).
- 12.5. The combined responses were 21% in support of keeping the increase to 6p per week, 33% in favour of a 23p increase and 44% support for a 40p increase.
- 12.6. The Government gave Police and Crime Commissioners the power to raise the council tax precept by up to £12 per year for Band D properties. The Government continues to place a referendum threshold on council tax increases above that allowed amount.
- 12.7. However the Commissioner continues to consult on increases above that threshold in order to monitor the public's genuine position on funding for the police to be able to demonstrate to Home Office the public's wishes in relation to funding for police.
- 12.8. A breakdown of the survey outcomes is included in the graph below:

**Thinking about the council tax you pay towards policing, do you want to:**



- 12.9. The Police and Crime panel for Lancashire was consulted on, and approved, the precept proposal for 2018/19 on 22<sup>nd</sup> January 2018 and received the results of the public consultation exercise as part of that report.
- 12.10. Close consultation on the preparation of the budget and savings proposals has been carried out with the Chief Constable.

### **13. Summary**

- 13.1. The Commissioner is asked to consider this report and the recommendations within it, including the approval of a £12 increase to the council tax precept for a Band D property in 2018/19.

## Police and Crime Commissioner for Lancashire

### 2018/19 Budget Requirement and Precept

- 1 The Commissioner is asked to approve the net budget requirement for 2018/19 of £267.755m and consequent council tax requirement of £76.726m and Band D Council Tax of £177.45 (£12 or 7.25% increase from 2017/18) as follows:

	£000
2018/19 Spending Requirement	271,877.416
Less Specific Grant funding	-4,122.000
<b>2018/19 Net Budget Requirement</b>	<b>£267,755.416</b>
Less Government Funding	-190,023.747
Less Council tax surplus 2017/18	-1,005.206
<b>Equals Council tax requirement 2018/19</b>	<b>76,726.463</b>
Divided by Tax Base	432,383.56
2018/19 Band D Council Tax	£177.45
2017/18 Band D Council Tax	£165.45
Increase	£12.00
Percentage Increase	7.25%

- 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	118.30
Band B	138.02
Band C	157.73
<b>Band D</b>	<b>177.45</b>
Band E	216.88
Band F	256.32
Band G	295.75
Band H	354.90

- 3 Based on each district and unitary council's proportion of the total Band D equivalent tax base of 432,383.56 the share of the total Police and Crime

Commissioner for Lancashire's precept of £76,726.463 to be levied on each council would be:

	£
Blackburn with Darwen	6,093,974
Blackpool	6,427,062
Burnley	4,102,289
Chorley	6,497,186
Fylde	5,279,315
Hyndburn	3,638,790
Lancaster	7,310,940
Pendle	4,198,733
Preston	6,601,495
Ribble Valley	4,063,960
Rosendale	3,589,636
South Ribble	6,306,715
West Lancashire	6,180,205
Wyre	6,436,163
	<hr/>
	<b>76,726,463</b>

## Capital Investment Programme 2018/19 and future years

ICT Strategy	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	TOTAL £
<b>Device Upgrade And Replacement</b>						
Endpoint Replacement/Upgrade Programme	400,000	750,000	750,000	750,000	750,000	3,400,000
Hand Held Smart Device Programme	325,000	325,000				650,000
	<b>725,000</b>	<b>1,075,000</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>	<b>4,050,000</b>
<b>New and Replacement Systems</b>						
Communication Room CCTV	10,000				120,000	130,000
Northgate Connect & Future Developments	400,000					400,000
Door Entry Alarms/Proximity/CCTV	50,000	50,000	50,000	50,000	50,000	250,000
SQL Database Performance Monitoring Tool	70,000					70,000
Replacement External CCTV	600,000					600,000
DMIU Infrastructure Refresh	1,200,000	250,000	250,000	250,000	1,000,000	2,950,000
Custody Infrastructure Refresh	250,000	100,000				350,000
ICCS (ESN)	281,000					281,000
Force Control Room Upgrade - Perfect Flow Solution	350,000					350,000
Mass Auditing Replacement	210,000	10,000	10,000	10,000	10,000	250,000
Health Services System	50,000					50,000
	<b>3,471,000</b>	<b>410,000</b>	<b>310,000</b>	<b>310,000</b>	<b>1,180,000</b>	<b>5,681,000</b>
<b>Network Access &amp; Security</b>						
Voice and Data Infrastructure Refresh (Infrastructure/Security)	650,000	650,000	650,000	650,000	650,000	3,250,000
Telephony System & Infrastructure	200,000	75,000	75,000	75,000	75,000	500,000
Microsoft Enterprise Agreement	1,150,000	1,500,000	1,500,000	1,500,000	1,500,000	7,150,000
SQL Licences	750,000	500,000	500,000	500,000	500,000	2,750,000
Blackberry Upgrade/Refresh	50,000	-	-	-	-	50,000
ANPR Fixed Cameras and NAS	772,000	150,000	-	-	-	922,000
ANPR Mobile	40,000	-	-	-	-	40,000
	<b>3,612,000</b>	<b>2,875,000</b>	<b>2,725,000</b>	<b>2,725,000</b>	<b>2,725,000</b>	<b>14,662,000</b>
<b>Total ICT Strategy</b>	<b>7,808,000</b>	<b>4,360,000</b>	<b>3,785,000</b>	<b>3,785,000</b>	<b>4,655,000</b>	<b>24,393,000</b>



Accommodation Strategy	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	TOTAL £
West Division HQ	1,083,000	-	-	-	-	1,083,000
Minor Capital Works and Refurbishments	600,000	600,000	600,000	600,000	600,000	3,000,000
Skelmersdale Major Refurbishment	3,500,000	-	-	-	-	3,500,000
Greenbank Custody Suite Refurbishment	-	1,000,000	-	-	-	1,000,000
Pendle Briefing Base	510,000	4,490,000	-	-	-	5,000,000
HQ Rationalisation	2,000,000	3,500,000	-	-	-	5,500,000
<b>Total Accommodation Strategy</b>	<b>7,693,000</b>	<b>9,590,000</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>19,083,000</b>
<b>Vehicle replacement programme</b>	<b>2,856,000</b>	<b>3,200,000</b>	<b>2,700,000</b>	<b>2,200,000</b>	<b>2,300,000</b>	<b>13,256,000</b>
<b>Other Schemes</b>						
HQ Crime Specialised Equipment Replacement Programme	290,000	150,000	150,000	150,000	150,000	890,000
HQ Operations Specialised Equipment Replacement Programme	50,000	50,000	50,000	50,000	50,000	250,000
<b>Total Other Schemes</b>	<b>340,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>1,140,000</b>
<b>TOTAL EXPENDITURE</b>	<b>18,697,000</b>	<b>17,350,000</b>	<b>7,285,000</b>	<b>6,785,000</b>	<b>7,755,000</b>	<b>57,872,000</b>

