

**Medium Term Financial Plan
(2019/20 to 2022/23)
Including the 2019/20 Budget**

Report of the Police and Crime Commissioner (PCC)

1. Purpose of report

- 1.1. To present the Police and Crime Commissioner's Revenue and Capital Budgets for 2019/20
- 1.2. To present the Medium Term Financial Plan (MTFP) for the four year period to 2022/23

2. Proposals

- 2.1. To set a revenue budget for 2019/20 of £119,912,027 and a precept on each District Council collection fund as set out in **Section 18** of this paper.
- 2.2. To set a capital programme as outlined in **Annex F**.
- 2.3. To note the Reserves Strategy to March 2023.

3. Background

- 3.1. From 1st April 2011 (when the period of austerity began) over £32m savings have been identified to balance the budget. These savings were required because funding did not cover the cost of pay rises and inflation and other cost pressures. In 2016/17 additional national insurance contributions (payable due to the abolition of the lower rate) increased annual revenue costs by £1.7m.
- 3.2. Over the last six years (since the introduction of PCCs) core grant funding from the Home Office has reduced by £6.3 million (10.7%) from £59.5 million in 2013/14 to £53.2 million in 2018/19. This represents a reduction of 20% in real terms, taking into account pay rises and inflation.
- 3.3. Half of the funding received by the organisation now comes from the local council tax.
- 3.4. Nearly 80% of budgeted expenditure is for the cost of officers and staff. Since 31st March 2010 the workforce has reduced by 15% (333 officers and staff), and the number of police officers has reduced from 1,309 in April 2010 to 1,054 at 31st March 2019.
- 3.5. At the same time as these reductions, over the last few years there have been increases in demand and in the complexity of crimes. This has been recognised by the Home Office, who stated in the recent grant announcement that “it is clear that demand pressures on the police have risen this year as a result of changing crime.” Nationally the Home Office has identified the following issues:
- A major increase in the reporting of high harm, previously hidden crimes such as child exploitation and modern slavery.
 - Serious and organised crime networks
 - Serious violence and knife crime, and
 - The evolving threat of terrorism.
- 3.6. The National Police Chiefs Council (NPCC) has identified the following factors which are increasing demand:
- The demand for emergency (999) calls is increasing and is expected to continue to increase.
 - Mental health demands are increasing and are expected to grow.
 - The number of missing persons, and concern for safety calls, are substantial in volume and increasing.
 - Partners are losing funding and resources, which increases the demand on policing.
 - High harm/high complexity offences are increasing at a faster rate than recorded crime.
 - The volume of digital media examinations, and the amount of data to be examined, is expected to increase.
 - The demand related to domestic abuse is increasing in volume and complexity.

- Demand related to child safeguarding is increasing.
- Demand related to adult safeguarding is expected to continue to increase as the population ages and awareness increases.
- Hate crime is increasing.
- The demands of regulation and accreditation are placing a burden of demand on forces, particularly on back office functions.

The NPCC has identified that there has been an increase in the complexity of demand on police forces, and there have been changes in the mix of crimes and in the nature of the response required.

3.7. The precept increase for 2018/19 provided funding for an additional 30 officers and staff, helping to stabilise the service the Constabulary delivers to the public. The increase funded investment in the following areas:

- To help establish the new Neighbourhood Policing offer.
- To provide more resources for child protection and child sexual exploitation. HMICFRS have now rated the Constabulary as good for the way it responds to vulnerability.
- Body worn video. The first cameras are now on the streets and the Constabulary are on track to have all frontline staff set-up by the Spring.

3.8. Gloucestershire receives a low amount of core grant funding per head of population from central government. For 2019/20 Gloucestershire will receive £86.43 per head of population, compared with the national average of £121.02. Some forces receive over £150 per head of population.

3.9. Pay award for Police Officers

The Police Remuneration Review Body recommended that from 1st September 2018:

- That the time limited 1% non-consolidated pay award received in 2017/18 should be consolidated for officers, and
- A consolidated increase of 2% to all officers.

Overall this was a recommendation for a 3% pay award in September 2018.

3.10. In July 2018 the Home Office however decided to award a 2% consolidated pay increase to all officers and stated that the Government was clear that the non-consolidated 1% award in 2017 was a one off payment that would cease at the end of the pay year.

3.11. The Police Federation announced on 24th January that its application to lodge a judicial review of the Home Office decision had been accepted and that a hearing is likely to be heard in the summer. The proceedings will consider the lawfulness of the Government's decision to ignore the recommendations of the Review Body. The budgets for 2018/19 and for 2019/20 assume a 2% pay award for officers in September 2018.

3.12. Pay award for Police Staff

In January 2019 the Police Staff Council reached an agreement on the pay award for police staff for 2018, which is an increase of 2% backdated to 1st September 2018. This increase is accounted for in the budget for the current year (2018/19) and in the budget for 2019/20 presented in this paper. It was also agreed to re-open the 2018 pay negotiations should there be any change in the 2018 pay award for police officers.

3.13. Increased pension costs

The Government announced in September 2018 changes to the discount rates used in unfunded public service pension schemes to assess the current cost of future payments from the scheme. These changes affected the police pension schemes which are unfunded schemes. The changes were confirmed in the Budget in November and will have a significant effect on employer contribution rates. For the police pension schemes these rates have increased from 24.2% in 2018/19 to 31% in 2019/20. The cost of this change to the Constabulary is £2.7m per year.

3.14. There was a clear need for additional funding for forces for these increased costs, and following lobbying from the APCC and the NPCC this was recognised as an issue by the Treasury and the Home Office. Additional funding has been provided for 2019/20, and the Home Office has said that from 2020/21 these increased costs will be reflected in the next Spending Review.

4. Grant Announcement – 13th December 2018

4.1. The Provisional Police Grant Report 2019/20 was published on 13th December 2018. The Home Secretary and the Minister for Policing stated that:

- Crime is changing and becoming more complex and police forces are facing increasing demands on their resources.
- They will increase funding available to PCCs by up to £813m, if PCCs use their precept flexibility fully.
- Increases in counter terrorism police funding and investments in serious and organised crime will increase total police funding in 2019/20 by around £970m, if PCCs use their precept flexibility fully.
- They are personally committed to ensuring our police have the resources they need.

4.2. The increase in funding includes the following:

- A £161 million increase in Government grant funding, increasing core grant funding by 2.1% in 2019/20, so that government grant funding is protected in real terms.
- Up to £509 million from additional Council Tax precept, enabling PCCs to increase precept by up to £24 for a Band D equivalent property.
- A further £152m in specific funding for pensions costs.

4.3. The announcement recognised that over the last 12 months PCCs and police forces have made progress on efficiency, productivity, mobile digital working and financial transparency, including:

- Developing a plan to make commercial and back office savings, which forces are on track to deliver, and
- All PCCs have published their reserves strategies.

4.4. The Home Secretary stated that this is the last settlement before the next Spending Review, which will set long term police budgets and look at how resources are allocated fairly across police forces. The Home Office will be working together with PCCs and police forces to understand demand and to present an ambitious plan to drive improved efficiency, productivity and effectiveness through the next Spending Review period.

4.5. The consultation period for the Police Grant Report ran until 10th January 2019 and the Final Police Grant Report was laid before Parliament on 24th January 2019

4.6. National Funding

Total Home Office Grant funding for the Police Service nationally for 2019/20 (excluding specific counter-terrorism funding) is £9,018m. This is an increase of 4.5% compared to 2018/19 (£8,630m).

- £7,108m of this funding (79%) is core grant allocated to Police Forces. This is an increase of 2.1% compared to 2018/19 (£6,962m).
- The total funding of £9,018m includes specific funding for pension costs (£143m).
- The Home Office has made reallocations of £956m within the police grant settlement to support national policing priorities. These reallocations include the following funding:
 - £495m for the Police Technology Programme including funding for the new Emergency Services Network (ESN), which will replace the existing Airwave radio system.
 - £175m to maintain the size of the Police Transformation Fund.
 - £90m to implement the Serious and Organised Crime Strategy.
 - £63m for arms-length bodies including the Independent Office for Police Conduct (formerly the IPCC) and HMICFRS, and the College of Policing direct entry schemes.
 - £56m to strengthen the response to organised crime and provide additional funding for the National Crime Agency and Regional Organised Crime Units.
 - £73m for Police Special Grant contingency funding to support police forces significant and exceptional events.

4.7. Funding for Gloucestershire

The Main Grant for Gloucestershire for 2018/19 is £61.565m which is made up as follows:

	2019/20	2018/19	%
	£m	£m	Increase
Police Core Settlement	34.647	33.910	2.2%
DCLG Formula Funding	19.638	19.258	2.0%
Core Funding	54.285	53.168	2.1%
Pension Grant Allocation	1.198	0.000	
Legacy Council Tax Grants	6.082	6.082	0.0%
Total	61.565	59.250	3.9%

- Core funding has increased by £1.117m (2.1%) to £54.285m. Gloucestershire receives 0.76% of the total national core funding.
- Specific additional funding for pensions costs of £1.198m has been received in 2019/20, to provide for cost increases announced in the Budget for 2018, above those estimated in the Budget for 2016. This follows the announcement at the Budget that the Government would allocate funding from Reserve to pay part of the cost of increases in public sector pension contributions in 2019/20.
- It should be noted that the total increase in funding from the core funding and the specific pension grant allocation is £2.3m. The additional employer contribution costs for pensions for Gloucestershire are £2.7m. The increases in government grant funding do not therefore cover the costs of the pension increase, and there is a £0.4m shortfall.
- The Legacy Council Tax Grants are the Council Tax Freeze Grants for 2011/12 and 2015/16 (£1.604m) and the Local Council Tax Support Grant (£4.478m), which are now paid by the Home Office rather than by the Ministry for Housing, Communities and Local Government (MHCLG).
- Gloucestershire receives 1.2% of the total payments for Legacy Council Tax grants nationally. The proportion of core funding received is 0.76%. If Legacy Council Tax grants were moved into core funding and allocated on those proportions Gloucestershire would receive £3.856m, £2.226m less than is currently received.
- Council Tax Referendum Principles
For 2019/20 PCCs will be provided with the flexibility to increase their Band D precept by up to £24 without the need to call a local referendum. For Gloucestershire this would be an increase of 10.6%.
- The Capital Grant for 2019/20 has also been announced. The overall grant available for Forces is £45.9m (the same as in 2018/19 and the capital grant for Gloucestershire is £371k (**Annex G**).

4.8. Funding for 2020/21

- No indication has been provided in the settlement in respect of either grant funding or the council tax referendum principles for 2020/21. Funding for 2020/21 onwards will be covered by the next Spending Review which will set out long term police budgets and will look at how resources are allocated fairly across police forces.

5. Future Planning

5.1. Without indicative figures assumptions have had to be made for 2020/21, 2021/22 and 2022/23, and it has therefore been assumed that:

- Core funding will remain at the 2019/20 level for the period to 2022/23.
- The additional pension grant allocation will continue at the current level to 2022/23. This is a specific grant for 2019/20. The grant could be continued for the period of the MTFP, or included in the main grant, or could stop in 2020/21. Funding for pensions costs will be covered within the next Spending Review.
- The legacy council tax grants will remain frozen at the current level and will not be transferred into core funding.
- Advice from the NPCC Finance Committee is that forces should be forecasting for 2020/21 on the basis of flat cash grant settlements (including the pensions grant).

5.2. For the period to 2022/23 it has been assumed that the precept rises will cover increased costs, and that there will be no additional investment in those years. The precept increases in this period are assumed to be 2%.

5.3. Police Funding Formula

The grant assumptions do not take account of any changes in funding due to a new distribution formula. Work on a review of the funding formula is not expected to report until autumn 2019 at the earliest. Following a full consultation process it is unlikely a new funding formula will be implemented before 2021/22. The MTFP assumes that the current funding formula continues for the next four years.

6. Budget Consultation

6.1. It was not possible to undertake realistic consultation on the level of Council Tax precept prior to the announcement of the Home Office grant settlement on 13th December 2018. Although the headlines were made available on that date further details of the settlement were not clarified until some days later particularly in relation to the pension grant which was a key consideration for the PCC. To have discussed the options available with the Constabulary and launched a public consultation on those options just prior to the Christmas and New Year holiday was unrealistic.

6.2. Having discussed with the Constabulary their proposals for investment during 2019/20 the PCC launched his public consultation on January 17th, the result of which will be taken into consideration before any final decision is made.

7. Assumptions

- 7.1. In order to develop the MTFP it has been necessary to make a series of assumptions with regard to funding and costs. These assumptions are shown in **Annex C**, and in summary are:
- 7.2. It has been assumed that pay increases for the four years from September 2019 to September 2022 will be 2%
- 7.3. Inflation assumptions are based upon the rates for the Consumer Price Index (cpi) projected by the Office for Budget Responsibility (OBR).
- 7.4. The MTFP assumes that government grant funding (including the pensions grant) will remain at the same level as 2019/20 for 2020/21, 2021/22 and 2022/23.
- 7.5. The MTFP assumes that the Council Tax Base (number of properties on which a council tax is levied) increases at 1.5% per year. The increase for 2018/19 was 2.3% and for 2019/20 is 2.2%. It is assumed that the increase for 2020/21, 2021/22 and 2022/23 will be 1.5%. The County Council have also made this assumption.
- 7.6. For 2019/20 the PCC can increase the precept by up to £24, which is an increase of 10.6%.
- 7.7. For future years the following planning assumptions have been made:
 - That for 2020/21 the precept will be increased to cover increased costs.
 - That from 2020/21 the precept increase will be 2%.
 - That this level of precept increase will be within the referendum limits set by government.

8. Available Funding

8.1. The available funding for 2019/20, and the projected funding to 2022/23 is:

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Core Grant	54.285	54.285	54.285	54.285
Pension Grant	1.198	1.198	1.198	1.198
Legacy Council Tax Grants	6.082	6.082	6.082	6.082
Precept	57.652	59.681	61.782	63.957
Collection Fund Surplus	0.695	0.700	0.700	0.700
Available Funding	119.912	121.946	124.047	126.222
Increase	8.691	2.034	2.101	2.175

8.2. The increase in funding during the MTFP period is analysed as follows:

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Core Grant Increase	1.117	0.000	0.000	0.000
Pension Grant	1.198	0.000	0.000	0.000
Council Tax - Precept Increase	5.525	1.164	1.205	1.248
Council Tax - Tax base Increase	1.111	0.865	0.895	0.927
Collection Fund	-0.260	0.005	0.000	0.000
	8.691	2.034	2.101	2.175

8.3. The funding for 2019/20 is £119.912m. The previous MTFS assumed that funding for 2019/20 would be £112.812m. The main reasons for this difference are:

- The core grant received from the Home Office has increased by £2.315m (including pension grant) to cover increased pension costs, whereas the previous MTFS assumed that the grant would remain frozen in 2019/20.
- Higher increase in tax base than projected - £0.359m.
- The reduction in the Collection Fund was more than expected, - £0.055m
- The additional precept funding from an increase of £24 (10.6%), rather than 2% - £4.481m.

9. Budget Requirement

9.1. The budget required for 2019/20 is £119.912m. This is a 7.8% increase on the previous year's budget.

9.2. The increase of 7.8% is made up as follows:

- Pay rises and price inflation (net of savings) 1.7%
- Increased Pension Costs 2.4%
- Additional investment 3.7%

9.3. The budget requirement for the MTFP period would be as follows:

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Base Budget	111.221	119.912	121.946	124.047
Pay Inflation & Increments	1.265	2.149	2.190	2.240
Price Inflation	0.628	0.489	0.533	0.541
One-off pay rise 2017	-0.290	0.000	0.000	0.000
Adjustment Capital Charges	-0.020	-0.020	-0.029	-0.051
Continuation Budget	112.804	122.530	124.640	126.777
Additional Pension Costs	2.700	0.000	0.000	0.000
Other Additional Costs	1.094	1.320	0.000	0.018
Additional Investment	4.100	0.000	0.000	0.000
Commissioners Fund	0.087	0.020	0.021	0.022
Investment Income	-0.050	0.100	0.100	0.000
Grant Increase	-0.055	0.000	0.000	0.000
Savings Identified	-0.768	0.000	0.000	0.000
Savings Requirement	0.000	-2.024	-0.714	-0.595
Contribution to Reserves	0.000	0.000	0.000	0.000
Budget Requirement	119.912	121.946	124.047	126.222
Budget Increase %	7.8%	1.7%	1.7%	1.8%

A detailed analysis is shown in **Annex D**.

9.4. The budget for 2019/20 includes £4.100m additional funding which will be invested in priority areas (Section 10).

9.5. For 2020/21 the budget includes £1.320m additional revenue costs arising from the Transformation Programme (section 11.5). This has significantly increased the savings requirement in 2020/21.

9.6. The savings requirement for the three year period from 2020/21 to 2022/23 is projected to be £3.3m:

- 2020/21 £2.0m
- 2021/22 £0.7m
- 2022/23 £0.6m
- **Total £3.3m**

9.7. Risks regarding assumptions

There are three assumptions which significantly affect the projections and the savings requirement for future years – pay settlements, grant reductions and precept increases:

- The MTFP projections assume that pay increases for the next four years will be 2%. An additional 1% pay rise would increase the savings requirement by an additional £1m per year.
- The MTFP projections assume that the grants received in 2020/21, 2021/22 and 2022/23 will be of the same amount as the grants received for 2019/20. No indicative figures have been provided by the Home Office for these years. Funding from 2021/22 will be covered by the next Spending Review. Reductions in the grant would increase the savings requirement.
- It is assumed that the precept increases assumed in the MTFP will be within the council tax referendum limits.

10. Investment in Key Areas

10.1. The Grant Announcement has increased the flexibility for PCCs to increase the level of precept, which would provide additional funding which could be invested in key areas.

10.2. The precept was increased by £12 in 2018/19 which provided £1.7m additional funding, which was invested in the following areas:

- Neighbourhood Policing
- Child Protection and Child Sexual Exploitation
- Body Worn Video
- Swifter, more effective justice

This investment provided 30 additional officers and staff for policing in Gloucestershire and has had significant benefits for operational policing (Section 16.4).

10.3. In December 2017 the Government stated that its intention was to allow PCCs to increase the precept up to £12 in 2019/20. The Grant Announcement on 13th December 2018 doubled the precept flexibility for PCCs, allowing PCCs to seek an additional £2 per month in 2019/20, increasing the Band D precept by £24. Following this announcement the PCC asked the Constabulary to present a Business Case to the PCC showing how additional funding would be invested.

10.4. Since 2011 the Constabulary has seen large budget reductions and a significant increase in the complexity of crime. In order to achieve the objectives of the Police and Crime Plan and to give the public the service that they demand and expect the Constabulary has prepared a case for the PCC which focuses on the following key areas, which support the priorities in the Police and Crime Plan:

- Provide additional resources to increase public confidence to contact the police and an enhanced service when the police are contacted, and.
- Additional officers to respond to emergency calls (supporting the priority for accessibility and accountability).
- More officers policing the roads in the county (supporting the priority for safe and social driving).
- Additional officers to proactively disrupt serious and organised crime (including County Lines drug dealing gangs) and preventing violence in town centres at weekends (supporting the priority for safer days and nights).
- Additional staff to manage the increased demand in the child and adult safeguarding teams, reducing the risks to vulnerable people (supporting the priorities for older but not overlooked and for young people becoming adults).
- Additional staff in investigation teams to support Detectives to bring offenders to justice. There is a national shortage of detectives and the Home Secretary (in the grant announcement) stated that he expects major progress to resolve the challenge in investigative resource.
- Additional staff to support the prosecution of offenders.

10.5. All of these investments support the Police and Crime Plan and the Constabulary's operational priorities. The total additional investment proposed is £4.1m which would provide at least 80 additional officers and staff.

11. Capital

11.1. The proposed capital programme is attached at **Annex G**. The programme for 2019/20 is currently for £5.073m and consists of:

- the replacement programmes in relation to vehicles and IT equipment - £1.651m
- on-going commitments for previously agreed schemes - £3.422m

11.2. The funding of the capital programme is provided from:

- Capital grant - £0.371m.
- Contribution from the Revenue Budget in year - £1.280m
- Capital grants brought forward from previous years to fund deferred expenditure - £0.422m
- Revenue contributions brought forward from previous years to fund deferred expenditure - £1.625m
- Contribution from ICT Reserve for deferred expenditure - £0.800m
- Transfer from the Vehicle Replacement Reserve - £0.575m

- 11.3. The Prudential Code for Capital Finance in Local Authorities (2017) requires that authorities (including PCCs) should have in place a capital strategy that sets out the long term context in which capital expenditure and investment decisions are made. A capital strategy will be approved and published before 1st April 2019, which will provide a high level overview of capital expenditure and capital financing.
- 11.4. The capital strategy will include the capital programme in the Budget Paper (Annex G) and will also include significant capital projects under development. Although funding will be set aside projects under development will still require the approval of a business case before they are progressed further.
- 11.5. Transformation Programme
The Constabulary has a number of end of life legacy IT systems that are limiting productivity and efficiency. A Transformation Programme (which will be included in the Capital Strategy) has been agreed with the PCC and built into the Constabulary's Corporate Strategy. Delivery of the programme will be monitored and reported to the PCC and a benefits realisation plan will quantify productivity and efficiency gains.
- 11.6. The programme will include investment in the following areas:
- Records Management System (RMS)
 - HR System and Duty Management System (DMS)
 - Digital Evidence Management Systems (DEMS)
 - The next stage of the mobile frontline working project
 - Increase the provision of laptops for mobile working
- 11.7. The total estimated costs for the programme over four years are £11.5m split as follows:
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| • One off costs (mainly capital and project resources) | £7.57m |
| • Additional revenue costs over three years | £3.96m |
- 11.8. The additional revenue costs of £1.32m per year have been included in the MTFP from 2020/21. It is expected that the programme will identify savings from the investments made.
- 11.9. The one off costs of £7.6m will be funded from the ICT Reserve and from internal borrowing.

12. Reserves

- 12.1. The PCC's Reserves Strategy is published on the OPCC website, and is updated on a regular basis. Details of the reserves held to provide for future liabilities and unforeseen events are shown in the Reserves Strategy.
- 12.2. The Strategy is reviewed regularly to ensure that reserves are set at a prudent level having regard to identified risks and the overall financial environment. In the current financial climate, it is crucial that the organisation has healthy reserves.

13. Comments by the Chief Finance Officer for the PCC in respect of Reserves

- 13.1. Under the Local Government Act 2003 the PCC has a responsibility to ensure that Reserves are adequate and in doing so should take advice from his Chief Finance Officer.
- 13.2. In order to assess the adequacy of unallocated general reserves when setting the budget the Chief Finance Officer should take account of the strategic, operational and financial risks facing the PCC, including internal and external risks. CIPFA guidance on reserves, published in 2014, recommends that the following factors are taken into account in assessing the level of reserves:
- The treatment of inflation and interest rates
 - Estimates of the level and timing of capital receipts
 - The treatment of demand led pressures
 - The treatment of planned efficiency savings and productivity gains
 - The financial risks inherent in significant new funding partnerships, major outsourcing arrangements or major capital developments.
 - The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
 - The general financial climate.
- 13.3. General Reserve
The strategy of the PCC is to maintain a minimum level of General Reserve at 5% of net revenue expenditure for the MTFP period. The level of balances on the General Reserve should reflect the risks the PCC and the Chief Constable are facing including the robustness of the budgets, external factors, inflation and interest rates and the adequacy of budgetary control.
- 13.4. The level of General Reserve has been set at 5% of net revenue expenditure due to the savings requirements identified for the MTFP period, the level of uncertainty regarding future grant settlements and pay rises and to provide a contingency for major incidents.
- 13.5. Earmarked Reserves
The PCC has also allocated reserves to fund specific items. Details of the projected Earmarked Reserves are shown in the Reserves Strategy. The projected total Earmarked Reserves for the MTFP period are:
- | | |
|-------------------------------|-------|
| ○ 31 st March 2020 | £7.3m |
| ○ 31 st March 2021 | £4.8m |
| ○ 31 st March 2022 | £2.8m |
| ○ 31 st March 2023 | £1.3m |
- 13.6. The PCC considers that reserves should not be used to fund budget deficits and the Medium Term Financial Plan does not assume the use of reserves for this purpose.

- 13.7. On this basis, the Chief Finance Officer's advice is that:
- The current level of reserves is adequate.
 - General Reserves should be maintained, over the medium term, at a minimum of 5% of net revenue budget.
 - The overall level of reserves should be reviewed annually and adjusted in accordance with known risks facing the PCC and the Chief Constable.
 - The financial standing of the PCC and the Chief Constable is sound.
 - The proposed budget is robust and achievable.

14. Risks

14.1. Pay award greater than 2%

The pay award for officers and staff for September 2018 was 2%. However, the Police Remuneration Review Body recommended an increase of 3%, including the 1% non-consolidated increase received in September 2017. The Home Office did not accept the recommendation regarding the non-consolidated payment and awarded an increase of 2%. This decision has been appealed by the Police Federation.

The MTFP assumes pay increases for the next four years will be at 2%. However, there may be pressure for higher increases. An additional 1% award for officers and staff would cost the organisation an additional £1m.

14.2. Changes to police officer recruitment

The recruitment and training of officers will change from 1st January 2020. New recruits will either be graduates or apprentices and the periods of training will be longer than the current 18 months. The consequences of these changes are currently being reviewed to assess the implications for resources and costs. Some of the training costs should be funded from the Apprentice Levy. The first intake of apprentices is planned for September 2019.

14.3. Spending Review

Funding for 2020/21 onwards will be determined as part of the next Spending Review. The Home Secretary stated in the grant announcement that the next Spending Review will set long term police budgets and look at how resources are allocated fairly across forces. Funding levels for policing and for individual forces may change as a result of the Spending Review. Changes to the allocations of core funding, the pension grant and the legacy council tax grants could have a significant effect on the Constabulary.

The grant assumptions in the MTFP do not take account of any changes in funding due to the implementation of a new distribution formula, although it is unlikely that a new funding formula would be implemented before 2021/22.

14.4. General financial climate

There is considerable uncertainty around the financial performance of the country and the state of public finances, particularly as a result of the Government negotiations for Brexit. Assumptions have been made about funding and precept levels and pay and price rises from 2020/21, but there is unlikely to be certainty regarding these assumptions for some time to come.

15. Police and Crime Plan

15.1. The Police and Crime Plan for 2017/2021 was launched in February 2017. The Medium Term Financial Plan covers the last two years of the plan for 2019/20 and 2020/21, and provides the resources to deliver the plan.

15.2. The Plan states that 1% of the total policing budget will be set aside for the Commissioners Fund, to finance projects and programmes that support the delivery of Police and Crime Plan priorities. For 2019/20 £1.199m has been set aside to support police and community projects and programmes.

15.3. The Budget for 2019/20 provides funding for 1,914 officers, staff and PCSOs, many of whom are front-line resources. Both the PCC and Chief Constable are agreed that this level of resources can deliver the Police and Crime Plan.

15.4. The Plan states that the PCC will provide sufficient funding to increase police officer numbers, subject to Government Grants. The Budget for 2019/20 provides funding for 1,104 officers as at 31st March 2020. This includes 23 additional officers in 2018/19, due to the increased precept, and an estimated 50 additional officers in 2019/20, due to the £24 increase in the precept.

15.5. It should be noted that over the last four years 52 officer posts that did not require warranted powers were converted to staff posts. If these posts were added to the projected establishment the number of officers would be 1,156. The budget for 2017/18 provided funding for 1,060 police officers.

15.6. The Police and Crime Plan expects the Chief Constable to develop a plan with the OPCC and local people to maintain and develop neighbourhood policing in communities. The new neighbourhood offer was launched on 23rd January 2018 and includes dedicated neighbourhood teams, made up of police officers, Police Community Support Officers (PCSOs) and Special Constables. The precept increase for 2018/19 has provided investment in an additional 16 officer posts in neighbourhood policing and has ensured that there are dedicated schools liaison officers and rural and environmental liaison officers on each of the six districts.

- 15.7. The MTFP provides the funding to maintain the number of PCSOs at 116 full time equivalents (fte). The Plan states that the size of the Special Constabulary will double and the MTFP provides funding for additional resources to recruit and train the increased number of Special Constables. As at 31st December 2018 the number of Special Constables has increased to 170 and during 2018 they contributed over 41,000 hours of duty time.
- 15.8. As part of the commitment to a green and pleasant county in the Plan the organisation now runs thirteen electric vehicles (including four marked vehicles), and over the next 12 months the Constabulary will present a business case for a significant increase in electric vehicles. The Constabulary is accredited under ISO 14001 and is seeking further opportunities to reduce waste and pollution. To this end the organisation has committed to fund a budget of £60k per year to invest in energy saving opportunities, and has set aside £240k in the Estates Reserve to fund this.
- 15.9. The Plan also includes a commitment to develop the Bamfurlong Operations Centre on the M5. Plans are currently being developed and funding from reserves and capital receipts has been set aside for this work.

16. Chief Constable's Recommendations

- 16.1. The Chief Constable, advised by his Chief Finance Officer, has confirmed the soundness of the budget for 2019/20 in relation to the Constabulary, and that the Constabulary will be able to deliver the priorities within the Police and Crime Plan and the current Strategic Policing Requirement with the resources provided.
- 16.2. Following lobbying by the National Police Chiefs Council (NPCC) and the Association of PCCs (APCC) the Home Office has provided funding for the increase in pension costs faced by the Constabulary, although it is disappointing that the increased grant of £2.3m does not cover the increased costs of £2.7m. Hopefully this funding issue will be resolved in the Spending Review.
- 16.3. The Home Office has offered PCCs additional funding by providing increased flexibility for council tax rises, and the Chief Constable welcomes the additional funding provided. The demand on police forces has increased significantly over the last few years, and crime is becoming more complex. The Constabulary has had to identify over £32m savings since 2011 to balance the budget and resources have reduced significantly over this period.

16.4. The PCC increased the precept in 2018/19 by £12, which allowed £1.7m investment in neighbourhood policing, child protection, body worn video and criminal justice. This increase has seen an additional 30 officers and staff join the Constabulary helping to stabilise the service delivered to the public:

- The increase helped to establish the new Neighbourhood Policing offer across the six districts in the county, including the introduction of dedicated rural and environmental crime officers and police officers working in schools.
- HMICFRS have rated Gloucestershire as good for the way it responds to vulnerability. This followed an earlier inspection that was critical of child protection resources and focus. The increase in child protection officers from the precept increase was an important part of this improvement.
- Much work has been done to put the infrastructure in place to equip all frontline officers with body worn video. The first cameras are now on the street and the Constabulary is on track to have all front line staff set-up by the Spring.
- The introduction of digital charging and dedicated staff to support file preparation has freed up time for frontline officers helped achieve swifter justice.

16.5. The Chief Constable would ask that the PCC consider the option to increase the council tax by £24, an increase of £2 per month. The Constabulary have presented the PCC with a business case based on the maximum precept increase, which will provide additional investment of £4.1m and give greater opportunity to help to keep people in Gloucestershire safe from harm and to realise more fully the ambitions of the Police and Crime Plan and the Constabulary's Corporate Strategy. This investment would provide at least 80 additional officers and staff to support policing in Gloucestershire, increasing the number of officers and staff in the Constabulary to over 1,900.

16.6. The Chief Constable recognises that he must reassure local communities that this investment will deliver the services they need and deserve, and that the Constabulary must show that this investment is being delivered and is having a positive impact.

16.7. The officers and staff in the Constabulary are supported by an increasing number of volunteers. The Constabulary has made a commitment to double the number of Special Constables and funding is provided in the budget for the infrastructure to increase the number of Special Constables. As at 31st December 2018 the number of Special Constables has increased to 170 (from 150 at 31st December 2017) and during 2018 Special Constables provided 41,000 hours of duty.

- 16.8. As part of the previous funding settlement the Minister for Policing stated that he expected police leaders to deliver clear and substantial progress on productivity and efficiency and the Home Secretary in the grant announcement stated that he will expect to see continued efficiency savings in 2019/20. In 2018/19 milestones were set nationally for productivity and efficiency and these milestones were achieved.
- 16.9. The Constabulary is committed to ensuring that it is an efficient organisation and will continue to review all departments and costs to ensure that a high proportion of resources are committed to the “front line”. The Constabulary has consistently been rated as good by HMICFRS for efficiency. The Home Office will be working with the police to agree force level objectives for 2019/20 and 2020/21. The Constabulary will review these objectives when they are agreed and is committed to ensure that progress is made on these.
- 16.10. Funding for 2020/21 onwards will be determined as part of the next Spending Review and the Home Secretary has stated that the next Review will set long term police budgets and look at how resources are allocated fairly across forces. Changes to the allocation of funding could have a significant effect on the Constabulary.
- 16.11. Due to prudent financial management the Constabulary’s financial position is strong. However there is still the possibility of reduced funding from central government in the future, so we need to invest now and secure all available funding. The Chief Constable would therefore ask the PCC to increase the council tax by £24 in 2019/20 and invest additional resources into the key areas identified.

17. Conclusion

- 17.1. This report presents the budget for 2019/20 and the financial plan for the four years to 2022/23.
- 17.2. The grant settlement, made on 13th December 2018, announced:
- Additional grant funding for £2.3m, and
 - PCC's will be given flexibility to increase the council tax precept level by £24 (10.6%) without the need to call a local referendum.
- 17.3. In September PCCs and forces were made aware of increased police pension costs from 2019/20 due to the Government changing the discount rates used to calculate the benefits for unfunded pension schemes. Calculations made at the time showed that the increased costs from this could be as much as £3m per year for Gloucestershire and over £400m nationally. These costs should be funded nationally by the Treasury and the Home Office and I led the lobbying by the APCC which resulted in both the Treasury and Home Office recognising this issue.
- 17.4. The increased costs for Gloucestershire are £2.7m. Additional grant funding for £2.3m was provided, but disappointingly this funding was £0.4m short of covering the costs. Nationally the shortfall was around £10m. This will need to be addressed in the next Spending Review and I will be lobbying strongly for this.
- 17.5. The organisation has had to find £1.8m to fund pay rises and price inflation for 2019/20. 80% of expenditure is for pay for officers and staff, and an additional 1% pay rise would cost the organisation £1m per year. The grant funding provided by the Home Office does not cover these increases. It should also be noted that Gloucestershire receives a low level of core grant per head of population, compared to other forces. For 2019/20 Gloucestershire will receive £86.43 per head of population compared to £121.02 nationally. There is a wide disparity in funding and some urban forces receive around £150 per head of population.
- 17.6. The Home Secretary has announced that "we will increase the funding available to PCCs by up to £813m if PCCs use their precept flexibility fully." It should be noted that the increase in funding available to PCCs includes:
- £313m increase in grant funding, which is not sufficient to cover the increased costs of the police pension schemes.
 - Up to £509m from the additional Council Tax precept, 63% of the increase.
- 17.7. Any additional funding to invest in policing services will have to come from an increase in the precept. The Constabulary has again identified savings to balance the budget and is committed to ensuring that it is an efficient organisation. Taking into account pay rises and inflation, and the pensions increase not funded government grant, the budget can be balanced with a 2.5% precept increase (an increase of around £5.66). If I

increase the precept by the maximum allowed to me this will provide £4.1m additional funding to be invested in policing Gloucestershire.

- 17.8. Based on my analysis of the current situation and my professional judgement and taking into account the public's feedback (in particular their anxieties with regard to the need to enhance public engagement with the police and the Constabulary's response to a wide range of public concerns, needs and crimes) I am of the view that Gloucestershire Constabulary has demonstrated its effectiveness and efficiency over the last twelve months. I am also of the view that looking forward it will not be sufficiently resourced to fully meet the reasonable expectations of the public or discharge all of its statutory responsibilities to an acceptable standard unless I use the flexibility provided by the Home Office and increase the council tax precept by £24. I have considered the ability of the public to meet this increase and while I recognise that for many it will be unwelcome and for some will be a small but significant additional burden, I am firmly of the opinion that an increase of this magnitude is in the public interest. This growth will result in a precept of £250.49 on a Band D property, an increase of £2 per month. I will however do my best to ensure that the additional funding provided by this increase will be invested effectively and that the Constabulary continues to seek to identify further efficiency and productivity gains.
- 17.9. The Reserves Strategy, providing details of reserves and commitments is published on the OPCC website. My Chief Finance Officer has commented upon the level of these reserves.
- 17.10. Funding for 2020/21 onwards will be determined as part of the next Spending Review in 2019, which will look at how resources are allocated fairly across forces. Funding for the MTFP period assumes that government funding will remain at the current level.
- 17.11. There is increasing demand on the Constabulary and the crimes that we expect it to investigate are becoming more complex. The long term future is still uncertain and it is important to invest now to protect policing in Gloucestershire. The Medium Term Financial Plan presented here assumes that the precept will increase to cover cost increases between 2020/21 and 2022/23.
- 17.12. The current Medium Term Financial Plan will increase the number of frontline officers and staff, and Special Constables and maintain PCSO numbers, and I am confident that it will provide the resources to implement my Police and Crime Plan.

18. Precept

18.1. Funding for the proposed **£119.912m** revenue budget (see Annex A) will require a police related Band D Council Tax element of **£250.49**. This represents an increase of 10.6% in the police related Band D Council Tax or £24 for the year.

18.2. In order to present a balanced budget for 2019/20 the PCC proposes to issue a precept on each District Council Collection Fund as set out below:

		£		£
	Budget Requirement			119,912,027
	Less:			
	Police Core Settlement	34,647,070		
	DCLG Formula Funding	19,637,455		
	Legacy Council Tax Grants	6,082,168		
	Legacy Council Tax Grants	1,198,406		
				-61,565,099
	Collection Fund Surplus			-694,686
	Total Precept 2018/19			57,652,242
	Precept on each District Council			
	District		Tax Base	Precept £
	Cheltenham		42,648.20	10,682,948
	Cotswold		41,683.06	10,441,190
	Forest of Dean		29,027.62	7,271,129
	Gloucester City		37,932.30	9,501,662
	Stroud		44,281.65	11,092,111
	Tewkesbury		34,585.03	8,663,204
	Total		230,157.86	57,652,242
	Police related element of the Council Tax			
		Council Tax Band	Tax at Band	
			£:p	
		A	166.99	
		B	194.83	
		C	222.66	
		D	250.49	
		E	306.15	
		F	361.82	
		G	417.48	
		H	500.98	

Annex A

Required Revenue Budget 2019/20

	Note	2018/19 £k	2019/20 £k	
Constabulary				
Staff Costs				
Police Officers	1	60,930	65,962	8.3%
PCSOs		3,974	4,029	1.4%
Police Staff	2	24,869	26,732	7.5%
Total Staff Costs		89,773	96,723	7.7%
Training		469	471	0.4%
Other Employee Expenses		761	797	4.7%
		91,003	97,991	7.7%
Premises		6,873	7,165	4.2%
Transport		2,194	2,262	3.1%
Supplies and Services	3	14,450	15,906	10.1%
Third Party Payments	4	1,065	1,207	13.3%
Capital Financing	5	2,105	1,946	-7.6%
Gross Revenue Expenditure		117,690	126,477	7.5%
Other Income		-3,254	-3,463	6.4%
Interest Received	6	-150	-200	33.3%
		114,286	122,814	7.5%
Less: Specific Grants		-5,031	-5,086	1.1%
Constabulary Budget Requirement		109,255	117,728	7.8%
Office of Police and Crime Commissioner				
Employees		710	887	
Premises		0	0	
Transport		11	13	
Supplies & Services		73	78	
Audit Fees		60	53	
Income		0	-46	
OPCC Budget Requirement	7	854	985	15.3%
Commissioning Fund Expenditure	8	1,112	1,199	
Total Budget Requirement before Reserves		111,221	119,912	7.8%
Contribution to Reserves		0	0	
Total Budget Requirement		111,221	119,912	7.8%

Note 1 – Police Officer Costs £65.962m

The cost increase includes:

- The increased costs of the police pension schemes £2.7m
- Cost of additional investment – estimated £2.6m

The increased costs are offset by the reduction in salary costs for the 13 workforce modernised posts (£0.680m) and by the removal of the budget for direct entry Inspectors (£0.133m).

Note 2 – Police Staff Costs £26.732m

The cost increase includes:

- Cost of additional investment – estimated £1.000m
- Cost of 13 workforce modernised posts £0.460m
- Additional costs of Local Government Pension Scheme £0.166m
- Cost of additional posts approved in year £0.140m

The increased costs are offset by the savings from the reduction in numbers in Change Services (£0.276m).

Note 3 – Supplies and Services £15.904m

The cost increase includes the cost of additional investment (estimated at £0.420m), increases in costs relating to Office 365 (£0.380m) and additional contract costs (£0.200m).

Note 4 – Third Party Payments £1.207m

The increased costs relate to increased costs being negotiated with forensics providers.

Note 5 – Capital Financing Costs £1.946m

The reduction in the capital financing cost relates mainly to a reduction in the revenue contribution to capital of £0.120m – see Annex D.

Note 6 – Interest Received £0.200m

The budget for interest received has been increased from £0.150m to £0.200m because of the higher investment rates that are being achieved.

Note 7 – Costs of the OPCC £0.985m – see Annex E

Note 8 – Commissioners Funds (£1.199m)

The total cost of £1.199m is split as follows:

- Cost of providing Victims support £0.726m
- Funded by grant from Ministry of Justice -£0.726m
- Commissioners Fund (1% of total budget) £1.199m

The grant from the Ministry of Justice has not been finalised. The figure of £0.726m is the anticipated allocation.

Annex B

Budget Assumptions 2019/20 – 2022/23

	Note	2019/20	2020/21	2021/22	2022/23
Pay increase (September)	1	2.0%	2.0%	2.0%	2.0%
Pay increase (in year)	1	2.0%	2.0%	2.0%	2.0%
Increments	2	0.3%	0.3%	0.3%	0.3%
Inflation	3	2.5%	2.0%	2.0%	2.0%
Government Grant	4	2.1%	0%	0%	0%
Council Tax Increase	5	10.6%	2.0%	2.0%	2.0%
Council Tax Base	6	2.2%	1.5%	1.5%	1.5%

1. Pay Increase

The pay award for September 2018 for officers and staff was for 2%. It has been assumed that future pay awards from September 2019 will also be at 2%.

The pay awards for Police Officers and Police Staff are made in September. The pay increase in year therefore reflects five months of the previous year's agreement and seven months of the current year's agreement.

2. Increments

In addition to the annual pay award it is also necessary to budget for the additional pay costs arising from the annual cost of increments as officers and staff progress through their relative pay scales. It is estimated that this will add a further 0.3% to the annual pay costs.

3. Inflation

The rate of inflation affects around 20% of the Constabulary's expenditure. The remaining 80% is pay costs. For all non-pay budgets from 2019/20 onwards it has been assumed that inflation will follow the projections for the consumer price index (CPI) made by the Office of Budget Responsibility (OBR).

4. Government Grant

The overall grant received from the Home Office in 2019/20 has increased by £2.3m. This increase was to cover the increased police pension costs and includes a specific grant for pensions for £1.1m. It should be noted that the increase in pension costs is £2.7m, giving a shortfall of £0.4m in funding.

No figures for grant funding have been provided for 2020/21 onwards. This period is covered by the next Spending Review. The National Police Chiefs Council (NPCC) are supporting the Home Office to present the case for police funding for the Spending Review. The NPCC Finance Committee has advised that forces should be forecasting for 2020/21 on the basis of flat cash grant settlements (including the pensions grant).

5. Council Tax Increase

The level of Council Tax increase each year is set by the PCC, bearing in mind the referendum limit set for that year.

For 2019/20 PCCs are able to increase their council tax precept levels by £24 before the need to call a local referendum. For Gloucestershire this represents an increase of 10.6% for the year.

For 2020/21 the precept will be increased to cover costs. An increase of 2% has been projected for 2020/21, 2021/22 and 2022/23. It is assumed that this level of increase will be within the referendum limit.

6. Council Tax Base

The previous MTFP assumed that the Council Tax base (number of properties on which council tax is levied) will increase by 1.5% per year for the MTFP. The increase in 2019/20 is 2.2%.

It has been assumed that the council tax base increases by 1.5% per year from 2020/21 to 2022/23. This assumption has also been made by the County Council.

7. Council Tax Collection Fund Surplus

A number of the district councils increased the assumed collection rate in year for 2018/19, so it was assumed that the collection fund surplus would reduce in 2019/20 and for the remaining years of the MTFP. The collection fund has reduced to £695k for 2019/20, and it is assumed that it will continue at this level (£700k) for the MTFP period.

Annex C

Officers and Staff

The Budget for 2019/20 projects that, as at 31st March 2020, the organisation will have 1,924 officers and staff, split between:

- Constabulary 1,907 fte
- OPCC 17 fte

The budgeted establishment, based upon full time equivalent (fte) numbers is:

	Police Officers FTE	PCSOs FTE	Police Staff FTE	Total FTE
As at 31/03/18	1,044	116	663	1,823
As at 31/03/19	1,054	116	674	1,844
Investment in 2019/20 (est'd)	50	0	30	80
Estimated as at 31/03/20	1,104	116	704	1,924
Estimated as at 31/03/21	1,104	116	704	1,924

Police Officers

The budgeted establishment for police officers as at 31st March 2019 is 1,054 fte:

Budgeted establishment as at 31st March 2018	1,044 fte
Additional posts, from precept increase	23 fte
Less: Officer posts converted to Staff posts	-13 fte
Budgeted establishment as at 31st March 2019	1,054 fte

It has been assumed that 84 officers will leave during the year and recruitment is planned to replace these officers and increase the establishment to 1,104 fte.

The actual officer establishment at 31st December 2018 was 1,048 fte and the projected establishment at 31st March 2019 is 1,059 fte, which is five above the budgeted establishment. This includes 48 officers recruited so far within the current year, and another 42 officers who will join in the three months to 31st March 2019.

The budgeted establishment excludes officers on secondment, career breaks and maternity leave. The Constabulary currently has 9 officers on secondment to the Regional Organised Crime Unit and 5 officers on secondment to the National Police Air Service (NPAS).

Workforce Modernisation

During 2018/19 13 police officer posts, which did not require warranted powers, were converted to staff posts (workforce modernisation). During the last four years 52 officer posts have been workforce modernised:

- 2018/19 13 posts
- 2017/18 16 posts
- 2016/17 17 posts
- 2015/16 6 posts

If these posts were added back to the officer establishment, as at 31st March 2020, the number of officers would have been 1,156 fte.

Special Constables

As at 31st December 2018 there were 170 Special Constables, compared to 150 the previous year. It is the intention of the Constabulary to continue to increase the number of Special Constables over the period of the MTFP and additional resources have been included within the plan to increase and maintain numbers. During 2018 Special Constables contributed 41,000 hours of duty time (31,000 hours in 2017).

Volunteers

The Constabulary and the OPCC are supported by a large number of volunteers. As at 31st December 2018 the numbers of volunteers were:

- Police Cadets and Leaders 118
- Police Support Volunteers 135
- Community Based Volunteers 109

PCSOs

The PCSO establishment will be maintained at the current level of 116 fte during the MTFP period.

Police Staff

The police staff budgeted establishment at 1st April 2019 is 674 fte. This is the establishment of permanent posts, and excludes temporary posts.

During 2018/19 the following changes were made to the establishment:

- Additional staff in public protection and criminal justice following the £12 precept increase for 2018/19.
- Additional staff for vetting, estates and welfare, and in the OPCC (see Annex F)
- Reduction in staff in change services.

During 2019/20 the budgeted staff establishment is projected to increase by 30 staff to 704 fte, following additional investment in key areas.

Annex D

Budget Requirement

The budget requirement for the four year MTFS period is as follows:

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Base Budget	111.221	119.912	121.946	124.047
Pay Inflation & Increments	1.265	2.149	2.190	2.240
Price Inflation	0.628	0.489	0.533	0.541
Adjustments				
One-off pay rise - September 2017	-0.290	0.000	0.000	0.000
Capital Charges	-0.020	-0.020	-0.029	-0.051
Continuation Budget	112.804	122.530	124.640	126.777
Additional Pension Costs	2.700	0.000	0.000	0.000
Additional Costs				
Contractual increases	0.390	0.000	0.000	0.000
Additional Costs of Office 365	0.300	0.000	0.000	0.000
LGPS Revaluation	0.166	0.000	0.000	0.000
Police Staff	0.238	0.000	0.000	0.000
Transformation Programme	0.000	1.320	0.000	0.000
Aston Project	0.000	0.000	0.000	0.018
Investment in Priority Areas	4.100	0.000	0.000	0.000
Commissioners Fund	0.087	0.020	0.021	0.022
Investment Income	-0.050	0.100	0.100	0.000
Grant Increase	-0.055	0.000	0.000	0.000
Savings Identified - Permanent	-0.768	0.000	0.000	0.000
Savings Requirement	0.000	-2.024	-0.714	-0.595
Contribution to Reserves	0.000	0.000	0.000	0.000
Budget Requirement	119.912	121.946	124.047	126.222
Budget Increase (Decrease) %	7.8%	1.7%	1.7%	1.8%

The 7.8% increase in the budget is made up as follows:

- Pay rises and price inflation (net of savings) 1.7%
- Increased Pension Costs 2.4%
- Additional Investment 3.7%

One off pay rise £290k

The 1% one –off non-consolidated pay award for September 2017 was included in the budget for 2018/19 and has been adjusted out of the budget for 2019/20.

Additional pension costs

The employer contribution rates for the police pension schemes have increased from 24.2% in 2018/19 to 31% in 2019/20. The cost of this change to the Constabulary is £2.7m per year (Section 3.13).

Additional costs for 2019/20

- **Contractual Increases £390k**
Additional costs have been included in the budget for a number of contracts including for custody healthcare and for forensic services.
- **Additional annual costs for Office 365 £300k**
The Constabulary is using the nationally negotiated contract. Costs would have been greater if this had not been used.
- **Local Government Pension Scheme (LGPS) revaluation £165k**
The triennial valuation of the LGPS resulted in a requirement for increased employer contributions. The employer contribution for 2019/20 is 17.8% of pensionable salary plus a cash contribution of £1.154m – an increase of £165k compared to 2018/19. The next triennial valuation is due for 2020/21 and no increases in the cash contribution have been projected for future years.
- **Police Staff Costs £238k**
This cost represents additional posts approved during the year within vetting and estates and within the OPCC (Annex E).

Additional costs for 2020/21

The PCC and the Constabulary have agreed a transformation programme for the next four years, which will be included in the Capital Strategy (section 11.5). The programme will result in additional revenue costs from 2020/21 of £1.32m per year. It is expected that the programme will identify savings from the investments made.

Investment in Priority Areas

A £24 increase in the precept will provide additional investment of £4.1m in priority areas. More details of the proposed expenditure are included in Section 10 of the main report.

Commissioner's Fund

The Commissioner's fund represents 1% of the total budget. These adjustments increase the allocation each year so that the contribution to the fund represents 1% of the budget.

Investment Income

The budget for 2019/20 has been increased to £0.2m, as improved investment rates are anticipated for the year. It is then assumed that investment income will reduce to nil by 2020/21, as investment funds reduce as the organisation uses reserves and receipts to fund capital expenditure.

Savings Identified for 2019/20

The following savings have been identified to balance the budget for 2019/20:

	£m
Change Services review	0.276
Reduction in revenue contribution to capital	0.139
Removal of budget for direct entry officers	0.133
Conversion of officer posts to staff posts	0.220
Total	0.768

Savings for the period from 2020/21 to 2022/23

The MTFS shows the following savings requirements:

- 2020/21 £2.0m
- 2021/22 £0.7m
- 2022/23 £0.6m
- **Total** **£3.3m**

The savings requirement in 2020/21 is significantly higher because the budget includes the additional revenue costs for the transformation programme.

The Constabulary will continue to review all departments on a regular basis to ensure that savings are identified to balance the budget and that a significant proportion of resources are committed to frontline policing:

In the grant announcement in December 2017 the Home Office committed to providing similar funding for 2019/20 dependent on delivering clear progress against agreed milestones on productivity and efficiency in 2018. A plan was developed nationally which is on track to be delivered.

The Home Secretary stated, in the grant announcement in December 2018, that the Government will expect to see continued efficiency savings in 2019/20 through collective procurement and shared services. Gloucestershire is a member of the South West Police Procurement Department (SWPPD), a four force collaboration with Devon and Cornwall, Dorset and Wiltshire Police. Category managers within specific areas manage the procurement for all four forces, enabling standard specification and concurrent lead times and the ability to go to market with greater contract values. Wherever possible national contracts and frameworks are used.

Annex E

Budget for OPCC

The Budget for the OPCC for 2019/20 is £0.985m, an increase of 15% compared to the previous year.

	2018/19	2019/20	
	£k	£k	
Employees	710	887	
Premises	0	0	
Transport	11	13	
Supplies & Services	73	78	
Audit Fees	60	53	
Income	0	-46	
Total Budget	854	985	15.3%

This growth is due to increased staffing costs, with the creation of four new posts.

The role of the Office of the Police and Crime Commissioner (OPCC) is to support the Police and Crime Commissioner (PCC) in his role. Under the Police Reform and Social Responsibility Act 2011 PCCs must:

- Secure an efficient and effective police for their area;
- Appoint the Chief Constable and hold them to account for running the force;
- Set the police and crime objectives for their area through the police and crime plan;
- Set the force budget and determine the precept;
- Contribute to the national and international policing capabilities set out by the Home Secretary;
- Bring together community safety and criminal justice partners, to make sure local priorities are joined up.

Additional responsibilities have been added to this recently including dealing with complaints against the police and offender management, and taking on the governance of the fire service.

One of the key duties put on PCCs by the Policing Minister is not just to oversee the police force but to look at the wider issue of crime. The PCC's approach is that the police alone cannot keep Gloucestershire safe, and this approach has manifested itself in the form of the Commissioners Fund. Since 2012 around £5 million has been invested in 350 plus projects across the county.

There has been a significant increase in the work carried out by the OPCC and because of this additional posts have been created. These posts are:

- Independent Appeals Officer – appointed to give a more robust approach to the review of the Constabulary’s local resolutions. This has resulted in more appeals being upheld and learning points raised with the Constabulary. Such appeals were previously handled by the Head of the Professional Standards Department who is now able to undertake an additional role within the Constabulary
- Research and Information Officer – created to support the two policy officers in the OPCC to undertake research into the many criminal justice and social policy issues that the PCC is required to be familiar with and advise the PCC on the various initiatives that are being progressed around the country. The post will also update the OPCC website with decisions the PCC has taken and other information he is required to publish, and support and develop the Independent Custody Visitor scheme for the county.
- Commissioning and Contracts Officer – managing the increased demand on the OPCC to commission and co-commission new services. This post will take over responsibility for the commissioning of a wide range of victim related services that are commissioned by the OPCC, working with procurement specialists, bidders and service users to ensure that victims and others receive high quality services and that the PCC achieves good value for money.
- Road Safety Co-ordinator – appointed to replace a role that previously sat within the former Road Safety Partnership structure. The post co-ordinates the delivery of the safe and social driving priority in the Police and Crime Plan and the Fire Service’s Prevention and Protection Strategy and the cost of the role is shared with the County Council (income of £46k). In particular the Co-ordinator arranges road safety education and training for schools, colleges and other organisations and communicates road safety messages and campaigns to the relevant audiences. This approach targets the age range most likely to be involved in or become a victim of a road traffic collision.

Annex F

Capital Programme

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m	MTFP
	£m	£m	£m	£m	£m	£m
Replacement Programmes						
Vehicles	1.056	3.301	1.301	1.301	1.301	7.204
ICT	0.882	0.550	0.350	0.350	0.350	1.600
	1.938	3.851	1.651	1.651	1.651	8.804
Approved Projects						
Mobile Working Project	0.043	0.800				0.800
Custody Project	0.162					0.000
Records Management System update	0.122					0.000
Bamfurlong Development	0.200					0.000
Purchase of land at Bamfurlong	0.065					0.000
ESN		0.422				0.422
Other Projects	0.146					0.000
	0.738	1.222	0.000	0.000	0.000	1.222
Total Capital Expenditure	2.676	5.073	1.651	1.651	1.651	10.026
Funded by:						
	£m	£m	£m	£m	£m	£m
Capital Grant	0.371	0.793	0.371	0.371	0.371	1.906
Capital Receipts						0.000
Revenue Contribution	1.789	2.905	1.280	1.280	1.280	6.745
Estates Reserve	0.297					0.000
ICT Reserve	0.219	0.800				0.800
Vehicle Reserve		0.575				0.575
Total Capital Funding	2.676	5.073	1.651	1.651	1.651	10.026

Replacement Programmes

These are the replacement programmes for vehicles and ICT equipment:

- It has been assumed that the current fleet of vehicles will be replaced over a five year period. Expenditure varies from year to year, and this is “smoothed” using the Vehicle Replacement Reserve.
- The IT replacement budget is for desktops, laptops, servers and storage.

The replacement programmes are funded from the capital grant from the Home Office, and the balance from the Revenue Budget.

Approved Projects

It is assumed that two capital projects for Mobile Front Line Working and for the Emergency Services Network will be deferred from 2018/19 in the capital programme. The actual deferred expenditure into 2019/20 may vary from the plan, based on actual expenditure on the capital programme projects up to 31st March 2019.

Capital Strategy

The Prudential Code for Capital Finance in Local Authorities (2017) requires that authorities (including PCCs) should have in place a capital strategy that sets out the long term context in which capital expenditure and investment decisions are made. A capital strategy will be approved and published before 1st April 2019, which will provide a high level overview of capital expenditure and capital financing.

The capital strategy will include the capital programme above and will also include significant capital projects under development.

Transformation Programme

The PCC and the Constabulary have agreed a transformation programme for the next four years which will be included in the Capital Strategy. The total estimated costs for the programme over four years are £11.5m split as follows:

- One off costs of £7.57m – mainly capital and project resources. These will be funded from the ICT Reserve and from internal borrowing.
- Additional revenue costs over three years of £3.96m. The additional costs of £1.32m per year have been included in the MTFP from 2020/21 (Annex D).

Capital Grant

The capital grant for 2019/20 is £371k, the same as the previous year. It has been assumed that the capital grant will remain at this amount for 2019/20, 2020/21 and 2021/22.

The capital grant funds the expenditure on the annual replacement programmes for vehicles and ICT, with the balance of the expenditure funded from the revenue budget. In 2010/11 the capital grant received by Gloucestershire was £1.156m.