



LATE REPORT

Budget and Performance Panel

Tuesday, 22nd January 2019

The following report was received too late to be included on the main agenda for this meeting and was marked 'to follow'. It is now enclosed, as follows:

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
7	1 - 18	LANCASHIRE POLICE AND CRIME COMMISSIONER BUDGET PROPOSALS	Report received after the publication of the Agenda.	LANCASHIRE POLICE AND CRIME COMMISSIONER.
		Documents from the Police and Crime Panel for Lancashire to be held on 21 st January 2019. The Panel to consider the Police and Crime Commissioner's Budget Proposals.		

Police and Crime Panel

Meeting to be held on 21 January 2019

Police and Crime Commissioner's Budget 2019/20 (Appendix A refers)

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

EXECUTIVE SUMMARY

This report sets out the latest financial position for the Police and Crime budgets in Lancashire for 2019/20 and the proposals in relation to the council tax precept.

RECOMMENDATION

The Police and Crime Panel is asked to;

- Note the details of the 2019/20 provisional police finance settlement and the overall impact on Lancashire's budget;
- Note the report on the public consultation undertaken in respect of the proposed precept level;
- Consider the Commissioner's proposal to increase the council tax precept for a Band 'D' property by £24 in 2019/20;
- Make arrangements to ensure that a formal written response to the proposals is sent to the Commissioner by 8th February 2019.
- Note the draft capital investment programme for the period 2019/20 to 2023/24 and the financing available;
- Note the proposed use of the Commissioner's reserves in 2019/20 and future years

1. Introduction

- 1.1 The Police and Crime Commissioner has a statutory requirement to set an annual Police and Crime budget and, as part of that process, to consult with the Police and Crime Panel regarding any proposals in relation to the council tax precept. This report sets out the latest financial position for the Police and Crime budgets in Lancashire for 2019/20 and the proposals in relation to the precept.
- 1.2 Included in the report is the current financial position that reflects the changes in the level of resources, additional cost pressures, reductions in the cost base and the identification of additional savings agreed by the Commissioner since setting the budget for 2018/19. The report sets out;
- The revenue budget for 2019/20
 - The council tax proposal for 2019/20, and
 - The current capital investment programme for 2019/20 to 2023/24 and the financing available
- 1.3 In addition, the report sets out the advice of the Commissioner's Chief Finance Officer on the robustness of the budget and the adequacy of the level of reserves as required by section 25 of the Local Government Act 2003.

2. Background

- 2.1 The Commissioner set the Revenue budget for 2018/19 in February 2018 which included the Medium Term Financial Strategy (MTFS) forecast position for future years as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Funding	271.878	272.023	271.481	270.972
Budget Requirement	276.828	278.255	278.006	277.414
Savings identified	-4.950	-1.025	-0.179	0
Funding gap	-	5.207	6.346	6.442

- 2.2 The forecast above identified a funding gap of £5.2m for 2019/20 and a total funding gap of £18m between 2019/20 and 2021/22.
- 2.3 This report identifies the current provisional funding position for 2019/20. It also identifies the cost pressures that have emerged, savings that have been delivered and investment that is to be made in policing in Lancashire. The impact of the proposals for the 2019/20 budget are identified in an updated MTFS shown later in the report.
- 2.4 The budget for 2019/20 reflects the funding announcement made by the Police and Fire Minister in his Provisional Settlement statement made on 13th December 2018. This statement acknowledged that the Police Service needed to invest in additional resource to meet the significant increase in demand the service faces. The minister also recognised that PCCs were also facing a major cost pressure relating to the cost of pensions for police officers.
- 2.5 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.

3. Funding Position 2019/20

- 3.1 The provisional financial settlement for Lancashire was published on 13th December 2018 and included an increase in core grant of £3.721m giving Lancashire a total Police Grant of £193.745m for 2019/20. An additional specific grant has also been provided of £3.104m towards the additional costs of employer contributions to the police officer pension scheme.
- 3.2 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.
- 3.3 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.
- 3.4 The minister also recognised the specific cost pressure resulting from an increase in employer pension contributions from 2019/20.
- 3.5 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
Total additional funding from government in 2019/20	6.825
Forecast additional pension costs	7.100

- 3.6 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.
- 3.7 The funding position shown in this report is provisional and could be subject to change in the final settlement that will be announced in early February.

4. Revenue Budget 2019/20

Funding

4.1 *Government funding*

The provisional police grant for 2019/20 was announced on 13 December 2018. Lancashire has been allocated core grant of £193.745m which is an increase of 2% compared to 2018/19. The Minister also announced a specific grant of £3.104m towards the additional costs of employer pension contributions to the Police Officer pension scheme.

4.2 *Council Tax*

It is assumed that the council taxbase in Lancashire will increased by 1.5% in 2019/20 reflecting the current trend included in our forecasts.

4.3 The table below shows the funding available in Lancashire in 2019/20 **if the council tax charge is not increased.**

	2019/20 £m
Police grant	193.745
Pension grant	3.104
Specific grants	3.478
Council tax	77.877
Total Resources	278.204

Pay and pensions

4.4 *Pay*

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

4.5 *Pensions*

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 cost increases for 2019/20 is shown below:

	2019/20 £m
Pension contributions increase	7.100
Pay award	4.503
Total Resources	11.603

Demand/Volume

- 4.6 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:

	2019/20
	£m
Revenue consequences of the capital programme	0.700
Increased cost of injury awards for ill-health retirements	0.200
Right-size overtime budget	0.800
Increase insurance provision	0.100
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	1.000
Increase spend on backlog maintenance of buildings	0.500
Forensic Academy staffing (One year only)	0.114
ISO Accreditation – Quality Assurance	0.070
Inflation on non-pay budgets	0.620
Total	4.022

4.6.1 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.

4.6.2 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.

4.6.3 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.

4.6.4 Insurance provision

A review 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 requiring an increase in the annual provision for these costs.

4.6.5 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.

4.6.6 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.

4.6.7 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.

4.6.8 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.

4.6.9 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.

4.6.10 Forensic academy staff

A requirement for additional staffing to service the forensic academy has been identified for a fixed one year period

4.6.11 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.

4.6.12 Inflation on non-staff costs

Inflation at 2% is provided for non-staff costs incurred by the organisation.

Cost reductions/Savings

- 4.7 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:

	2019/20 £m
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	-0.087
Leaving Motorway Policing collaboration arrangement	-0.290
Departmental non-staff savings target	-0.200
Total	-3.400

4.7.1 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.

4.7.2 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.

4.7.3 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.

4.7.4 Forensic Academy

Additional income will be realised through the Forensic Academy partnership.

4.7.5 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.

4.7.6 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

4.7.7 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.

4.7.8 Non-staff cost savings target

Constabulary has set a savings target across departmental non-staff cost budgets.

Budget position with no council tax increase

4.8 The cost pressures and savings identified in 4.1 to 4.7 have the following impact on the budget for 2019/20:

	£m
Budget Requirement 2018/19	271.878
Pay Award	4.503
Increased Pension Contribution costs	7.100
Demand/Volume cost pressures	4.022
Budget Requirement 2019/20	287.503
Less: Savings and cost reductions	-3.400
Budget Requirement 2019/20	284.103
Funding 2019/20 – No increase to council tax	278.204
Funding Gap	5.899

Council Tax

- 4.9 As part of the budget setting process the Commissioner is required to consider whether or not to propose any changes to council tax. It has been announced by the Minister for Policing and Fire that Police and Crime Commissioners can increase the Council Tax charge for a band D property by up to £24 without the need for a local referendum.
- 4.10 The Policing and Fire Minister stated that PCCs should use the flexibility allowed in the setting of council tax to enable investment in the service to meet the ever increasing demands placed upon it.
- 4.11 It is clear that the government recognises that policing needs additional funding in 2019/20. It is also clear that the government expects the majority of this to be provided through the local council tax precept. The Commissioner has made it clear that protecting local policing in Lancashire is his main priority.
- 4.12 **The Commissioner proposes to increase Council Tax in 2019/20 by £24, giving a council tax charge of £201.45 for a Band D property**, providing additional income of £10.533m. This income will enable some investment to be made in policing services in Lancashire at a time when both costs and demand pressures are rising at a significant rate.
- 4.13 This increase would therefore meet the funding gap of £5.899m shown in 4.8 and provide £4.634m for investment in policing services in Lancashire.

Investment

- 4.14 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:

	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
Total	5.058

4.14.1 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.

4.14.2 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

4.14.3 Investigations officers

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

4.14.4 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.

4.14.5 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.

Budget position with council tax increase of £24 for a Band D property

- 4.15 If the council tax precept for 2019/20 is increased by £24 for a Band D property and investment made as set out above, the impact on the budget is as follows:

	£m
Budget Requirement 2018/19	271.878
Pay Award	4.503
Increased Pension Contribution costs	7.100
Demand/Volume cost pressures	4.022
Investment in frontline policing	5.058
Budget Requirement 2019/20	292.561
Less: Savings and cost reductions	-3.400
Budget Requirement 2019/20	289.161
Funding 2019/20 – Council tax increased by £24	288.737
Funding Gap	0.424

The Commissioner and Chief Constable will oversee work to identify a further £0.424m of savings before agreeing the final budget to ensure a balanced position for 2019/20.

RISKS AND UNCERTAINTIES

- 4.16 There are a number of risks and uncertainties that will impact upon the final position for 2019/20 and the MTFs for future years:

4.16.1 Finalisation of the Settlement

The final settlement is anticipated to be announced in early February 2019 and therefore the current information is based on the provisional figures that were announced on 13 December 2018.

4.16.2 Final Council Taxbase figures

District Councils will provide final taxbase figures for 2019/20 on 31st January 2019 which will confirm the level of council tax income that will be received by the PCC in 2019/20.

4.16.3 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.

4.16.4 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.

4.16.5 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.

4.16.6 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.

4.16.7 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. A further 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 on the amount of grant that may be awarded for 2018/19. Any additional cost that is not met through the special grant from Home Office will fall upon existing reserves and it is also likely that significant cost will continue in 2019/20 which will place more pressure on the revenue budget.

5. Medium Term Financial Strategy

- 5.1 Setting the 2019/20 revenue budget forms part of the overall Medium Term Financial Strategy (MTFS) process for the Police and Crime Commissioner. The MTFS is based on information provided from central government regarding future funding, together with professional judgement and assumptions on cost pressures including inflation and demand for services. From this, the level of savings required to deliver a balanced budget in future years is forecast and the Commissioner and the Chief Constable then work together to develop options to drive out further efficiencies and deliver the required savings in future years.
- 5.2 As identified earlier in this report the Policing and Fire Minister identified the proposed level of grant funding for Lancashire in 2019/20 in his provisional settlement statement on 13th December 2018. No indication of the level of funding in years beyond 2019/20 was provided.

- 5.3 The MTFS assumes that grant funding from government in future years will be maintained at the same level as that provided in 2019/20. The latest announcements from the Home Office state that CSR 2019 will provide the proposed level of funding for policing in future years but no indication about the level of funding available has been given.
- 5.4 The MTFS also assumes that following a £24 increase to council tax in 2019/20 there will be NO increase to the council tax charge in subsequent years, however it does assume a 1.5% increase in taxbase each year.
- 5.5 The latest MTFS is as follows:

	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m
Funding	288.737	289.943	291.289	292.656	
Budget Requirement	289.161	297.455	298.812	299.253	
Funding Gap	-0.424	-7.512	-7.523	-6.597	-22.056

- 5.6 The latest MTFS identifies a **funding gap of £22m to 2022/23**. This reflects that annual savings of £86.8m have been delivered to 2019/20.
- 5.7 The funding gap of £22m to 2022/23 means that **by 2022/23 total annual savings of more than £108m** will have been delivered since 2010/11 which is the equivalent of 36% of the 2011/12 budget.
- 5.8 As is always the case, the additional level of forecast savings required in future years is dependent upon future funding announcements and financial settlements. Therefore, the figures quoted above are likely to change.

Developing Savings Options

- 5.9 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 Police Effectiveness Efficiency and Legitimacy "Peel efficiency' inspection.

6. Investing for the future

- 6.1 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.
- 6.2 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.

- 6.3 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.
- 6.4 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.
- 6.5 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.

Capital Investment Programme

- 6.6 A draft capital programme is currently being developed and will be approved by the Commissioner in his budget report in February 2018. The Commissioner will also identify the funding for the capital programme as part of the decision and will consider the optimum use of the resources available to him in doing so. This will include using some of the strategic reserves that have been set aside under the Commissioner's Medium Term Financial Strategy in recent years.
- 6.7 The draft 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
Total	25.966	25.900	24.531	12.945	13.197	102.539

The draft programme is set out in full at appendix 'A' to this report and some of the main areas of investment are highlighted below.

I.T. Strategy

- 6.7.1 Replacement of equipment and mobile devices (£6.6m)
- 6.7.2 New and replacement systems (£7.0m)
- 6.7.3 Infrastructure replacement (£5.9m)
- 6.7.4 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

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

Financing of the capital programme

6.8 The draft investment programme is forecast to be funded 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
Total	25.966	25.900	24.531	12.945	13.197	102.539

6.9 Capital grant allocations for 2019/20 have been provisionally confirmed in the provisional settlement announced on the 13th December 2018. It is clear from the above table that there is a potential funding gap of £10m from 2021/22 onwards. This underpins the requirement to include an incremental £1m p.a over the next 4 years to mitigate some of the risk of not having sufficient resources to meet essential expenditure on assets.

7. Reserves

- 7.1 The Commissioner holds two types of reserve, general reserves and earmarked reserves.
- 7.2 General reserves are available to support the revenue budget and provide security should the organisation face an unexpected issue that realises a call on its resources. The forecast level of these general reserves for 31 March 2019 is £10.631m or 3.7% of the 2019/20 revenue budget.
- 7.3 General reserves at this level are considered appropriate by the Commissioner's Section 151 Officer to ensure the ability of the organisation can remain a going concern should an unexpected issue occur. This level of reserves is within the 3% to 5% range set as acceptable in the Commissioner's reserve strategy. It is relevant at this point to highlight the impact of the costs associated with anti-fracking protests

highlighted earlier in this report as an example of the necessity to retain reserves at an adequate level.

7.4 The Commissioner holds a number of earmarked reserves including those set aside for investment in the capital programme. At 31 March 2019 the reserves set aside for such investment are forecast to stand at £13.163m. The application of these reserves to fund the capital programme is shown in paragraph 6.8 and show that they will be utilised in full by 2021/22.

7.5 The forecast position for the Commissioner's reserves at 31 March 2019 and the reasons for holding each reserve, is as follows:

	Position at 1/4/18	Forecast Position at 31/3/19
	£m	£m
<u>EARMARKED RESERVES</u>		
Reserves held for 'one-off' investment		
Transition Reserve	16.177	7.165
PCC Strategic Investment reserve	5.998	5.998
	22.175	13.163
Reserves held to support operational policing		
Protective Clothing Reserve	0.471	0.408
Vehicle Workshop Reserve	0.040	0.040
Wellbeing reserve	0.025	0.025
Operational Policing Reserve	0.364	0.364
	0.900	0.837
Proceeds of Crime Act receipts reserve	0.906	0.906
Reserves held on behalf of other organisations:		
Forensic Partnership reserve	0.406	0.074
Road Safety Reserves	1.779	1.447
Total Earmarked Reserves	26.166	16.427
General Reserves	11.782	10.631

7.6 The Commissioner reviews his reserves strategy each year and the use of reserves to fund the capital programme will be considered as part of that review.

8. Engaging the Public on the Council Tax precept

8.1 The Commissioner is undertaking an in-depth survey with the people of Lancashire to ensure their needs are taken into consideration when setting the council tax precept. Early indications of the more than 4,200 completed surveys so far show that almost 61% of residents support paying more council tax to support investment in policing in Lancashire. Further details of the consultation and market research will be made available as an appendix to the report at the meeting. The consultation is on-going

but will end before the Police and Crime Panel meeting on Tuesday 15th January 2019.

9. Equality and Diversity

- 9.1 The Commissioner and the Constabulary have a set up a Futures Programme to deliver the required savings through a series of reviews of the organisation's processes and operational arrangements. As each review area is progressed an equality impact assessment is carried out to assess the impact of the proposed recommendations on service recipients and is an integral part of the process.

10. Robustness of the Budget and the Adequacy of Reserves

- 10.1 Section 25 of the Local Government Act 2003 requires the Commissioner's Chief Finance Officer to advise the Commissioner as he is making budgetary decisions on the robustness of the assumptions underlying the budget and the adequacy of the Commissioner's reserves in the context of the financial risks to which the organisation is exposed.
- 10.2 The basis of the estimates on which the budget has been prepared, as in previous years, relies on forecasts of demand and other activity prepared by the constabulary. The forecast is kept under review as part of the budget monitoring process and actions identified to identify any financial risks arising from changes in the forecast as they occur. The main risks relate to the pace and scale of increases in cost and demand placed on the service and the ability of the organisation to meet these within the required timeframes.
- 10.3 The resources available to the Commissioner to manage these risks consist of the various reserves held by the Commissioner, principally general funds and the transitional funds. At this stage it is anticipated that general reserves will be maintained at around 3.7% 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 shown in 7.5 above. The level and appropriateness of earmarked reserves is kept under review to ensure that sums are only held if required, and released when not. 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.

11. Role of the Police and Crime Panel

- 11.1 Schedule 5 of the Police Reform and Social Responsibility Act (2011) states that the Commissioner must notify the Police and Crime Panel, by 1 February 2018, of the precept which the Commissioner is proposing to issue for the financial year.
- 11.2 Under the requirements of the Act, Police and Crime Panels must review the proposed precept notified to it and must make a report to the Commissioner on the

proposed precept. The report may include recommendations, including recommendations as to the precept that should be issued for the financial year.

- 11.3 The Police and Crime Panel has the power to veto the proposed precept if at least two-thirds of the panel membership (the full membership rather than those present at the meeting) at the time when the decision is made vote in favour of making that decision. If the panel vetoes the proposed precept, the report made to the Commissioner must include a statement that the panel has vetoed it.
- 11.4 The Police and Crime Panel's response to the Commissioner on the precept proposal must be made by 8 February 2018. A Commissioner is unable to set a precept until the end of the scrutiny process is reached and should the Police and Crime Panel veto the proposals, the Commissioner must submit a revised precept for consideration of the panel by the 15 February 2018 to which the Police and Crime Panel must also respond. A further response from the Police and Crime Panel must be received by 22 February 2018 after which the Commissioner must respond formally to the Police and Crime Panel setting out the precept for the forthcoming year.

12. Conclusion

- 12.1 The Panel are asked to consider this report and the recommendations within it.
- 12.2 The Panel are requested to provide their response to these recommendations in line with the responsibilities set out in paragraph 11 of this report.

Draft Capital Investment Programme 2019/20 - 2023/24

	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£	£	£	£	£	£
IT Strategy						
Device Upgrade and Replacement						
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
	1,890,000	1,620,000	1,652,000	765,000	730,000	6,657,000
New and Replacement Systems						
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
	2,028,000	300,000	50,000	50,000	2,650,000	5,078,000
Network Access & Security						
Voice and Data Infrastructure Refresh	650,000	683,000	717,000	753,000	790,000	3,593,000
New Requirements						
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
Total IT Strategy	5,645,000	3,478,000	3,204,000	4,608,000	7,060,000	23,995,000

Accommodation Strategy

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

Total Accommodation Strategy	15,300,000	18,800,000	18,500,000	5,000,000	1,000,000	58,600,000
-------------------------------------	-------------------	-------------------	-------------------	------------------	------------------	-------------------

Vehicle replacement programme	3,300,000	3,000,000	2,400,000	2,900,000	4,100,000	15,700,000
--------------------------------------	------------------	------------------	------------------	------------------	------------------	-------------------

Other Schemes

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

Total other schemes	1,721,000	622,000	427,000	437,000	1,037,000	4,244,000
----------------------------	------------------	----------------	----------------	----------------	------------------	------------------

TOTAL EXPENDITURE	25,966,000	25,900,000	24,531,000	12,945,000	13,197,000	102,539,000
--------------------------	-------------------	-------------------	-------------------	-------------------	-------------------	--------------------