

Report of the Chief Finance Officer of the PCC to the Police and Crime Commissioner for Cleveland

17th February 2020

Status: For Information

Long Term Financial Plan (LTFP) 2020/21 to 2023/24 and Capital Plans 2020/21 to 2023/24

1. Executive Summary

1.1 Purpose of the Report

This report asks the PCC to agree the Budget proposals for 2020/21 and the Long Term Financial Plan (LTFP) for 2020/21 – 2023/24 in line with the legal requirement to set a budget prior to the 1st March each year for the following financial year. It also asks the PCC to agree the funding for the Capital Programme for 2020/21 and the indicative allocations for the period 2021/22 to 2023/24.

2. Recommendations

2.1 The PCC is requested to approve the allocation of the £155,475k of revenue funding, that is forecast to be received by the PCC in 2020/21, in the following areas:

- £900k to run the Office of the PCC
- £3,735k to support PCC Initiatives and Victims and Witnesses Services
- £10,000k for Corporate Services
- £137,805k to the Police Force
- £3,365k to the Capital Programme
- This will be supported by £330k from Earmarked Reserves

2.1 The PCC is asked to note that the 2020/21 budget is based on the approved £10 increase in the level of Band D precept for 2020/21.

2.2 The PCC is asked to take cognisance of the Robustness of Estimates and Adequacy of Financial Reserves Report of the PCCs CFO that will be provided to the PCC prior to the formal sign off of the budget.

2.3 The PCC is asked to agree that quarterly updates on the 2020/21 budget will be brought to the PCC in 2020/21 to provide updates on performance against the 2020/21 budget.

- 2.4 The PCC is asked to allocate £5,549k of Capital Budgets to the Chief Constable to deliver new schemes on behalf of the PCC.

3. Planning and Funding Assumptions

3.1 Police Funding Settlement 2020/21

- 3.2 The 2020-21 Police Finance Settlement was announced on 22 January in a written statement by the Policing Minister, Kit Malthouse.

- 3.3 Full details of the Settlement can be found on the Home Office gov.uk pages.

- 3.4 Publication of the Police Finance Settlement was delayed due to the December 2019 general election, with Home Office ministers opting to go straight to a final settlement in the new year. This decision meant that there was no provisional settlement or consultation over the Christmas period.

- 3.5 Prior to the 2020-21 settlement publication policing was expecting an additional £750m for recruitment of 6,000 officers (towards the 20,000 total). Force allocations of officer numbers had already been published and had been calculated pro-rata to core grant. In return for this additional money the Treasury had asked the Home Office to find £120m of savings from within their budget.

- 3.6 As there was no Provisional Police Settlement provided by the Government in relation to 2020/21, with the first indication of the Police Settlement for 2020/21 given on the 22nd January 2020 – this provided the PCC with just over 1 week to propose a precept to the Police and Crime Panel, in line the statutory requirements to do so, and almost no time to plan a budget, consult with the public and ensure that all of the financial plans align with the operational plans of the Force.

3.7 Headlines

The Government announced that “We are giving police forces £700 million for the recruitment of 6,000 additional officers by the end of March 2021, which represents

an increase of almost 10% of the core grant funding provided last year. Assuming full take up of precept flexibility, overall funding for Police and Crime Commissioners (PCCs) will increase by £915 million to £13.1 billion next year.”

3.8 The main points within the settlement were as follows:

- £50m of the £750m retained centrally to support recruitment of officers
- Of the remaining £700m - £532m will be provide via un-ringfenced core grant, with the remaining £168m ring-fenced for successfully meeting recruitment targets.
- No other inflationary increases in core grant
- Resulting in a 7.5% increase in core funding
- £92m (9%) increase in reallocations to over £1.1bn in 2020-21
- Flat cash pension grant allocations compared to 2019-20
- Reduction of 74% to capital grant funding to PCCs
- Ending of the Police Transformation Fund

- **Precept flexibility of up to £10** for all PCCs (or equivalents) in 2020-21.

3.9 What is expected in return for this Flexibility and improved funding position?

The Minister’s Statement goes on to say that, in return for the additional £1.1bn invested in policing the Home Office expect:

- Forces to recruit the additional 6,000 officers by the end of March 2021
- A further planned £30m savings from procurement in 2020-21
- Continued improvements in digital, data and technology solutions to maximise the benefits of mobile working.
- Continue to pursue best values from the investment in police technology. The Home Office will work with the sector in the coming year to draw up a detailed plan which will be overseen by the, ministerially-chaired, Strategic Change and Investment Board (SCIB)

3.10 What does this mean for Cleveland in 2020/21 in terms of Funding?

- An increase in Police Grant of £6,380k or 7.5%
- Up to £2,015k from the ring-fenced grant for the officer uplift – linked to the recruitment of 72 FTE Police Officers by the end of March 2021
- Police Pension Grant remains at £1,324k
- A reduction of £388k or 74% in Capital Grant

3.11 Based on the approved £10 increase in precept then the overall impact on the Core funding for the organisation is set to increase by 7.9% as set out in the table below:

Overall Government and Local Revenue Funding				
	2020/21	2019/20	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
Government Funding				
Police Grant	(50,148)	(46,497)	(3,650)	7.9%
RSG/National Non Domestic Rate	(41,486)	(38,756)	(2,730)	7.0%
Council Tax Freeze Grant	(800)	(800)	0	0.0%
Council Tax Support Grant	(6,868)	(6,868)	0	0.0%
Police Pensions Grant	(1,324)	(1,324)	0	0.0%
Office Uplift Grant	(2,015)	0	(2,015)	
Total Government Funding	(102,641)	(94,245)	(8,395)	8.9%
Impact of a £10 increase in Band D Precept - 3.99% increase				
Net Surplus on Collection Funds	(170)	(349)	180	
Council Tax Requirement	(40,675)	(38,435)	(2,240)	
Total Local Funding	(40,845)	(38,784)	(2,060)	5.3%
Total Government + Local Funding	(143,485)	(133,030)	(10,456)	7.9%

3.12 How does Cleveland compare to the National Picture

The forecast average increase in Revenue funding across England and Wales is, subject to all areas experiencing a 1.33% increase in tax base, and increasing their precept by £10, 7.84%.

3.13 Cleveland has seen an increase of 7.86% and therefore is slightly above the average level of increase.

3.14 The highest increase in total revenue funding, as a result of this settlement, within the country, excluding the City of London Police, is expected to be in Northumbria at 9.26%, with lowest expected to be 6.79% in Surrey. These increases assume that both areas increase the precept by £10 and that the tax base in both areas have increased by 1.33%.

3.15 Precept

Less than 30% of the Net Budget Requirement within Cleveland is funded by the local precept and therefore this provides less of a cushion to cuts in government

grants, than in most Police Force areas and the ability to generate additional funding locally when Government Funding is constrained.

- 3.16 However in times where Government Funding is growing at a quicker rate than precept Cleveland will tend to benefit more than most Police Force Areas.
- 3.17 The Localism Act 2011 includes powers to introduce arrangements for council tax referendums. The Police Funding Settlement set out that PCC's would be able to increase Band D bills by as much as £10 before a referendum is required in 2020/21.
- 3.18 Consultation was undertaken in relation to whether the public supports the option of increasing the Band D 'Police' precept by £10 per annum for 2020/21 and the response was that 64%, of the 368 people who responded to the survey, supported the option to increase the Band D precept by £10.
- 3.19 This increase was then proposed to the Police and Crime Panel who also supported this increase.
- 3.20 As stated elsewhere the LTFP is therefore based on a £10 increase in the Band D precept for 2020/21, this equates to a 3.99% increase.
- 3.21 For the purposes of planning, the balanced plan that is set out within this paper assumes the following:
 - 2021/22 – Precept Increase of 1.99%
 - 2022/23 – Precept Increase of 1.99%
 - 2023/24 – Precept Increase of 1.99%
- 3.22 Over the last 5 years there have been significant increases in the number of calculated Band D properties within Cleveland which the PCC has benefited from. This has continued in 2020/21.
- 3.23 The number of Band D properties within Cleveland has increased by 2,709 (or 1.77%) to 156,117.5. This is in line with the average over the last 7 years.
- 3.24 Over the last 7 years the Tax Base in Cleveland has increase by just over 19,000 Band D equivalent properties, which equates to an increase of just under 14% - in financial terms this growth has contributed nearly £5m more funding to the budget in 2020/21, than would have been available for Policing has the Tax Base remained static over the 7 year period.
- 3.25 It is important however to recognise that this growth will have brought with it significant increase in demand too.
- 3.26 This plan assumes that the Tax Base increases by 1% per annum going forward, which is a prudent estimate based on forecasts from the Local Councils.

- 3.27 In addition to this the Collection Surplus for 2020/21 is £170k which is the lowest overall collection surplus since 2008/09 and may be indicative of the financial challenges being faced by the residents of Cleveland.
- 3.28 As a result of this, forecasts for future collection surpluses have been reduced to £180k per annum.
- 3.29 These assumptions will be kept under review as details for future years become available and projections amended accordingly.
- 3.30 Government Funding for 2021/22 and beyond
- 3.31 The funding position for 2021/22 will be set out and determined as part of the Spending Review that will be undertaken in 2020.
- 3.32 It is important however to recognise that as part of the written ministerial statement the government stated the following:
- 3.33 The Government has committed £750 million to enable the recruitment of 6,000 additional officers. To manage the delivery of this uplift, we are ring-fencing £168 million which will be paid to forces in line with their progress in recruiting the 6,000 additional officers by March 2021, **and making the relevant infrastructure improvements needed to recruit the 20,000 additional officers by March 2023**. Funding will be released quarterly and in arrears subject to evidence on their progress
- 3.34 It is possible therefore that future settlements won't be on a similar scale to the current one and that all enabling and infrastructure cost, so estates, IT and fleet, to support the full 20,000 National Uplift may, from the Governments perspective, have already been included in this settlement.
- 3.35 There were no references within the settlement to the Funding Formula and any review of this.
- 3.36 Top-slices/Reallocations totalling £1,121m have been announced for 2020/21. This is £92m, or 9% higher than 2019/20. The areas this funding will now be spent on, instead of being allocated to PCC's is as follows:

Police Funding	2017/18 (£m)	2018/19 (£m)	2019-20 (£m)	2020-21 (£m)
o/w Reallocations and adjustments	812	945	1,029	1,120.9
PFI	73	73	73	72.8
Police technology programmes	417	495	495	498.4
Arm's length bodies	54	63	63	73.1
Police Uplift Programme				16.5
National Operational Policing Units (including football policing and wildlife crime)				2.9
Top-ups to NCA and ROCUs	-	-	56	56.8
Strengthening the response to Organised Crime	28	42	90	140
Counter Terrorism				32.4
Police transformation fund	175	175	175	
National Capability Programmes				47.0
Forensics				28.6
Special Grant	50	93	73	80.9
Pre-charge bail	15	4	4	2.0
Serious Violence	-	-	-	38.9
PRUM (Transition from EU Systems)	-	-	-	1.8
HO STAR (Science Technology & Research)	-	-	-	8.0
Blue Light Commercial	-	-	-	3.7
Police Now				7.0
Safer Streets Fund				10.0

- 3.37 Of the £80.9m earmarked for special grant, £26.3m is understood to be reserved for costs associated with Hillsborough, leaving £54.6m for special grant. A reduction of £18.4m on the previous year, which had been higher to accommodate the Commonwealth Heads of Government meeting.
- 3.38 The PCC will be aware that the organisation currently receives a significant Special Grant in relation to Operation Pandect to fund the work of the Historical Investigations Unit. Both the 2020/21 budget and the 2021/22 forecast budget assume that a Special Grant of £3.5m will be provided to fund the work in this area.
- 3.39 The PCC has been advised by the Minister of State for Crime, Policing and the Fire Service that *'I will be commissioning a review of Special Grant funding, aiming to conclude by Summer 2020, to look strategically at the use of this budget. This will include considering whether to make separate bespoke funding available for safeguarding type investigations and activity, clarify Special Grant guidance and consider establishing provisional end dates for funding on multi-year claims. There will be an opportunity for the police sector to input into this review and I would encourage you to take this opportunity.'*
- 3.40 Any changes to the terms of the current Special Grant Cleveland receives, where the Home Office pay for 85% of the costs of Operation Pandect, will need to be carefully monitored and factored into the financial and operational plans.
- 3.41 The allocations for force Serious Violence Surge Funding are expected to be released separately.

3.42 Police Transformation Fund (PTF)

3.43 The announcement confirmed that the PTF has ended. Multi-year projects that were being funded from the PTF (estimated to be approximately £60m) will be funded from other reallocation "pots" depending on where they best fit.

3.44 Pensions Grant

3.45 Pensions Grant allocations remain unchanged from those in 2019-20. They have not been updated to reflect the new forecasts nor inflation.

3.46 Council Tax Legacy Grant

3.47 The Council Tax Legacy Grants relating to Council Tax Freeze grants from 2011-12, 2013-14, 2014-15 and 2015-16 as well as Local Council Tax Support (LCTS) funding remains separately identifiable in 2020-21. These have again remained flat cash settlements and therefore take no account of any changes for inflation or local need since they were awarded.

3.48 National and International Capital City Grant (NICC)

3.49 In 2020-21 the NICC grant for the City of London and MOPAC (which used to be referred to as the Met special Payment) have remained frozen in cash terms at £4,834,086 and £185,339,439 respectively.

3.50 Capital Funding

3.51 Total Police Capital Grants are now worth £76m but only £12.3m will be allocated locally – compared to £46.9m in 2019-20 (a 74% reduction). The Ministerial Statement refers to this as "rebalancing" adding that the PCCs are able to spend their revenue income flexibly.

3.52 This means that the Total Capital Grant for Policing of Cleveland is only £138k, a cut of £388k from 2019/20, which when compared to a Capital Programme of around £5m per year means there is a significant need to use Revenue Funding to fund the Capital Programme.

3.53 Counter Terrorism

3.54 A total of £960m for Counter Terrorism policing had already been announced for 2020-21 – PCCs will be notified privately of their individual allocations.

3.55 Ministry of Justice Grants

3.56 PCCs were notified of their 2020-21 allocations for commissioning of victims' funding in a letter dated 16 January 2020. Allocations include a 1.84% inflationary increase and will continue to be distributed according to the 2018 population estimates. Cleveland will receive £664k in 2020/21 which is £10k higher than the previous year.

3.57 The letter also indicates that those PCCs who can demonstrate a need to recruit Independent Sexual Violence Advisors should complete an expression of interest form to obtain a share of the £1m which was announced in September. Plans are being developed to bid into this fund.

3.58 LTFP Assumptions

When the 2019/20 budget was set in February 2019 the forecasts were underpinned by the following assumptions:

- Pay Awards: 2% increase p.a
- Precept: Increases of:
 - 2019/20 - £24 or 10.59%
 - 2020/21 - £12 or 4.8%
 - 2021/22 - £5.23 or 1.99%
 - 2022/23 - £5.33 or 1.99%
- Tax Base increases 1.0% per annum, Collection Surplus £250k p.a
- Government Grants: Frozen until 2020/21 and the increases of 2% thereafter
- Impact of Funding Formula review – Nil

3.59 In line with good planning our assumptions remain under review and are updated with the best information available and it is expected that the LTFP for 2020/21 and beyond will assume the following:

- Pay Awards: 2.5% increase p.a
- Precept: Increases of:
 - 2020/21 - £10 or 3.99%
 - 2021/22 - £5.19 or 1.99%
 - 2022/23 - £5.29 or 1.99%
 - 2023/24 - £5.39 or 1.99%
- Tax Base increases 1.0% per annum, Collection Surplus £180k p.a
- Government Grants: Increases of between 2.5 and 3.7% to profile timing of Uplift roll out.
- Impact of Funding Formula review – Nil

3.60 Based on these revised assumptions, and the information received and forecast around other areas of funding, then the entire funding expected to be available to the PCC for the next 4 years, in comparison to 2019/20, is as follows

	Actual	Forecast			
	2019/20	2020/21	2021/22	2022/23	2023/24
Funding	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(85,253)	(91,634)	(94,833)	(98,309)	(100,771)
Council Tax Precept	(38,784)	(40,845)	(42,070)	(43,321)	(44,631)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(131,706)	(140,146)	(144,571)	(149,299)	(153,071)
%age change in Net Budget Requirement	4.7%	6.4%	3.2%	3.3%	2.5%
Specific Grants	(5,880)	(7,849)	(10,605)	(12,718)	(12,891)
Witness and Victims Funding	(1,411)	(664)	(674)	(684)	(694)
Partnership Income/Fees and Charges	(2,893)	(3,316)	(3,390)	(3,465)	(3,415)
Total Core Funding	(141,890)	(151,975)	(159,240)	(166,165)	(170,070)
%age change in Total Core Funding	5.4%	7.1%	4.8%	4.3%	2.3%
Special Grant	(3,475)	(3,500)	(3,500)	0	0
Total Overall Funding	(145,365)	(155,475)	(162,740)	(166,165)	(170,070)

- 3.61 As a result of the Government Grant settlements being better than expected, and the flexibility to increase precept by £10, then the funding, at a Net Budget Requirement level, available to the PCC is higher than 2019/20 by £10m and higher than 2018/19 by £20m.
- 3.62 In 2020/21 the funding at Net Budget Requirement level will be higher, in cash terms, than 2010/11, although only by 3% for Cleveland.
- 3.63 It is important to recognise that this is still a reduction in real terms, so after taking into account inflation, of around 13%. This equates a real cut of around £21m since 2010/11.
- 3.64 The national estimate is that in cash terms Policing is now better off, than in 2010/11, by 3.5% and in real terms worse off by 12.5%. So Cleveland is not too dissimilar to the national picture.
- 3.65 The 2020/21 settlement has therefore provided a significant opportunity to invest in Policing and Crime services within Cleveland.

4. Expenditure Plans

4.1 In setting the budget for 2020-21 the PCC is asked to make decisions on how the overall funding discussed in Section 3 is allocated. The PCC is asked to provide funding/budgets to the areas discussed in the following sections:

4.2 Office of the PCC

The PCC has reduced the budget that was inherited from the former Police Authority by over £300k in cash terms and significantly more in real terms of approximately £500k or 40%.

4.3 It is however not possible to continue to absorb increases in Pay and Pension Contributions and therefore a small increase in the budget for 2020-21 of £20k (or 2.3%) to £900k has been necessary. The impact of both pay inflation and general inflation will make it more difficult each year to maintain the budget at a standstill level and therefore inflationary increases have been added to the LTFP.

4.4 Further details are provided below:

2012/13 Budget	2018/19 Budget	PCC Budget	2019/20 Budget	Movement to 2019/20 Budget	2020/21 Budget
£	£	Category of Spend	£	£	£
549,282	680,200	Staff Pay and Allowances	743,000	72,500	815,500
200	5,100	Other Pay and Training	5,100	0	5,100
644,297	214,700	Supplies and Services	202,900	26,500	229,400
7,000	10,000	Transport	10,000	0	10,000
0	(50,000)	Miscellaneous Income	(81,000)	(79,000)	(160,000)
1,200,779	860,000	Total Budget	880,000	20,000	900,000

4.5 Community Safety and Victims and Witnesses Commissioning

The role and responsibilities of the PCC is wider than Policing and this has been acknowledged with the addition of responsibilities around Community Safety and Victims and Witnesses services.

4.6 The Ministry of Justice have confirmed the level of the Victims and Witnesses Grant for 2020/21, allocations include a 1.84% inflationary increase and will continue to be distributed according to the 2018 population estimates. Cleveland will receive £664k in 2020/21 which is £10k higher than the previous year.

4.7 The PCC has however been successful in a number of Grant bids over the last few years however all of these are due to finish in 2019/20. These successful bids enabled the following in 2019/20:

- A doubling of the amount provided to each of the 4 Local Authority Areas within Cleveland to £74k (or £296k in total) to provide OutReach Programmes.
- In addition to this a further £190k was invested in additional Youth Intervention work in 2019/20 as part of a successful bid of over £500k by the PCC.
- The PCC was also successful in with a bid for £200k in relation to a Female Offender Project in 2018/19 with most of this funding, £156k available to spend in 2019/20.

- 4.8 While other opportunities may become available this is a significant reduction in available support for these areas and the PCC and Force will need to consider how to meet these needs through investment and development of neighbourhood policing and wider community engagement and interaction.
- 4.9 2020/21 is also expected to see the continued development of the 'Divert' project and an assessment of the project against its aim to offer an alternative way to engage with first time and low-level offenders, instead of sending them to court and prosecuting them.
- 4.10 The Heroine Assisted Treatment programme will continue into 2020/21 with an expectation that an assessment of the benefits of the programme will be undertaken to inform future work and investment in this area.
- 4.11 A new area of development in 2020/21 will be in relation to the Witness Care Unit where the OPCC are working closely with the Force and Crown Prosecution Service to transition the responsibility for the provision of Witness Care for Crown Court cases to the Force, from the CPS.
- 4.12 In addition to the above the current plans expect that a recurring budget of circa £2.0m per annum is provided in this area across the life of the plan which is as per 2019/20.
- 4.13 Beyond these commissioned services the PCC continues to prioritise and support neighbourhood policing and will continue to provide the Force an additional £1.5m to support the delivery of neighbourhood policing with the specific objective of making our communities safer; helping them to be stronger.
- 4.14 The indicative budget for these areas are set out in the table below:

	Actual Budget	Forecasts			
	2019/20	2020/21	2021/22	2022/23	2023/24
Community Safety/Victims and Witness	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Community Safety Initiatives	1,146	966	968	969	971
Neighbourhood Policing Investment	2,430	1,500	1,550	1,600	1,640
Victims and Witnesses Services	1,864	1,269	1,272	1,431	1,433
Total Planned Expenditure	5,440	3,735	3,790	4,000	4,045

4.15 Corporate Services

Corporate Services originally included the costs of the PFI contracts, strategic contract management, asset management costs, treasury management and planning.

4.16 As the work and responsibilities of the PCC has expanded over the last 8 years this area of the budget now includes the costs for a much wider range of services which include:

- Complaints handling
- Everyone Matters
- ECINs

4.17 The areas of expenditure incorporated in this area and the forecasts for the life of the plan are included in the table below:

	Actual Budget	Forecasts			
	2019/20	2020/21	2021/22	2022/23	2023/24
Corporate Services	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	600	780	690	710	730
Non Pay Expenditure	115	80	125	125	125
PFI Action Stations	5,325	5,410	5,785	5,535	5,615
PFI Uraly Nook	1,830	1,855	1,885	1,920	1,950
Asset Management	2,050	1,875	1,680	1,580	1,480
Total Corporate Costs	9,920	10,000	10,165	9,870	9,900
%age Change in Expenditure	4.7%	0.8%	1.6%	-2.9%	0.3%

4.18 Over £500k of cashable savings was delivered from this area over the 5 years to 2017/18. This enabled the PCC to focus resources on front line services with the vast majority of the savings coming from the decision made by the PCC to change the way that Capital is financed within the organisation and also the conscious decision to reduce the amount of debt the organisation has.

4.19 The asset management costs have however increased over the last couple of years, primarily due to the timing of the loans taken out to deliver the Community Safety Hub and the receipts of the Capital Receipts from the sale of the former Police HQ at Ladgate Lane. In this intervening period the Force is however benefitting from the significantly lower costs of running the new building in comparison to the former one.

4.20 The asset management costs are expected to reduce significantly over the life of the current plan, from £2,050k in 2019/20 to £1,480k in 2023/24 – so a saving of £570k per year.

4.21 This has been possible as the entire loan portfolio of the organisation has effectively been re-financed as part of the move to the Community Safety Hub. In addition to this the final 3 phases of the sale of the land at Ladgate Lane will provide the mechanism for paying off the older more expensive loans and reducing the overall level of debt the organisation has.

4.22 Further savings will be difficult to deliver from this area until the PFI contracts come to an end however neither of the PFI schemes are due to end within the current life of this plan.

5. Police Force

5.1 The vast majority of the funding available to the PCC will be provided to the Chief Constable, this provides the budgetary constraints in which the PCC expects the Force to work within, in delivering against the Police and Crime Plan.

5.2 The PCC tries to provide a stable financial platform for the Force to work to and within, despite the significant level of unknowns around various areas of future funding. The aim of this approach is to support and enable good strategic planning, decision making and ultimately service delivery by the Force.

5.3 Details of the Force's plans are provided on a separate report, which is also on today's agenda however a summary of the finances are included below:

	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Police Pay	67,662	75,622	79,515	82,301	85,066
Police Overtime	1,468	1,860	2,092	2,092	1,958
Police Community Support Officer Pay	4,055	3,524	4,090	4,216	4,439
Staff Pay	14,550	24,841	31,156	30,886	32,590
Pay Total	87,735	105,847	116,853	119,495	124,053
Non Pay Budgets					
Other Pay and Training	744	870	947	975	985
Injury and Medical Police Pensions	2,993	3,177	3,277	3,377	3,477
Premises	3,501	3,887	3,998	4,099	4,228
Supplies and Services	28,515	19,622	14,723	14,766	14,725
Transport	1,471	1,514	1,632	1,668	1,704
External Support	3,257	2,887	2,914	2,944	2,977
Non Pay Total	40,480	31,958	27,492	27,830	28,097
Total Planned Expenditure	128,215	137,805	144,345	147,325	152,150
%age Change in Expenditure	7.1%	7.5%	4.7%	2.1%	3.3%

5.4 These plans are in line with the overall funding indications provided by the PCC to the Force and therefore enable the PCC to set out a stable, balanced financial plan for the next 4 years, based on the assumptions set out within this report.

5.5 Areas of Note within the Force's Plans

- 5.6 Police Officers – the PCC has provided funding to accelerate the recruitment of Police Officers, beyond those expected and funded by the Government, in both 2019/20 and 2020/21.
- 5.7 The Force have responded with plans that will deliver the 72FTE Police Officers, required as part of Cleveland’s allocation of the first 6,000 Uplift, by the end of 2019/20 – so a year earlier than required by the Government.
- 5.8 Plans are then in place to continue with this recruitment throughout 2020/21 – with a further 132 FTEs planned to be recruited during this year. This should provide an average of 1,390 FTE Police Officers throughout 2020/21 and over 1,400 by the end of the financial year.
- 5.9 In theory this should therefore provide around 200,000 additional hours of Policing in 2020/21 in comparison to 2019/20.
- 5.10 Recruitment on the scale expected over the next 3 or 4 years, in addition to what has happened in 2019/20, provides a significant opportunity to not only change the culture of the Force but also to make significant improvements around both equality and diversity within the workplace, while at the same time delivering a much improved service to the public.
- 5.11 There are however many risks too. The ability to attract, train and retain the people with the right skills, outlook and drive to make a difference will be a challenge, especially given the unknowns of moving to a completely different training scheme during 2020/21.
- 5.12 This area will therefore need to be an area of significant focus for the Force and one that is recommended that the PCC incorporates into their scrutiny programme on a regular basis.
- 5.13 PCSOs – the way in which PCSO’s are trained is also changing which has resulted in less PCSOs being employed by the Force in 2019/20 and this will continue into 2020/21. The budget for 2020/21 assumes that the Force will only have 116 FTEs, whereas the expectation was that 131 FTEs would be available. The current work on demand and the development of the neighbourhood policing model will help inform the level of PCSOs in future years, however the risks highlighted within the Police section are equally applicable to PCSO’s although to a lesser extent given the numbers involved.
- 5.14 Staff – There continues to be both significant development and change within this area. With a projected Police Force Staff Establishment of 635 FTEs indicated for 2020/21 – this does not include the impact of the TUPE transfer of staff from Sopra Steria to the Force in October 2020. The major areas of note within Police Staff are as follows:
- 5.15 The investment into the Force Control Room (FCR), which was funded through the precept increase in 2019/20, has not yet been fully delivered, it has led to

significant levels of Police Officer overtime and abstractions into this area in 2019/20 and it is vital that this is delivered in 2020/21.

- 5.16 The addition of 40 FTE staff roles into the Control Room is a significant investment – and represents an increase in the staff establishment in this area of over 30%. When all of the additional roles are filled it will provide in excess of 50,000 extra hours of service delivery per year in comparison to recent previous years.
- 5.17 The combined Police Officer and Police Staff establishment that is contained within the Force Budget, for the FCR, has the most resources within the structure that has, most likely, ever been concentrated in this area. The total resources will be 15%, or 28 FTEs, higher than the last time the Control Room was 'in-house' and the overall cost of the Control Room has increased significantly since the return to the Force.
- 5.18 In addition to the significant increases in resources the development of the Single On-Line Home – which has been reported to reduce demand from those Control Rooms where the system is already live – will also be a significant development during 2020/21.
- 5.19 As a result the level of performance and service delivered from this area should increase significantly and this is an area that should be a core part of the scrutiny programme in the coming years to ensure that the improvements commensurate with this level of resources and investment is delivered.
- 5.20 As part of the work to address the significant concerns raised by HMICFRS in relation to the service delivered by the Force, especially in relation to those most vulnerable in the communities within Cleveland then the Force have indicated a need for 24 FTE staff posts to provide 'Resilience' in a number of areas. The areas are primarily focused on Domestic Abuse, Safeguarding, Major Incidents and Specialist Crime
- 5.21 Both the 2020/21 budget and longer term financial plan provides for all of these resources. The PCC should therefore expect to see significant progress and improvement in these areas and will want regular updates and scrutiny of the progress in this area.
- 5.22 Much of the focus of Operation Uplift has been on the recruitment of Police Officers and the targets set by the Government however there was also a realisation that additional Police Officers would generate additional work for staff across Policing and would require additional staff roles to enable delivery of the overall increases in Police Officer numbers.
- 5.23 The Force have identified the need for 64 FTE growth posts that result from Operation Uplift, these will provide the capacity for managing the additional work loads and also enable the new Officers to be recruited, trained, and provided with

kit and equipment. Providing the initial assessment is in line with the reality then the Force has been provided with all of the funding to deliver Operation Uplift.

- 5.24 Given the importance of Operation Uplift, both locally and nationally, I would expect that the delivery of this will need regular oversight from the PCC as part of the scrutiny programme.
- 5.25 The final area of significant development, in relation to staffing, is that on the 1st October 2020 the final TUPE transfer of staff working for SopraSteria will occur. It is expected that around 220 FTE staff and over 30 contracts will transfer from SopraSteria and become the responsibility of the Force.
- 5.26 This transfer is happening in line with the proposals put forward by the Force for the approval of the PCC around 18 months ago. Given the significance of the transfer I would expect that the PCC will want regular updates on the progress of the transfer and the development of the services once the transfer has happened. Again this is suggested to be incorporated into the PCC scrutiny programme in 2020/21.
- 5.27 The scale of this investment should not be underestimated and the ability 'simply' to recruit the resources to meet the plans put forward from the Force will be a significant challenge in 2020/21.
- 5.28 On top of the plans to recruit 132 FTE Police Officers in 2020/21 and a need to recruit PCSOs too, there were only 491 FTE Police Staff employed by the Force at the end of December 2019 – this is 144 FTEs lower than the proposed 2020/21 Staff establishment of 635 FTEs.
- 5.29 While the financial plans expect the recruitment to be phased, and have factored in a 10% vacancy rate for 2020/21, the challenges to deliver this level of recruitment in the first place and then the knock-on impact across the Force will be a significant challenge and one that if it isn't successfully delivered will have a significant impact on the ability of the Force to deliver the vital improvements that are required.

6. Overall Financial Summary

- 6.1 The table below shows the current projected position of the overall finances available to the PCC, however this is based on a significant number of assumptions, including that the

Force can contain costs and deliver the level of services required within the financial constraints that were outlined above.

	Actual Budget				
	2019/20	2020/21	2021/22	2022/23	2023/24
Funding	£000s	£000s	£000s	£000s	£000s
Government Grant	(85,253)	(91,634)	(94,833)	(98,309)	(100,771)
Council Tax Precept	(38,784)	(40,845)	(42,070)	(43,321)	(44,631)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(131,706)	(140,146)	(144,571)	(149,299)	(153,071)
%age Change in Net Budgetary Requirement	4.7%	6.4%	3.2%	3.3%	2.5%
Specific Grants	(5,880)	(7,849)	(10,605)	(12,718)	(12,891)
Witness and Victims Funding	(1,411)	(664)	(674)	(684)	(694)
Partnership Income/Fees and Charges	(2,893)	(3,316)	(3,390)	(3,465)	(3,415)
Total Core Funding	(141,890)	(151,975)	(159,240)	(166,165)	(170,070)
%age Change in Core Funding	5.4%	7.1%	4.8%	4.3%	2.3%
Special Grant	(3,475)	(3,500)	(3,500)	0	
Total Overall Funding	(145,365)	(155,475)	(162,740)	(166,165)	(170,070)
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	880	900	920	940	960
Community Safety/Victims and Witness	£000s	£000s	£000s	£000s	£000s
Community Safety Initiatives	1,146	966	968	969	971
Neighbourhood Policing Investment	2,430	1,500	1,550	1,600	1,640
Victims and Witnesses Services	1,864	1,269	1,272	1,431	1,433
Total Planned Expenditure	5,440	3,735	3,790	4,000	4,045
Corporate Services	£000s	£000s	£000s	£000s	£000s
Staff Pay	600	780	690	710	730
Non Pay Expenditure	115	80	125	125	125
PFI Action Stations	5,325	5,410	5,785	5,535	5,615
PFI Uraly Nook	1,830	1,855	1,885	1,920	1,950
Asset Management	2,050	1,875	1,680	1,580	1,480
Total Corporate Costs	9,920	10,000	10,165	9,870	9,900
Police Force Planned Expenditure Pay	£000s	£000s	£000s	£000s	£000s
Police Pay	67,662	75,622	79,515	82,301	85,066
Police Overtime	1,468	1,860	2,092	2,092	1,958
Police Community Support Officer Pay	4,055	3,524	4,090	4,216	4,439
Staff Pay	14,550	24,841	31,156	30,886	32,590
Pay Total	87,735	105,847	116,853	119,495	124,053
Non-Pay Budgets					
Other Pay and Training	744	870	947	975	985
Injury and Medical Police Pensions	2,993	3,177	3,277	3,377	3,477
Premises	3,501	3,887	3,998	4,099	4,228
Supplies and Services	28,515	19,622	14,723	14,766	14,725
Transport	1,471	1,514	1,632	1,668	1,704
External Support	3,257	2,887	2,914	2,944	2,977
Non-Pay Total	40,480	31,958	27,492	27,830	28,097
Total Planned Force Expenditure	128,215	137,805	144,345	147,325	152,150
%age Change in Expenditure	7.1%	7.5%	4.7%	2.1%	3.3%
(Surplus)/Deficit	£000s	£000s	£000s	£000s	£000s
Planned Transfers to/(from) General Fund	(910)	(3,035)	(3,520)	(4,030)	(3,015)
Contribution to Capital Programme	(950)	0	0	0	0
Planned Transfers to/(from) Earmarked Reserve	2,120	3,365	3,860	4,045	3,030
Net (Surplus)/Deficit After Reserves	(0)	0	0	(0)	(0)
General Reserves	£000s	£000s	£000s	£000s	£000s
General Fund Balance b/f	5,992	5,042	5,042	5,042	5,042
General Fund Movements	(950)	0	0	0	0
General Fund Balance c/f	5,042	5,042	5,042	5,042	5,042
Employee Numbers (Average per year)	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,213	1,340	1,386	1,436	1,436
Special Grant Funded Police Officers	50	50	50		
PCSOs	131	131	131	131	131
Police Staff - Police Force	552	635	861	830	830
OPCC Staff	14	14	14	14	14
Corporate/Commissioning Staff	12	17	15	15	15
Assumptions					
Pay Awards	2.0%	2.5%	2.5%	2.5%	2.5%
Non Pay Inflation	2.0%	2.0%	2.0%	2.0%	2.0%
RPI	3.0%	2.1%	2.5%	2.5%	2.5%
Precept Increases	10.6%	4.0%	2.0%	2.0%	2.0%
Core Government Grant Movements	2.1%	5.1%	3.5%	3.7%	2.5%

6.2 Based on the plans and assumption outlined within this report and some use of reserves, that are discussed later in the report and in more detail in the Robustness

of Estimates and Adequacy of Reserves Report, then the organisation can demonstrate a balanced budget for the next 4 years.

- 6.3 It is however vital to keep in mind that there will be challenges to this balanced plan, there are a number of risks that could impact significantly on the currently forecasted balanced position and there are undoubtedly many things that the organisation will have to deal with, that are currently unknown. Therefore the constant search for savings and efficiencies will need to continue to provide future flexibility from a financial perspective.
- 6.4 As a result of the significantly better Government funding settlement and the financial flexibility that the PCC has been afforded, around Precept, then the organisation is in a much stronger financial position than was previously expected. This provides some significant scope to invest in replacing some of the previous reduced service capacity.
- 6.5 'Required' Staffing Model
Just over 12 months ago the Force modelled, and set out, what they believed to be both the 'Minimum' and the 'Required' Staffing Model for the Force.
- 6.6 The gap between the 2 models equated to around £5m in financial terms.
- 6.7 The additional precept flexibility available to PCC's in 2019/20 provided the finances to be able to attain the 'Minimum' model, plus 24 FTE additional Police Officers to start to move towards the Required Model.
- 6.8 Had the Force still been working towards the 'Required' Model then there is both the scope and capacity within the 2020/21 budget to more than attain the level of resources indicated as needed for this model.
- 6.9 Things have however moved on within the Force, and significant work is again under way to model demand. This work will then help determine the structures and service delivery model that the Force will work towards.
- 6.10 It is vital for both the stability of the Force and for the Force to have any chance of improving service delivery that this work is concluded and then refined as time passes and more information becomes available. To have constant wholesale Force structure modelling/re-modelling on an annual basis creates work, confusion and instability.
- 6.11 Given the fundamental impact that this demand analysis work will have on the future service delivery model of the Force then this will need to form a key part of the PCC's scrutiny programme in the coming year.

7. Capital Financing and Expenditure

- 7.1 The assets owned by the PCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure. Plans have been drawn up and are being developed for capital investment which would aid the organisation in delivering against the Police and Crime Plan.
- 7.2 The most significant area of development and work over the planning period will be delivery against the Digital Strategy that has been developed between the Force and SopraSteria. This will inform a significant area of work from a local perspective but also linking in to the significant work that is on-going on a National basis in this area.
- 7.3 The current plans see no need for additional borrowing, from 2020/21 onwards, to fund the proposed capital programme however this should be seen against the background of significant loans that have been taken out over the period 2017/18 to 2018/19.
- 7.4 The level of borrowing that the PCC has peaked in 2019/20 at just over £31m and is now scheduled to reduce by almost 50% over the next 5 years with £14.3m due to be repaid over the next 6 years and this follows on from the repayment of a £2.8m loan during 2019/20.
- 7.5 Plans are in place to enable this to happen and this will return the overall level of borrowing to a more reasonable level and also help reduce the asset management costs in line with the revenue budget.
- 7.6 The PCC will have sufficient funds available to support the current plans of the Police Force over the current year and the next 4 years provided that resources can continue to be provided to the Capital programme from the revenue budget.
- 7.7 The required contributions to the Capital Plan are factored into the balanced revenue position and therefore the PCC has a fully balanced Capital Plan and Revenue Budget for the next 4 years based on current plans and assumptions.
- 7.8 It is important to recognise that there is no scope within the current plans for additional schemes that are currently not known about, including investments based on developments at a National Level. It will therefore be important to generate savings elsewhere to be able to invest further otherwise the need/want to invest further in this area will need to be at the expense of current plans.
- 7.9 The current Capital Plans, which will continue to be subject to review, development and refinement over the coming years, are set out below:

	2019/20	2020/21	2021/22	2022/23	2023/24
Future Funding Levels	£000s	£000s	£000s	£000s	£000s
Earmarked Reserve/Funding b/f	5,175	2,179	234	1,580	1,927
Capital Grant	526	138	140	140	140
Uplift Capital Funding			3,000	600	
Contribution to/from Revenue	2,359	3,365	3,860	4,045	3,030
Capital Receipts (from Vehicle sales)	100	100	100	100	100
Capital Receipts (from Property sales)	200	3,109	2,988	3,109	0
Borrowing	1,200	-3,109	-2,988	-3,109	
Projected In-year funding Available	4,385	3,603	7,100	4,885	3,270
Digital Strategy	4,339	2,845	1,415	2,700	2,700
Estates Strategy	1,787	826	608	737	1,058
Fleet Replacement Programme	807	742	849	666	897
Uplift	0	380	2,510	310	400
Other Schemes	448	756	372	125	125
Total Capital Programme	7,381	5,549	5,754	4,538	5,179
Earmarked Capital Reserve/Funding c/f	2,179	234	1,580	1,927	18

8. Reserves

- 8.1 As at the end of 2018/19 the PCC had Usable Reserves of £17.6m. The main reserves held at that point were for the following reasons:
- General Reserves - £6.0m
 - Funding for projects within the financial plans - £6.1m
 - General contingency and risk Reserves - £3.0m
- 8.2 The PCC has a separate Reserves Strategy, which is in line with the requirement of the Government, which sets out the details of all reserves, what they are held for and how they will be used in the future.
- 8.3 The expected movements on all reserves held by the PCC will be kept under review in line with the development of the LTFP, current projections are included within the table below:

	Balance at 31 March 2019 £000	Tranfers In 2019/20 £000	Tranfers Out 2019/20 £000	Balance at 31 March 2020 £000	Tranfers In 2020/21 £000	Tranfers Out 2020/21 £000	Balance at 31 March 2021 £000	Tranfers In 2021/22 £000	Tranfers Out 2021/22 £000	Balance at 31 March 2022 £000	Tranfers In 2022/23 £000	Tranfers Out 2022/23 £000	Balance at 31 March 2023 £000	Tranfers In 2023/24 £000	Tranfers Out 2023/24 £000	Balance at 31 March 2024 £000
Funding for projects & programmes over the period of the current MTFP																
Direct Revenue Funding of Capital	(3,659)	(2,359)	5,881	(137)	(3,365)	3,502	0	(3,860)	3,860	0	(4,045)	4,045	0	(3,030)	3,030	0
Community Safety Initiatives Fund	(241)		150	(91)		91	0		0	0		0	0		0	0
PCC Change Reserve	(100)		84	(16)			(16)			(16)			(16)			(16)
Digital Forensics	(245)		245	0			0			0			0			0
Airwaves Project	(166)		166	0			0			0			0			0
CP Change Reserve	(500)	(950)	245	(1,205)		900	(305)		305	0			0			0
Commissioning Reserves	(569)		279	(291)		291	0			0			0			0
Road Safety Initiatives Fund	(658)		0	(658)		150	(508)		150	(358)		150	(208)		150	(58)
Sub Total	(6,137)	(3,309)	7,324	(2,122)	(3,365)	4,934	(553)	(3,860)	4,315	(98)	(4,045)	4,195	52	(3,030)	3,180	202
Funding for projects & programmes beyond the current MTFP																
PFI Sinking Fund	(288)	(75)		(363)	(75)	25	(413)	(75)	325	(163)	(75)		(238)	(75)		(313)
Incentivisation Grant	(512)	(80)	80	(512)	(80)	80	(512)	(80)	80	(512)	(80)	80	(512)	(80)	80	(512)
Police Property Act Fund	(63)			(63)			(63)			(63)			(63)			(63)
Sub Total	(863)	(155)	80	(938)	(155)	105	(988)	(155)	405	(738)	(155)	80	(813)	(155)	80	(888)
General Contingency																
Legal/Insurance Fund	(431)	(75)		(506)			(506)			(506)			(506)			(506)
Injury Pension Reserve	(245)			(245)			(245)			(245)			(245)			(245)
Uray Nook TTC	(81)			(81)			(81)			(81)			(81)			(81)
NERSOU	(146)			(146)			(146)			(146)			(146)			(146)
Collaboration Reserve	(1,036)			(1,036)		90	(946)		90	(856)		90	(766)		90	(676)
Pay Reserve	(1,000)			(1,000)			(1,000)			(1,000)			(1,000)			(1,000)
Revenue Grants Unapplied	(137)		28	(109)			(109)			(109)			(109)			(109)
Sub Total	(3,076)	(75)	28	(3,123)	0	90	(3,033)	0	90	(2,943)	0	90	(2,853)	0	90	(2,763)
	0			0			0			0			0			0
Total Earmarked Reserves	(10,077)	(3,539)	7,432	(6,183)	(3,520)	5,129	(4,574)	(4,015)	4,810	(3,779)	(4,200)	4,365	(3,614)	(3,185)	3,350	(3,449)
General Reserves	(5,992)		950	(5,042)		0	(5,042)									
Unapplied Capital Grants	(1,517)	(526)		(2,043)	(138)	1,947	(234)	(140)		(374)	(140)		(514)	(140)	653	(0)
Total Usable Reserves	(17,586)			(13,268)			(9,850)			(9,195)			(9,170)			(8,492)

8.4 A full review of adequacy of reserves and the robustness of the assumptions within the LTFFP is included within the Robustness of Estimates and Adequacy of Financial Reserves Report and will be provided for the PCC prior to formal sign off of the Budget.

9. Risks

9.1 The major risks and unknowns surrounding the figures presented here are:

- Pay Awards are higher than the assumptions within the plan
- The significant levels of recruitment needed to deliver against both the financial and operational plans of the Force.
- Any differences between the future years' actual Government Grant settlements, especially in relation to Operation Uplift, and those estimated within the plan
- Variations in future years between the estimated tax base used and the actual declared tax base.
- That the public does not support the precept increases that are factored into the current plans
- Increasing costs of the employers Pension Contribution into the Police Pension Fund.
- Sensitivity of assumptions, including inflation and borrowing costs.
- The ability of the Force to manage within its allocated budget
- The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
- Ability to deliver the savings included within the plans within the timeframes set and also to the level needed whilst delivering the required levels of service.