

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

24th February 2021

Status: For Information

Long Term Financial Plan (LTFP) 2021/22 to 2024/25 and Capital Plans 2021/22 to 2024/25 including Reserves Strategy

1. Executive Summary

1.1 Purpose of the Report

This report asks the PCC to agree the Budget proposals for 2021/22 and the Long Term Financial Plan (LTFP) for 2021/22 – 2024/25 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 2021/22 and the indicative allocations for the period 2022/23 to 2024/25.

2. Recommendations

2.1 The PCC is requested to approve the allocation of the £162,125k of revenue funding, that is forecast to be received by the PCC in 2021/22, in the following areas:

- £920k to run the Office of the PCC
- £2,730k to support PCC Initiatives and Victims and Witnesses Services
- £10,425k for Corporate Services
- £145,045k to the Police Force
- £3,585k to the Capital Programme
- This will be supported by £580k from Earmarked Reserves

2.1 The PCC is asked to note that the 2021/22 budget is based on the approved 1.99%, or £5.19 increase in the level of Band D precept for 2021/22.

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 2021/22 budget will be brought to the PCC in 2021/22 to provide updates on performance against the 2021/22 budget.
- 2.4 The PCC is asked to allocate £7,416k of Capital Budgets to the Chief Constable to deliver new schemes on behalf of the PCC.
- 2.5 The PCC is asked to agree that additional borrowing totalling £723k can be taken out during 2021/22, if needed, to support the delivery of the Capital Programme.

3. Planning and Funding Assumptions

3.1 Police Funding Settlement 2021/22

- 3.2 The 2021-22 Provisional Settlement was announced on 17 December in a written statement by the Policing Minister, Kit Malthouse, with the Final Settlement announced on the 4th February 2021, when the provisional settlement figure were confirmed.
- 3.3 Full details of the Settlement can be found on the Home Office gov.uk pages.
- 3.4 Unlike last year, the Home Office have opted to do a provisional settlement rather than proceeding straight to final settlement in order obtain feedback from stakeholders. The deadline for submissions to the provisional was 15 January.
- 3.5 This settlement follows the one-year Spending Review (SR) and takes place with a backdrop of severe economic difficulties due to the ongoing Coronavirus Pandemic as well as uncertainty around Brexit. GDP for the year was down 11.3%, the largest recession recorded.
- 3.6 Prior to the publication of the settlement, the sector was expecting an additional £400m for the recruitment of 6,000 officers (towards the 20,000 total). Kit Malthouse confirmed that there would be an increase of £415m for PCCs to continue to recruit officers. The document goes on to state that "to ensure...progress in recruitment is maintained, and to track the use of this investment efficiently, the Government will continue to ringfence £100 million of the additional funding". This ring-fenced grant will be akin to the previous settlement grant of £168m and will be split according to funding formula allocation.
- 3.7 Part of this funding allocation is to go to the recruitment of ROCU officers through the same mechanism.
- 3.8 Additionally, the sector was expecting last year's PUP funding (£700m) to be rolled into the baseline.

3.9 However, the Written Ministerial Statement stated that in total PCCs will get an increase of £703m assuming that the full precept flexibility is taken. As confirmed in SR2020, the council tax referendum principles will be £15 per PCC, which, assuming every PCC maximised the increase, means an extra £288m for policing in 2021-22.

3.10 Furthermore more, PCCs will receive a portion of the £670m additional grant funding announced for the local council tax support as part of SR2020. It is expected that the PCC for Cleveland will receive £1,395k from this funding in 2021/22.

3.11 Headlines

3.12 Given the recent publication of the 2020 spending review (published much later in the year than previous Spending Review's), some of the settlement was already known. The headlines below build upon headlines from SR2020:

- Core Grant (including the PUP grant) increases from £7.8bn to £8.2bn, a difference of £413.6m an increase of 5.3%.
- £15 precept flexibility for all PCCs, or equivalent.
- 75% of council tax losses (due to Covid-19) to be compensated.
- £87.4m (8%) decrease in reallocations from £1.1bn in 2020-21 to 1.03bn in 2021-22.
- Flat cash pension grant allocations compared to 2020-21.
- Capital grant remains cash flat for PCCs at £12.3m
- £52.3m capital funding for national priorities and infrastructure

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

3.14 According to the statement, the Government expects the police to continue to build on the progress that has been made in terms of efficiency and productivity. The statement lays out three targets:

- Forces to recruit another 6,000 officers by the end of March 2022 (some of these officers are expected to go into Counter Terrorism Policing, ROCUs and the National Fraud Intelligence Bureau).
- £120m efficiency savings from across the law enforcement sector (reflected as part of this funding settlement). These are expected to be delivered through a combination of improved procurement practises as well as savings in areas such as estates, agile working and shared services. They are broken down as follows:
 - £95m against core grant
 - £8m against CT policing
 - £2.8m from the NCA
 - £14.2 programmes within reallocations.
- High quality data should be collected and used to support local delivery, identify efficiencies and support the National Policing Board's drive to deliver the best possible outcomes within policing.

3.15 What does this mean for Cleveland in 2021/22 in terms of Funding?

- An increase in of Core Police Grant plus Police Uplift Grant of £4,961k or 5.3%
- This includes up to £1,199k from the ring-fenced grant for the officer uplift – linked to the recruitment of 70 additional FTE Police Officers by the end of March 2022.
- Police Pension Grant remains at £1,324k
- Capital Grant remains at only £138k
- A challenge to deliver £1,065k of savings and efficiencies during 2021/22, towards the £95m of savings that have been factored into the National Core Grant allocations

3.16 Based on the agreed precept, of £265.73 for a Band D property, then the overall impact on the Core funding for the organisation is set to increase by 4.5%, or nearly £6.5m, as set out in the table below:

Overall Government and Local Revenue Funding				
	2021/22	2020/21	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
Government Funding				
Police Grant	(53,582)	(50,148)	(3,434)	
RSG/National Non Domestic Rate	(43,828)	(41,486)	(2,342)	
Police Officer Uplift Grant	(1,199)	(2,015)	816	
Overall Headline Funding Increase	(98,609)	(93,649)	(4,961)	5.3%
Council Tax Freeze Grant	(800)	(800)	0	
Council Tax Support Grant	(8,263)	(6,868)	(1,395)	
Police Pensions Grant	(1,324)	(1,324)	0	
Total Government Funding	(108,996)	(102,641)	(6,355)	6.2%
Impact of a £5.19 increase in Band D Precept - 1.99% increase				
Net Deficit on Collection Funds	536	(170)	706	
Council Tax Requirement	(41,483)	(40,675)	(808)	
Total Local Funding	(40,947)	(40,845)	(102)	0.3%
Total Government + Local Funding	(149,943)	(143,486)	(6,458)	4.5%

3.17 How does Cleveland compare to the National Picture?

3.18 All Police Force Areas have received the same Headline increase in Core funding of 5.3%. However the increases in precept, in percentage terms, are determined by the current level.

3.19 If each PCC had increased their precept by £15, combined with tax base assumptions, there would have been an additional £288m of resources for policing from council tax alone. Due to historic differences in council tax, increases for individual PCCs (based on a £15 increase) would have ranged from 5.4% in Surrey to 10.8% in Northumbria.

3.20 A £15 increase in Cleveland would have equated to an increase of 5.76%. This would be the fifth lowest percentage increase in England, which results from

Cleveland having the fifth highest Policing Precept level in England and a current Precept level that is over 15% higher than the National average.

- 3.21 If each PCC took the £15 precept, the average band D police precept in England and Wales would be £240.92 (in Cleveland this would have been £275.54) with an average of 38% (in Cleveland this would have been 26% of total funding coming from council tax (including precept grant and legacy council tax support grants).
- 3.22 **Government Funding for 2022/23 and beyond**
- 3.23 The funding position for 2022/23 will be set out and determined as part of the Spending Review that will be undertaken in 2021.
- 3.24 Given the expected financial challenges that are likely to result from the costs incurred during the pandemic then the assumptions within the revised MTFP is that Core Government Grant will be frozen for the next 2 years.
- 3.25 The plan does however assume that the Police Uplift Programme will continue to be fully funded to deliver the 20,000 National Uplift.
- 3.26 There were no references within the settlement to the Funding Formula and any review of this.
- 3.27 In 2021-22 the top slices/reallocations total £1.033.5bn, £87.4m lower than last year (£1.120bn). Primarily, this difference comes from a £26m reduction in special grant, a £52m reduction in Top ups to National Crime Agency and Regional and Organised Crime Units, a £14m reduction in Police technology programmes and an £8m reduction in National Capability programmes.
- 3.28 Pensions Grant
- 3.29 Pensions Grant allocations remain unchanged from those in 2020-21. They have not been updated to reflect the new forecasts nor increased to reflect pay inflation and therefore additional costs and pressures have to be 'absorbed'.
- 3.30 Council Tax Legacy Grant
- 3.31 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 2021-22. These have again remained flat cash settlements and therefore take no account of any changes for inflation or local need since they were awarded and is another area where additional costs are having to be 'absorbed'.
- 3.32 National and International Capital City Grant (NICC)
- 3.33 In 2021-22 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.
- 3.34 Capital Funding
- 3.35 Total Police Capital Grants are now worth £64.6m but only £12.3m will be allocated locally.

3.36 This means that the Total Capital Grant for policing the whole of Cleveland is only £138k. When this Grant is compared to a Capital Programme of over £7m next year it means there is a significant need to use Revenue Funding to fund the Capital Programme.

3.37 Counter Terrorism

3.38 The Minister announced a total of £914m for Counter Terrorism (CT) policing in 2021-22. This is £46m lower than the previous year. However, the Minister makes it clear that continued investment in CT policing will support record high numbers of counter terrorism policing investigations across the UK.

3.39 Ministry of Justice Grants

3.40 PCCs were notified of their 2021-22 allocations for commissioning of victims' services in early February which were the same as 2020/21, which for Cleveland was £663k.

3.41 In addition to this core funding the Government announced an additional £40m for victims' services which will be distributed through different mechanisms. The funding which is proposed to go through PCCs includes:

- £9.7m for Domestic Abuse (DA);
- £5m for Sexual Violence (SV); and
- £16m to further expand the availability of ISVAs and IDVAs (which will be available for 2 years).

3.42 The PCC has received uplifts for DA and SV services from this additional £40m of £263k.

3.43 Finally the Ministry of Justice will be undertaking an Expression of Interest process for ISVA/IDVAs while existing grants from the national ISVA Fund will be brought in line with any new investment locally.

How has Funding changed for Policing since 2010/11?

3.43 Using the latest Gross Domestic Product deflation factors from the Treasury then:

- In cash terms, funding has increased, on average, by 9.4% between 2010-11 and 2021-22. However in Cleveland is it lower than this at 7.3%, the difference is the equivalent of about £3m of additional funding per year.
- However, when we account for inflation, this figure drops to -10.7%., in Cleveland the reduction is higher at about 12.3%

3.44 **In Real Terms funding in Cleveland in 2021/22 will be about 12.3% lower than in 2010/11 – this is the equivalent of £21m.**

3.44 **Precept**

Around 28% 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.

3.45 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.

3.46 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 £15 before a referendum is required in 2021/22.

3.47 Consultation was undertaken in relation to whether the public supports the option of increasing the precept in 2021/22 and the response was that 52%, of the 181 people who responded to the survey, supported an increase of 1.99% or more. However just over 20% were supportive of the £15 increase.

3.48 As a result a 1.99%, or £5.19, increase in the Band D precept was proposed to the Police and Crime Panel who also supported this increase.

3.49 For the purposes of planning, the balanced plan that is set out within this paper assumes the following:

- 2022/23 – Precept Increase of 1.99%
- 2023/24 – Precept Increase of 1.99%
- 2024/25 – Precept Increase of 1.99%

3.50 Over the last 4 years there have been significant increases in the number of calculated Band D properties within Cleveland which the PCC has benefited from. This has come to an abrupt halt in 2021/22.

3.51 **The number of Band D properties within Cleveland has reduced by 8** to 156,110.

3.52 A reduction in the overall tax base is highly unusual and was completely unexpected. This has therefore had an impact on the finances of the organisation. This small reduction, versus an expected 1% increase, equates to an overall reduction in precept income of nearly £415k. This impact has however been compensated for by an increase in the Local Council Tax Support Grant of £1,395k from the Government.

3.53 This funding is expected to be a one-off grant as it is hoped/assumed that the Tax Base will recover over the next 2/3 years. The financial plans assume quicker tax base growth of 1.5% next year and then 1.25% in each of the next 2 years. This

will however be dependent on many factors which are clearly outside of the control of the organisation

- 3.54 As expected the biggest financial challenge, resulting from COVID-19, for the organisation was likely to materialise in 2021/22 with a likely recurring, but smaller impact in the years thereafter. The impact was expected to result from less Council Tax than planned being collected during 2020/21 and a further impact on the overall tax base in future years in comparison to previous plans.
- 3.55 The Government recognised this challenge and have provided the flexibility to all billing and major precepting authorities (including police and fire authorities) to phase the deficit over a fixed period of three years.
- The phased amount will be the entire collection fund deficit for 2020-21 as estimated on the 15 January 2021 for council tax and in the 2021-22 NNDR1 for business rates.
 - The deficit will be phased in three equal and fixed amounts across the financial years 2021-22, 2022-23 and 2023-24.
 - The amounts to be paid off during 2021-22 will therefore be only 1/3rd of each authority's share of the estimated 2020-21 deficit.
- 3.56 The Councils have indicated an overall deficit on their collection funds, of which £1,325k relates to Policing.
- 3.57 Of this overall deficit of £1,325k, there is a £142k deficit that relates to years prior to 2020/21 and is therefore treated normally. Of the £1,182k deficit that relates purely to 2020/21 this will be phased across 3 years in line with the changed legislation. This will result in a £394k charge in each of the next 3 years.
- 3.58 These assumptions will be kept under review as details for future years become available and projections amended accordingly.
- 3.59 LTFP Assumptions
When the 2020/21 budget was set in February 2020 the forecasts were underpinned by the following assumptions:
- 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 Clearly much has changed in the last year and therefore 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 2021/22 and beyond will assume the following:

- Pay Awards:
 - 2021/22 - Freeze
 - 2022/23 - 1.0% increase
 - 2023/24 – 1.5% increase
 - 2024/25 – 2% increase

- Precept: Increases of:
 - 2021/22 - 1.99%
 - 2022/23 - 1.99%
 - 2023/24 – 1.99%
 - 2024/25 – 1.99%

- Tax Base increases of:
 - 2021/22 - 1.5%
 - 2022/23 - 1.25%
 - 2023/24 – 1.25%
 - 2024/25 – 1.0%

- Government Grants: Frozen for next 2 years
- Impact of Funding Formula review – Nil

3.61 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 2020/21, is as follows

	Actual Budget	Forecast Budget			
	2020/21	2021/22	2022/23	2023/24	2024/25
Funding	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(91,634)	(97,410)	(97,410)	(97,410)	(99,358)
Council Tax Precept	(40,845)	(40,947)	(42,696)	(44,085)	(45,915)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(8,263)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(140,146)	(147,420)	(147,774)	(149,163)	(152,942)
%age Change in Net Budgetary Requirement	6.4%	5.2%	0.2%	0.9%	2.5%
Specific Grants	(7,849)	(7,037)	(10,538)	(12,338)	(12,338)
Witness and Victims Funding	(664)	(993)	(740)	(684)	(694)
Partnership Income/Fees and Charges	(3,316)	(3,175)	(3,243)	(3,155)	(3,237)
Total Core Funding	(151,975)	(158,625)	(162,295)	(165,340)	(169,210)
%age Change in Core Funding	7.1%	4.4%	2.3%	1.9%	2.3%
Special Grant	(3,500)	(3,500)	(1,090)		
Total Overall Funding	(155,475)	(162,125)	(163,385)	(165,340)	(169,210)

3.62 2021/22 is the 3rd year of significant investment back into Policing. The level of funding available within Cleveland, at a Net Budget Requirement level, available to the PCC has increased by £27m (or 17%) in the past 3 years.

3.63 The position is similar as a Total Core funding level, with increases of £24m (or nearly 18%) across the same 3 year period.

3.64 As mentioned earlier in this report however it is important to recognise that this is still a reduction in real terms, so after taking into account inflation, of around £21m since 2010/11.

3.65 The 2021/22 settlement continues to provide a significant opportunity to invest in Policing and Crime services within Cleveland.

4. Expenditure Plans

4.1 In setting the budget for 2021-22 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

4.3 In overall terms a small increase in the overall budget is required to absorb higher costs, of £25k in total, in relation to both Internal and External Audit Fees and higher costs for the APCC subscription.

4.4 Higher costs elsewhere have been offset by savings while changes in both Income and Pay reflect Collaboration Agreements that are subject to review once a new PCC is elected.

4.5 Further details are provided below:

2019/20 Budget		2020/21 Budget	Movement to 2021/22 Budget	2021/22 Budget
£	PCC Budget	£	£	£
	<u>Category of Spend</u>			
743,000	Staff Pay and Allowances	815,500	(57,500)	758,000
5,100	Other Pay and Training	5,100	(100)	5,000
202,900	Supplies and Services	229,400	14,400	243,800
10,000	Transport	10,000	(5,000)	5,000
(81,000)	Miscellaneous Income	(160,000)	68,200	(91,800)
880,000	Total Budget	900,000	20,000	920,000

4.6 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.

4.7 The Ministry of Justice have confirmed the level of the Victims and Witnesses Grant for 2021/22, core allocations were frozen at £664k in 2021/22, which is as per 2020/21. However a further £263k has been provided to the PCC for additional Domestic Abuse and Sexual Violence services in 2021/22.

4.8 In addition to the uplift, there are two targeted pots of funding that PCC's can bid into, dependent on local need:

- Critical Support Fund – The Government are aware that a number of support services in areas have significant waiting lists or have had to close waiting lists for sexual violence and domestic abuse services. They are therefore making £1.5m funding available through a 'critical support fund' to support PCC areas that have critical levels of demand that the additional uplift in funding, and funding from other sources, will not be able to sufficiently address.

- Funding for Independent Sexual Violence Advisors and Independent Domestic Abuse Advisors – They Government are providing an additional £12m funding for ISVAs and IDVAs this financial year. This funding will be for two years until end March 2023. They will also be extending the existing £4m ISVA funding for a further year until end March 2023.

4.9 The PCC was successful is bidding for £1,035k from the 2020/21 Safer Streets Fund. There will be an opportunity for the PCC to bid into a similar fund for 2021/22 where £20m will be made available nationally to:

- Work with partners to design and deliver local crime prevention plans in hotspot areas with the outcome of reducing neighbourhood crimes through situational prevention. The objective of the fund being to:
 - Reduce neighbourhood crime (burglary, vehicle related theft, theft from the person, robbery) in areas that receive funding – making local areas safer and reducing demand on the police to focus on higher harm crimes.
 - Continue to build evidence about the impact of targeted investment in situational prevention in high crime areas to strengthen the case for future investment, both at a local and national level
 - Grow local capability to undertake data driven problem solving and capture evidence and practical learning about how best to implement situational interventions to prevent crime

4.10 Other opportunities may become available during the year however having the resources available to pursue these opportunities is likely to be a challenge and will need to be considered as part of any future bids.

4.11 The £1.5m of funding that was previously set aside within this area to fund additional Neighbourhood Policing Resources within the Force has now been allocated to the Chief Constable.

4.12 The indicative budget for these areas are set out in the table below:

	Actual Budget	Forecast Budget			
	2020/21	2021/22	2022/23	2023/24	2024/25
Community Safety/Victims and Witness	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Community Safety Initiatives	966	1,005	1,005	1,015	1,020
Neighbourhood Policing Investment	1,500				
Victims and Witnesses Services	1,269	1,725	1,485	1,440	1,480
Total Planned Expenditure	3,735	2,730	2,490	2,455	2,500

4.13 Corporate Services

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

4.14 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

4.15 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	Forecast Budget			
	2020/21	2021/22	2022/23	2023/24	2024/25
<u>Corporate Services</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	780	800	810	820	835
Non Pay Expenditure	80	130	130	130	130
PFI Action Stations	5,410	5,755	5,480	5,560	5,640
PFI Uraly Nook	1,855	1,865	1,885	1,930	1,980
Asset Management	1,875	1,875	1,750	1,740	1,625
Total Corporate Costs	10,000	10,425	10,055	10,180	10,210

4.16 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.

4.17 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.

4.18 The asset management costs are expected to reduce significantly now, from £2,050k in 2019/20 to £1,625k in 2024/25 – so a saving of £425k per year.

4.19 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.

4.20 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 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Police Pay	75,622	80,214	82,289	83,991	86,110
Police Overtime	1,860	2,103	2,093	1,956	1,904
Police Community Support Officer Pay	3,524	3,897	4,033	4,242	4,483
Staff Pay	24,841	31,433	30,825	31,824	32,942
Pay Total	105,847	117,647	119,240	122,013	125,439
Non Pay Budgets					
Other Pay and Training	870	947	965	975	985
Injury and Medical Police Pensions	3,177	3,278	3,378	3,478	3,578
Premises	3,887	3,998	4,096	4,224	4,365
Supplies and Services	19,622	14,249	14,329	14,327	14,299
Transport	1,514	1,663	1,699	1,735	1,771
External Support	2,887	3,262	3,262	3,262	3,262
Non Pay Total	31,958	27,398	27,730	28,002	28,261
Total Planned Expenditure	137,805	145,045	146,970	150,015	153,700
%age Change in Expenditure	7.5%	5.3%	1.3%	2.1%	2.5%

- 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 A further 5.3% (£7.2m) increase in the funding available to the Force in 2021/22 followed on the back of a £9.6m increase in 2020/21. **In 2021/22 the Force will therefore have just over £25m, or 21%, more funding available than it had in 2018/19.**

5.6 **Areas of Note within the Force's Plans**

- 5.7 **Police Officers** – the PCC provided funding to accelerate the recruitment of Police Officers, beyond those expected and funded by the Government, in 2019/20, 2020/21 and now again in 2021/22.
- 5.8 The Force have responded with plans that has already delivered the 142 FTE Police Officers, required as part of Cleveland's allocation of the first and second rounds of Uplift, totalling 12,000 Nationally, before the end of 2020/21 – so over a year earlier than required by the Government.
- 5.9 Plans are then in place to continue with this recruitment throughout 2021/22 – with a further 134 FTEs planned to be recruited during this year. This should provide an average of 1,453 FTE Police Officers throughout 2021/22.
- 5.10 This will then be in excess of what is likely to be the target for the overall Uplift Programme for Cleveland – which is estimated to be a total of 1,436 FTEs.
- 5.11 It is important to recognise that current assessment of Police Officer resources required to meet demand in Cleveland is 1,474 FTEs. The funding provided to the Chief Constable is forecast to be sufficient to meet this resource requirement over the medium term of this financial plan.
- 5.12 As mentioned previously recruitment on the scale that has happened already within the Force and the levels required over the next couple of years, 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.
- 5.13 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. Some of the operational challenges of such an inexperienced work force have been referred to by both the Force and HMICFRS.
- 5.14 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.
- 5.15 **Staff** – There continues to be both significant development and change within this area. With a projected Police Force Staff Establishment of 880 FTEs indicated for 2021/22.
- 5.16 Over the last 3 years there have been significant increases in Police Staff numbers, with most resulting from the following:
- 5.17 **Force Control Room** - The TUPE transfer of the Force Control Room staff to the employment of the Force in May 2019 (129 FTEs) which was combined with an increased precept in 2019/20 to also add 40 FTE staff roles into the Control Room resourcing structure.

- 5.18 The changes, reviews and new shift pattern that have occurred over the nearly 2 years since the Control Room staff TUPE'd to the Force means that this investment has never fully materialised. This has again led to significant levels Police Staff and Police Officer overtime in this area in 2020/21.
- 5.19 It is vital that progress is made in this area during 2021/22.
- 5.20 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.
- 5.21 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 – could also play a significant role in this areas.
- 5.22 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.
- 5.23 Resilience - 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 – these were added to the Budget during the previous financial year. The areas are primarily focused on Domestic Abuse, Safeguarding, Major Incidents and Specialist Crime.
- 5.24 **Over a year after these posts were identified as being required around half have still not been filled.**
- 5.25 The significant progress and improvement that is required in these areas is clearly going to be impacted by these vacancies. It is recommended that the PCC seeks an urgent update on the plans to progress this recruitment and that the Force is requested to provide regular updates to the PCC so that scrutiny and progress in this area can be overseen.
- 5.26 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.

- 5.27 A year ago the Force initially 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.
- 5.28 This has subsequently reduced to 55 FTEs within the 2021/22 budget, however around 40% (or 21 FTEs) are currently vacant.
- 5.29 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.
- 5.30 The final area of significant development, in relation to staffing, is that as part of Project Fusion on the 1st October 2020 the final TUPE transfer of staff working for SopraSteria occurred.
- 5.31 The 'to-be' structures set out as part of Project Fusion envisaged that the Force would require 234 FTEs to deliver those areas that transferred back, which was expected to be 15 FTEs higher than the structures at the point of Transfer.
- 5.32 At the point of writing this report there are just over 25 FTE (or 10%) vacancies within these areas. Many of these vacant roles are within ICT and HR and therefore key enablers to deliver many aspects of the change required within the Force.
- 5.33 On top of the plans to recruit 134 FTE Police Officers in 2021/22 and a need to recruit PCSOs to maintain the establishment in this area too, there were only 758 FTE Police Staff employed by the Force at the end of December 2020 – this is 122 FTEs lower than the proposed 2021/22 Staff establishment of 880 FTEs.
- 5.34 While the financial plans expect the recruitment to be phased, and have factored in a 5% vacancy rate for 2021/22 (which equates to 44 FTEs), 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	Forecast Budget			
	2020/21	2021/22	2022/23	2023/24	2024/25
Funding	£000s	£000s	£000s	£000s	£000s
Government Grant	(91,634)	(97,410)	(97,410)	(97,410)	(99,358)
Council Tax Precept	(40,845)	(40,947)	(42,696)	(44,085)	(45,915)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(8,263)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(140,146)	(147,420)	(147,774)	(149,163)	(152,942)
%age Change in Net Budgetary Requirement	6.4%	5.2%	0.2%	0.9%	2.5%
Specific Grants	(7,849)	(7,037)	(10,538)	(12,338)	(12,338)
Witness and Victims Funding	(664)	(993)	(740)	(684)	(694)
Partnership Income/Fees and Charges	(3,316)	(3,175)	(3,243)	(3,155)	(3,237)
Community Safety Funding	0	0			
Total Core Funding	(151,975)	(158,625)	(162,295)	(165,340)	(169,210)
%age Change in Core Funding	7.1%	4.4%	2.3%	1.9%	2.3%
Special Grant	(3,500)	(3,500)	(1,090)		
Total Overall Funding	(155,475)	(162,125)	(163,385)	(165,340)	(169,210)
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	900	920	940	960	980
Community Safety/Victims and Witness	£000s	£000s	£000s	£000s	£000s
Community Safety Initiatives	966	1,005	1,005	1,015	1,020
Neighbourhood Policing Investment	1,500				
Victims and Witnesses Services	1,269	1,725	1,485	1,440	1,480
Total Planned Expenditure	3,735	2,730	2,490	2,455	2,500
Corporate Services	£000s	£000s	£000s	£000s	£000s
Staff Pay	780	800	810	820	835
Non Pay Expenditure	80	130	130	130	130
PFI Action Stations	5,410	5,755	5,480	5,560	5,640
PFI Urlay Nook	1,855	1,865	1,885	1,930	1,980
Asset Management	1,875	1,875	1,750	1,740	1,625
Total Corporate Costs	10,000	10,425	10,055	10,180	10,210
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Pay					
Police Pay	75,622	80,214	82,289	83,991	86,110
Police Overtime	1,860	2,103	2,093	1,956	1,904
Police Community Support Officer Pay	3,524	3,897	4,033	4,242	4,483
Staff Pay	24,841	31,433	30,825	31,824	32,942
Pay Total	105,847	117,647	119,240	122,013	125,439
Non-Pay Budgets					
Other Pay and Training	870	947	965	975	985
Injury and Medical Police Pensions	3,177	3,278	3,378	3,478	3,578
Premises	3,887	3,998	4,096	4,224	4,365
Supplies and Services	19,622	14,249	14,329	14,327	14,299
Transport	1,514	1,663	1,699	1,735	1,771
External Support	2,887	3,262	3,262	3,262	3,262
Non-Pay Total	31,958	27,398	27,730	28,002	28,261
Total Planned Force Expenditure	137,805	145,045	146,970	150,015	153,700
%age Change in Expenditure	7.5%	5.3%	1.3%	2.1%	2.5%
(Surplus)/Deficit	£000s	£000s	£000s	£000s	£000s
(3,035)	(3,005)	(2,930)	(1,730)	(1,820)	
Contribution to Capital Programme	3,365	3,585	3,185	1,985	1,985
Planned Transfers to/(from) Earmarked Reserves	(330)	(580)	(255)	(255)	(165)
Net (Surplus)/Deficit After Reserves	0	(0)	(0)	0	0
General Reserves	£000s	£000s	£000s	£000s	£000s
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	1,340	1,403	1,449	1,474	1,474
Special Grant Funded Police Officers	50	50	25		
PCSOs	116	106	106	106	106
Police Staff - Police Force	635	880	849	849	849
OPCC Staff	14	13	13	13	13
Corporate/Commissioning Staff	17	16	15	15	15
Assumptions					
Pay Awards	2.5%	0.0%	1.0%	1.5%	2.0%
Non Pay Inflation	2.0%	2.0%	2.0%	2.0%	2.0%
RPI	2.1%	1.5%	1.5%	2.5%	2.5%
Precept Increases	4.0%	2.0%	2.0%	2.0%	2.0%
Core Government Grant Movements	5.1%	7.2%	0.0%	0.0%	2.0%

- 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 settlements over the last 3 years 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 The impact of the pandemic on the national finances have not yet been fully realised, however it is likely that this will become apparent when the Government sets out the National Budget in early March 2021.
- 6.6 While it is unlikely too much will change during 2021/22, as the focus remains on the pandemic, on returning the economy to its previous level and a focus on job retention and creation, there is likely to be a cost in the years to follow.
- 6.7 What this means for the continued investment in Policing will need to be closely monitored with financial and service delivery plans alerted to fit the financial envelope that the organisation will need to work within.

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. 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 only factor in £723k of borrowing which has been aligned to the proposed investment in Estates during 2021/22.
- 7.4 The level of borrowing that the PCC has peaked in 2019/20 at just over £31m and is expected to reduce to around £25m by the end of 2020/21 and remain at this level.
- 7.5 While there is over £10m of loans due to mature over the next 5 years almost 50% over the next 4 years many of these will be replaced with new loans at much lower interest rates which will help lower the asset management costs and release savings to support services elsewhere.
- 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 The current Capital Plans, which will continue to be subject to review, development and refinement over the coming years, are set out below:

	2020/21	2021/22	2022/23	2023/24	2024/25
Future Funding Levels	£000s	£000s	£000s	£000s	£000s
Earmarked Reserve/Funding b/f	4,095	3,711	4,029	5,391	2,812
Capital Grant	176	138	138	138	138
Contribution from Revenue	3,547	3,585	3,185	1,985	1,985
Capital Receipts (from Vehicle sales)	100	100	100	100	100
Capital Receipts (from Property sales)	3,109	3,188	3,109	0	0
New Borrowing	170	723			
Projected In-year funding Available	7,102	7,734	6,532	2,223	2,223
Digital Strategy	4,272	5,434	3,240	2,875	3,402
Estates Strategy	1,052	723	750	750	250
Fleet Replacement Programme	813	1,021	1,049	1,046	1,071
Other Schemes	969	238	131	131	256
Total Capital Programme	7,485	7,416	5,170	4,802	4,979
Earmarked Capital Reserve/Funding c/f	3,711	4,029	5,391	2,812	56

8. Reserves

8.1 As at the end of 2019/20 the PCC had Usable Reserves of £16.4m. The main reserves held at that point were for the following reasons:

- General Reserves - £5.0m
- Funding for projects within the financial plans - £4.7m
- General contingency and risk Reserves - £3.6m

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 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	Tranfers In 2024/25 £000	Tranfers Out 2024/25 £000	Balance at 31 March 2025 £000
Funding for projects & programmes over the period of the current MTFP																
Direct Revenue Funding of Capital	(2,053)	(3,547)	4,997	(603)	(3,585)	4,188	0	(3,185)	3,185	0	(1,985)	1,985	0	(1,985)	1,985	0
Community Safety Initiatives Fund	(114)		91	(23)		23	0		0	0		0	0		0	0
PCC Change Reserve	(16)			(16)			(16)			(16)			(16)			(16)
Digital Forensics	(245)			(245)			(245)			(245)			(245)			(245)
Airwaves Project	(166)			(166)			(166)			(166)			(166)			(166)
CP Change Reserve	(1,155)		900	(255)		255	0			0			0			0
Commissioning Reserves	(314)		200	(114)		114	0			0			0			0
Road Safety Initiatives Fund	(658)		150	(508)			(508)			(508)			(508)			(508)
Sub Total	(4,719)	(3,547)	6,338	(1,928)	(3,585)	4,580	(933)	(3,185)	3,185	(933)	(1,985)	1,985	(933)	(1,985)	1,985	(933)
Funding for projects & programmes beyond the current MTFP																
PFI Sinking Fund	(363)	(75)	25	(413)	(75)	325	(163)	(75)		(238)	(75)		(313)	(75)		(388)
Incentivisation Grant	(530)	(80)	80	(530)	(80)	240	(370)	(80)	240	(210)	(80)	240	(50)	(80)	80	(50)
Police Property Act Fund	(124)			(124)			(124)			(124)			(124)			(124)
Sub Total	(1,017)	(155)	105	(1,067)	(155)	565	(657)	(155)	240	(572)	(155)	240	(487)	(155)	80	(562)
General Contingency																
Legal/Insurance Fund	(506)			(506)			(506)			(506)			(506)			(506)
Injury Pension Reserve	(162)			(162)			(162)			(162)			(162)			(162)
Urley Nook TTC	(81)			(81)			(81)			(81)			(81)			(81)
NERSOU	(160)			(160)			(160)			(160)			(160)			(160)
Collaboration Reserve	(1,001)		90	(911)		90	(821)		90	(731)		90	(641)		90	(641)
Pay Reserve	(1,000)			(1,000)			(1,000)			(1,000)			(1,000)			(1,000)
Major Incident Reserve	(543)			(543)			(543)			(543)			(543)			(543)
Revenue Grants Unapplied	(100)			(100)			(100)			(100)			(100)			(100)
Sub Total	(3,553)	0	90	(3,463)	0	90	(3,373)	0	90	(3,283)	0	90	(3,193)	0	0	(3,193)
Total Earmarked Reserves	(9,289)	(3,702)	6,533	(6,458)	(3,740)	5,235	(4,963)	(3,340)	3,515	(4,788)	(2,140)	2,315	(4,613)	(2,140)	2,065	(4,688)
General Reserves	(5,042)	0	0	(5,042)	0	0	(5,042)	0	0	(5,042)	0	0	(5,042)	0	0	(5,042)
Unapplied Capital Grants	(2,043)	(176)	2,219	0	(138)	138	0	(138)	138	0	(138)	138	0	(138)	138	0
Total Usable Reserves	(16,374)	0	0	(11,500)	0	0	(10,005)	0	0	(9,830)	0	0	(9,655)	0	0	(9,730)
Capital Receipts Reserve	0	(3,109)	0	(3,109)	(3,188)	2,267	(4,030)	(3,109)	1,747	(5,392)	0	2,580	(2,812)	0	2,756	(56)

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.