

**Medium Term Financial Plan  
(2018/19 to 2021/22)  
Including the 2018/19 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 2018/19.
- 1.2. To present the Medium Term Financial Plan (MTFP) for the four year period to 2021/22.

**2. Proposals**

- 2.1. To set a revenue budget for 2018/19 of £111,220,893 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 G**.

### 3. Background

- 3.1. Over the last seven years (from 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2018) the Constabulary has reduced its expenditure by £32m to balance the budget.
- 3.2. Nearly 80% of budgeted expenditure is for the cost of officers and staff. Since 31<sup>st</sup> March 2010 the workforce has reduced by 16% (360 officers and staff), and the number of police officers has reduced from 1,309 to 1,060 (19% reduction).
- 3.3. In his Autumn Statement in 2015 the Chancellor announced that the government would protect funding to maintain overall police force budgets at current cash levels. For both 2016/17 and 2017/18 the grant received from the Home Office was reduced, and PCCs could offset this by increasing precept income to the maximum amount available within the referendum limits (2%). In December 2016 the Minister for Policing stated that “no PCC who chooses to maximise precept within the referendum limit will face a reduction in cash funding.”
- 3.4. However, maintaining funding at current cash levels does not take account of pay increases, price inflation and additional costs incurred by the organisation:
  - 3.4.1. In 2017/18 the cost of pay rises was budgeted to be £0.925m, based upon the assumption of a 1% pay rise in September 2017.
  - 3.4.2. In 2017/18 price inflation in the budget was £0.353m.
  - 3.4.3. In 2016/17 the organisation incurred additional costs of £1.7m because of the abolition of the lower rate of National Insurance contributions.
  - 3.4.4. In 2017/18 the organisation had to increase the budget by £0.3m to cover the costs of the Apprenticeship Levy.
- 3.5. Gloucestershire receives a low amount of main grant per head of population. For 2018/19 Gloucestershire will receive £89.10 per head of population, compared with the national average of £104.50. Some forces will receive £150 per head of population.
- 3.6. On 12<sup>th</sup> September 2017 the Home Office announced that for the year from September 2017 police officers would be given a pay award worth a total of 2% consisting of:
  - 3.6.1. 1% increase to base pay
  - 3.6.2. Additional one-off non-consolidated payment of 1%.The Home Office added that they believed that the pay award was affordable within the current funding settlement. The budget for 2017/18 (approved in February 2017) assumed a 1% pay rise during the year.

3.7. No announcement has been made regarding the pay award for police staff for September 2017. An offer has been made by employers, which is currently being considered by the staff associations. The PCC and the Chief Constable value the huge contribution made by all police staff and have stated that they will be rewarded equally with police officers. The PCC has guaranteed that police staff will receive the same pay award as police officers.

3.8. The cost of the non-consolidated one-off 1% payment was not included in the budget for 2017/18, and has therefore had to be funded from general reserves. The cost for 2018/19 is included within the budget.

#### **4. Grant Announcement – 19<sup>th</sup> December 2017**

4.1. The Provisional Police Grant Report 2018/19 was published on 19<sup>th</sup> December 2017, and the Minister for Policing announced:

4.1.1. That government grant was protected and that in 2018/19 each PCC will receive the same amount of core Government grant funding as they did in 2017/18.

4.1.2. That in 2018/19 PCCs will be able to increase their council tax precept levels by £12 before the need to call a local referendum.

4.1.3. Increased investment in national policing priorities such as police technology and Special Grant.

4.1.4. The expectation that all PCCs will provide more detailed information on reserves.

4.2. The Minister stated that “the protection offered by this settlement must be matched by a serious commitment from PCCs and Chief Constables to reform and improve productivity and efficiency.”

4.3. The consultation period for the Police Grant Report ran until 16<sup>th</sup> January 2018 and the Final Police Grant Report will be laid before Parliament in February.

#### **4.4. National Funding**

Total Home Office Grant funding for the Police Service nationally for 2018/19 (excluding specific counter-terrorism funding) is £8,630m. This is an increase of 1.6% compared to 2017/18 (£8,497m).

4.4.1. £6,962m of this funding (82%) is allocated to Police Forces. This is the same as in 2017/18.

4.4.2. The Home Office has made reallocations within the police grant settlement to support national policing priorities. These reallocations include the following funding:

- 4.4.2.1. £495m for the Police Technology Programme including funding for the new Emergency Services Network (ESN), which will replace the existing Airwave radio system.
- 4.4.2.2. £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.
- 4.4.2.3. £42m to strengthen the response to organised crime and provide additional funding for the National Crime Agency and Regional Organised Crime Units.
- 4.4.2.4. £175m to maintain the size of the Police Transformation Fund.
- 4.4.2.5. £93m for Police Special Grant contingency funding to support police forces significant and exceptional events.

#### 4.5. Funding for Gloucestershire

The Main Grant for Gloucestershire for 2018/19 is £59.250m which is made up as follows:

Police Core Settlement (Home Office)	£33.910m
Ex DCLG Formula Funding	£19.258m
Legacy Council Tax Grants	£6.082m

This is the same as the allocation in 2017/18.

4.5.1. If the funding allocated to Police Forces had increased by 1.6% (Section 4.1.3) then Gloucestershire would have received an increase in grant funding of £0.9m for 2017/18.

#### 4.5.2. Legacy Council Tax Grants

The Legacy Council Tax Grants are the Council Tax Freeze Grants for 2011/12 and 2015/16 and the Local Council Tax Support Grant, which are now paid by the Home Office rather than by the Department for Communities and Local Government (DCLG). These grants have remained at the same level as for 2017/18.

4.5.3. The grant announcement acknowledged the work of the Core Grant Distribution Review, which looked at how the grant was allocated between forces. It was stated that providing funding certainty for 2019/20 is the immediate priority, and that the funding formula will be revisited at the next Spending Review. This will be 2020/21 at the earliest.

#### 4.5.4. Council Tax Referendum Principles

For 2018/19 PCCs will be provided with the flexibility to increase their Band D precept by up to £12 without the need to call a local referendum. For Gloucestershire this would be an increase of 5.6%.

4.5.5. The Capital Grant for 2018/19 has also been announced. The overall grant available for Forces is £45.9m (the same as in 2017/18) and the capital grant for Gloucestershire is £371k (**Annex G**).

#### **4.6. Funding for 2019/20**

4.6.1. The settlement stated the intention to maintain a broadly flat police grant in 2019/20 and to allow PCCs to increase the precept by up to £12 in 2019/20. However, this is dependent upon on delivering clear progress against agreed milestones on productivity and efficiency.

### **5. Future Planning**

5.1. The Grant Report provided funding figures for 2018/19 and for 2019/20. No indicative figures were provided for 2020/21 and 2021/22 for the grant or precept limits.

5.2. It is noted that Councils were offered a four year funding deal by the Department for Communities and Local Government (DCLG) and that most Councils have taken up this offer. The Home Office has not made a similar offer to Police Forces.

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

5.3.1. The main grant and the legacy council tax grants will continue to be frozen for these years.

5.3.2. The precept limit will be reduced back down to 2% for these years.

5.4. The Minister for Policing announced that providing funding certainty to 2019/20 was his immediate priority and that he would revisit the funding formula in the next Spending Review.

5.5. A new Police Funding Formula could be applied to grant funding from 2020/21. The grant assumptions do not take account of any changes in funding due to a new distribution formula. It is anticipated that transitional arrangements will be put in place to smooth any changes in funding for individual forces.

### **6. Budget Consultation**

6.1. Following the grant announcement the PCC has consulted on the Government's proposal to increase the referendum limit to £12 (5.6%). From 8<sup>th</sup> January 2018 a survey has been available on the PCC website. This notes that increasing the precept by £12 would increase the budget by around £1.7m, which could fund new posts that would go towards improving neighbourhood policing as well as investing in other areas of police work.

6.2. The questions in the survey were:

6.2.1. Do you agree that policing in Gloucestershire needs a higher level of resourcing?

6.2.2. Would you be willing to contribute more to invest in policing in the county?

6.2.3. The Constabulary has suggested putting any additional money into investing in neighbourhood policing, rural officers, child protection and body worn cameras to protect front line staff. Do you agree these areas should be a priority?

6.3. The survey finishes at the end of January. The results to date are:

		Yes	No	Maybe
1	Do you agree that policing in Gloucestershire needs a higher level of resourcing?	66%	25%	9%
2	Would you be willing to contribute more to invest in policing in the county?	57%	36%	7%
3	Do you agree that the above areas should be a priority (6.2.3)	66%	22%	12%

## 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 2018 to September 2021 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 government grant for 2018/19 and 2019/20 will be the same as received for 2017/18. The MTFP assumes that government grant will remain the same for 2020/21 and 2021/22.

7.5. In the previous MTFP it was assumed that the Council Tax Base (number of properties on which a council tax is levied) increases at 1% per year. The increase for 2017/18 was 1.6% and for 2018/19 2.3%. The projected increase has therefore been increased to 1.5% for 2019/20, 2020/21 and 2021/22. The County Council have also made this assumption.

7.6. For 2018/19 and 2019/20 the PCC can increase the precept by up to £12. For 2018/19 this is an increase of 5.6%. Previously the limit the PCC could raise the precept by, without calling a referendum, was 2%.

- 7.7. For future years the following planning assumptions have been made:
- 7.7.1. That for 2019/20 the PCC will increase the precept by 2%, although he could increase by up to £12 (5.3%).
- 7.7.2. That for 2020/21 and 2021/22 the precept limit will return to 2% and the PCC will increase the precept by this amount.

## 8. Available Funding

8.1. Following the grant announcement the PCC has considered two funding options for 2018/19:

- 8.1.1. Increase the precept by 2%, as proposed in last year's Medium Term Financial Plan.
- 8.1.2. Increase the precept by 5.6% (£12), as allowed in the latest grant announcement.

8.2. Option 1 – Increase the precept by 2%  
If council tax was increased by 2%, funding would increase by £2.3m for 2018/19 compared to 2017/18.

The available funding for 2018/19, and the projected funding to 2021/22, would be:

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Main Grant	53.168	53.168	53.168	53.168
Legacy Council Tax Grants	6.082	6.082	6.082	6.082
Precept	49.275	51.009	52.805	54.663
Collection Fund Surplus	0.955	0.750	0.750	0.750
<b>Available Funding</b>	<b>109.480</b>	<b>111.009</b>	<b>112.805</b>	<b>114.663</b>
<b>Increase</b>	<b>2.252</b>	<b>1.529</b>	<b>1.795</b>	<b>1.859</b>

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

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Main Grant Reduction	0.000	0.000	0.000	0.000
Council Tax - Precept Increase	0.962	0.995	1.030	1.067
Council Tax - Tax base Increase	1.091	0.739	0.765	0.792
Collection Fund	0.199	-0.205	0.000	0.000
	<b>2.252</b>	<b>1.529</b>	<b>1.795</b>	<b>1.859</b>

8.4. Option 2 – Increase the precept by 5.6% (£12)

If council tax was increased by 5.6%, funding would increase by £4m for 2018/19 compared to 2017/18.

The available funding for 2018/19, and the projected funding to 2021/22, would be:

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Main Grant	53.168	53.168	53.168	53.168
Legacy Council Tax Grants	6.082	6.082	6.082	6.082
Precept	51.016	52.812	54.671	56.595
Collection Fund Surplus	0.955	0.750	0.750	0.750
<b>Available Funding</b>	<b>111.221</b>	<b>112.812</b>	<b>114.671</b>	<b>116.595</b>
<b>Increase</b>	<b>3.993</b>	<b>1.591</b>	<b>1.859</b>	<b>1.924</b>

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

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Main Grant Reduction	0.000	0.000	0.000	0.000
Council Tax - Precept Increase	2.703	1.030	1.067	1.104
Council Tax - Tax base Increase	1.091	0.765	0.792	0.820
Collection Fund	0.199	-0.205	0.000	0.000
	<b>3.993</b>	<b>1.591</b>	<b>1.859</b>	<b>1.924</b>

8.6. For both options the Main Grant for 2018/19 is the same as the grant received for 2017/18, and the tax base has increased by 2.3% for 2018/19 (compared to the projected increase of 1%).

8.7. The previous MTFS assumed that funding for 2018/19 would be £107.893m. The main reasons for this difference are:

8.7.1. The previous MTFS assumed the grant would reduce by £0.750m.

8.7.2. Higher increase in tax base than projected - £0.620m.

8.7.3. Increase in Collection Fund, more than projected - £0.205m.

8.7.4. In Option 2 the additional precept increase, above 2%, will provide £1.74m additional funding.

8.8. Both options assume that the precept increase for the remaining MTFP will be 2% per year.

## 9. Budget Requirement

9.1. The PCC has considered two funding options for 2018/19:

### 9.2. Option 1 – Precept increased by 2%

The budget required for this option for 2018/19 is £109.480m. This is a 2.1% increase on the previous year's budget.

9.3. Savings for £1.439m have been identified for 2018/19, which will enable the budget to be balanced with a 2% precept increase:

	£m
Reductions in Police Officer allowances	0.195
Change Services review	0.425
Police pensions	0.450
Restructure of ranks	0.265
Conversion of officer posts to staff posts	0.104
<b>Total</b>	<b>1.439</b>

A detailed explanation of the savings is provided in **Annex D**.

9.4. The budget requirement for the MTFP period, for Option 1, would be as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
<b>Base Budget</b>	<b>107.228</b>	<b>109.480</b>	<b>111.009</b>	<b>112.805</b>
Pay Inflation & Increments	1.422	1.880	1.927	1.974
Price Inflation	0.602	0.465	0.455	0.465
One-off pay rise 2017	0.290	-0.290	0.000	0.000
Adjustment Capital Charges	-0.013	-0.020	-0.020	-0.030
<b>Continuation Budget</b>	<b>109.529</b>	<b>111.515</b>	<b>113.371</b>	<b>115.214</b>
Additional Costs	1.350	0.165	0.165	0.165
Additional Investment	0.000	0.000	0.000	0.000
Commissioners Fund	0.040	0.015	0.018	0.019
Asset Replacement Fund	0.000	0.000	0.000	0.000
<b>Savings Identified - Permanent</b>	<b>-1.439</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Savings Requirement</b>	<b>0.000</b>	<b>-0.686</b>	<b>-0.749</b>	<b>-0.735</b>
<b>Contribution to Reserves</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Budget Requirement</b>	<b>109.480</b>	<b>111.009</b>	<b>112.805</b>	<b>114.663</b>
<b>Budget Increase %</b>	<b>2.1%</b>	<b>1.4%</b>	<b>1.6%</b>	<b>1.6%</b>

9.5. Option 2 – precept increased by £12 (5.6%)

The budget required for this option for 2018/19 is £111.221m. This is a 3.7% increase on the previous year's budget.

This option would provide £1.711m additional funding, which would be invested in a number of priority areas:

- 9.5.1. Local Policing
- 9.5.2. Child Protection
- 9.5.3. Body Worn Video
- 9.5.4. Swifter, more effective justice

More details of this investment are provided in Section 10.

9.6. The budget requirement for the MTFP period, for Option 2, would be as follows:

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
<b>Base Budget</b>	<b>107.228</b>	<b>111.221</b>	<b>112.812</b>	<b>114.671</b>
Pay Inflation & Increments	1.422	1.913	1.960	2.009
Price Inflation	0.602	0.472	0.460	0.470
One-off pay rise 2017	0.290	-0.290	0.000	0.000
Adjustment Capital Charges	-0.013	-0.020	-0.020	-0.030
<b>Continuation Budget</b>	<b>109.529</b>	<b>113.296</b>	<b>115.212</b>	<b>117.120</b>
Additional Costs	1.350	0.165	0.165	0.165
Additional Investment	1.741	0.000	0.000	0.000
Commissioners Fund	0.040	0.016	0.019	0.019
Asset Replacement Fund	0.000	0.000	0.000	0.000
<b>Savings Identified - Permanent</b>	<b>-1.439</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Savings Requirement</b>	<b>0.000</b>	<b>-0.665</b>	<b>-0.725</b>	<b>-0.709</b>
<b>Contribution to Reserves</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Budget Requirement</b>	<b>111.221</b>	<b>112.812</b>	<b>114.671</b>	<b>116.595</b>
<b>Budget Increase %</b>	<b>3.7%</b>	<b>1.4%</b>	<b>1.6%</b>	<b>1.7%</b>

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

9.7. For both options the savings requirement for the three year period from 2019/20 to 2021/22 is projected to be £2.1m:

- o 2019/20                   £0.7m
- o 2020/21                   £0.7m
- o 2021/22                   £0.7m
- o **Total**                    **£2.1m**

## 9.8. 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:

- 9.8.1. 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.
- 9.8.2. The MTFP projections assume that the grants received in 2020/21 and 2020/22 will be frozen. No indicative figures have been provided by the Home Office for these years. Reductions in the grant would increase the savings requirement.
- 9.8.3. The MTFP projections assume that the council tax referendum limit reduces back from £12 to 2% in 2019/20 and 2020/21 and that council tax is set at this limit. A decision is made annually by the PCC on the level of precept to be set. If the referendum limit was set higher than 2% then the PCC could set the precept to provide additional funding and reduce the savings requirement.

## 10. Investment in Priority Areas

10.1. The Grant Announcement gave greater flexibility to PCCs to increase the level of precept. If the precept is increased by £12 this would provide £1.7m additional funding which could be invested in priority areas. The Chief Constable has proposed investing in the following areas:

### 10.2. Neighbourhood Policing £0.779m

The new neighbourhood offer was launched on 23<sup>rd</sup> January and includes dedicated neighbourhood teams. It is proposed to fund an additional 16 posts for the neighbourhood teams, which would ensure that each of the six districts has a dedicated school liaison officer and a dedicated rural and environmental liaison officer. This investment would support the strategy to stay local and to seek opportunities for early intervention and an overall reduction in demand.

### 10.3. Child Protection and Child Sexual Exploitation £0.488m

Police activity in relation to child protection and child sexual abuse is a national, regional and local priority. High profile cases have resulted in a significant increase in the number of referrals and associated activity, with limited uplift in resource.

Both HMICFRS and Ofsted have criticised child protection response and commented upon resourcing issues. The Local Authority have increased social work provision by 42 posts, and it is proposed to fund seven additional detectives within the Safeguarding team, and an additional staff post to support the team.

10.4. Body Worn Video £0.300m

Body worn video cameras have been issued to firearms officers and it is proposed to extend this to all uniformed, frontline officers and staff. The deployment of body worn videos will bring welfare benefits to staff and additional efficiency benefits, and will improve public confidence and improve the capture of evidence.

10.5. Swifter, more effective justice £0.174m

it is proposed to invest in six additional staff in the Criminal Justice department to deliver a victim focused, speedy and effective service. This will help the team manage the significant changes within the Criminal Justice system including the implementation of new technology, the introduction of new legislation and ever tightening timescales.

10.6. This investment would increase resources in important areas of policing and provide 30 additional people for policing in Gloucestershire – 23 police officers and 7 police staff.

## 11. Capital

11.1. The proposed capital programme is attached at **Annex G**. The programme for 2017/18 is currently for £4.635m and consists of:

- the replacement programmes in relation to vehicles and IT equipment - £1.790m
- on-going commitments related to previously agreed schemes - £2.845m

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

- Capital grant - £0.371m.
- Contribution from the Revenue Budget in year - £1.419m
- Capital grants brought forward from previous years to fund deferred expenditure - £0.394m
- Revenue contributions brought forward from previous years to fund deferred expenditure - £0.927m
- Contribution from ICT Reserve to fund deferred expenditure - £0.949m
- Transfer from the Vehicle Replacement Reserve - -£0.575m

11.3. At present there is no requirement to take out new permanent borrowing during the four years of this MTFP. This will be reviewed as the estates strategy is developed.

11.4. Estates Strategy

Since April 2013 £17m has been spent on developing the estate used by Gloucestershire police. This includes:

- 11.4.1. Building a new custody centre at Waterwells, Gloucester (Compass House) to replace the three ageing custody centres at Cheltenham, Gloucester and Stroud.
- 11.4.2. The purchase and fit out of a new central investigation centre at Waterwells, Gloucester (Prism House).
- 11.4.3. The purchase and fit out of a new central storage facility.
- 11.4.4. Development of the Forest of Dean police station, including the purchase of the adjoining court building and developing an area for public use.
- 11.4.5. Fit out of the remaining building at Lansdown Road as a police station (now known as Holland House).

11.5. These developments have produced significant operational benefits for the Constabulary and have enabled the organisation to vacate the old HQ site at Lansdown Road, Cheltenham and the council offices in Gloucester (Bearland). Some of the departments on these sites have been relocated to the operations centre at Bamfurlong which is the next part of the estates strategy.

11.6. The expenditure since 2013 has been funded from reserves, and from capital receipts from the sale of the Lansdown Road site in Cheltenham.

11.7. The next stage of the estates strategy is to develop the estate in three areas:

- 11.7.1. Bamfurlong – to refurbish and extend the Constabulary’s key operational centre.
- 11.7.2. Stroud – to refurbish the town’s police station and to enable the disposal of other buildings.
- 11.7.3. Cirencester – to work with the local authority and others to provide a new police station as part of the town centre development.

11.8. This will be funded from capital receipt and the remaining estates reserve. If these do not provide sufficient funding the PCC may have to borrow funds.

11.9. ICT Strategy

A reserve has been set up for future ICT requirements, which will include:

- 11.9.1. The next stage of the mobile frontline working project.
- 11.9.2. The replacement of the HR system
- 11.9.3. The development of the force crime and intelligence system
- 11.9.4. The costs of the new Emergency Services Network (ESN), which replaces the current Airwave radio system. A separate reserve has been set up to cover the costs for devices and system changes, project costs and the cost of dual running. The latest costings indicate that Gloucestershire will require funding for £5m to cover these costs.

- 11.10. The above projects will require significant investment, which will be funded from the ICT and ESN Reserves. A full Business Case will have to be approved before funding is allocated to these projects.

## **12. Reserves**

- 12.1. Details of the Reserves held to provide for future liabilities and unforeseen events are shown in **Annex F**.
- 12.2. The Reserves are reviewed annually to ensure that they 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.
- 12.3. The level of reserves, and expenditure against these reserves, is monitored on a quarterly basis. Full details of the reserves will be presented on the PCC's website, and this information will be updated on a quarterly basis.

## **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:
- 13.2.1. The treatment of inflation and interest rates
  - 13.2.2. Estimates of the level and timing of capital receipts
  - 13.2.3. The treatment of demand led pressures
  - 13.2.4. The treatment of planned efficiency savings and productivity gains
  - 13.2.5. The financial risks inherent in significant new funding partnerships, major outsourcing arrangements or major capital developments.
  - 13.2.6. The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
  - 13.2.7. The general financial climate.
- 13.3. General Reserve  
The strategy of the PCC has been to maintain a minimum level of General Reserve 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.

13.4. During the year it was decided to fund the one-off, non-consolidated pay rise awarded for September 2017 from the general reserve. Although the Home Office believed that this was affordable within the current police funding settlement, the additional 1% had not been included in the Budget for 2017/18. It was therefore decided that the increase had to be funded from reserves. The cost of the increase for 2017/18 will be around £0.4m, which reduces the General Reserve to £4.955m.

13.5. It has been decided, after taking into account the above factors and the budgetary requirement for the MTFP, to maintain the level of General Reserves during the MTFP period at £4.995m. This will mean that the General Reserve will be 4.2% of net revenue expenditure by 2021/22.

13.6. Earmarked Reserves

The PCC has also allocated reserves to fund specific items. Details of the projected Earmarked Reserves at 31<sup>st</sup> March 2018 are:

	01/04/2017	Spend	Transfer	Over-spend	31/03/2018	Commit	Total
	£k	£k	£k	£k	£k	£k	£k
Revenue Support Reserve	2.882		-1.300	-0.221	1.361	-0.800	0.561
Capital Reserves	7.112	-0.930			6.182	-1.389	4.793
ESN Reserve	3.700	-0.209	1.300		4.791	-4.791	0.000
Insurance Reserve	0.500				0.500		0.500
Specific carry forwards	4.744	-2.688			2.056	-2.056	0.000
<b>Total Earmarked Reserves</b>	<b>18.938</b>	<b>-3.827</b>	<b>0.000</b>	<b>-0.221</b>	<b>14.890</b>	<b>-9.036</b>	<b>5.854</b>

More details of these reserves are provided in **Annex F**. The budget for 2017/18 is currently projecting an over-spend of £0.221m. This will be funded from the Revenue Support Reserve. Most of the capital reserves are set aside to fund ICT projects and £5m has been set aside in reserves to fund the costs of the Emergency Services Network (ESN).

13.7. As at 31<sup>st</sup> March 2017 the Earmarked Reserves for Gloucestershire represented 18% of the annual budget. Nationally the figure was 11% of the budget. The earmarked reserves have all been allocated for a specific purpose, are reviewed regularly and are the result of good financial management.

13.8. The use of reserves to fund budget deficits is not a good policy, and the budget planning does not assume the use of reserves for this purpose.

13.9. 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 £4.955m, representing 4.2% of net revenue budget by 2021/22.
- 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%

Since September 2011 the pay for officers and staff has either been frozen or increased by 1%. The previous MTFP assumed that pay rises would continue to be restricted to 1%. The pay award for officers for September 2017 was for 2%, with 1% of this a one-off, non-consolidated payment and, with the current levels of inflation there will be pressure for pay awards to be higher than 1%.

The Minister for Policing announced that it is for police leaders to make proposals in relation to the 2018 pay award, reflecting what is affordable and fair to officers and taxpayers. The MTFP assumes that pay increases for the next four years will be at 2%. There may be pressure for higher increases. An additional 1% award for officers and staff would cost the organisation an additional £1m.

### 14.2. Funding Formula

In September 2016 the Home Office announced a review of the Police Core Grant Distribution Formula. The current arrangements were considered to be complex and increasingly outdated and the Home Office were looking to implement a fairer, up-to-date transparent formula to distribute the main grant between police forces. This could have significantly changed the levels of funding for Gloucestershire.

In the grant settlement the Minister for Policing announced that providing funding certainty for 2019/20 was an immediate priority and that the work of the Core Grant Distribution Review will be revisited at the time of the next Spending Review. The reallocation of grants is not therefore likely to happen until 2020/21 at the earliest. It is anticipated that transitional arrangements would be put in place to smooth any changes in funding for individual forces. The full effect of a review of funding is therefore unlikely to be implemented in the period of the current MTFP.

### 14.3. Changes to police officer recruitment

The recruitment and training of officers will change from 2020. New recruits will either be graduates or apprentices and the periods of training will alter. 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 (budgeted cost £0.33m in 2018/19).

### 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. The Home Office have provided a level of certainty for funding for 2019/20 but no indicative figures have been provided for the last two years of the MTFP. Assumptions have been made about funding and precept levels 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 period of the plan 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 2018/19 £1.112m has been set aside to support police and community projects and programmes.
- 15.3. The Plan states that the service and support provided to victims should be at the heart of our approach to policing. A support service for victims in Gloucestershire is now being delivered by Victim Support, a professional and experienced organisation. This is funded from the grant received from the Ministry of Justice, which for 2018/19 is £0.724m. The Ministry of Justice have indicated that this grant will be ongoing, although it is announced on a year by year basis. The current contract for victim support runs until 2020 and the PCC had guaranteed that funding will be provided within the MTFP for the contract.
- 15.4. The Budget for 2018/19 provides funding for 1,853 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.
- 15.5. The Plan states that the PCC will provide sufficient funding to increase police officer numbers, subject to Government Grants. The Budget for 2017/18 provided funding for 1,060 Police Officers. During the year 16 officer posts, that did not require warranted powers, were converted to staff posts, so that the Budget for 2018/19 funds 1,044 Police Officers. It is planned to convert at least another 12 posts to staff posts during 2018/19.
- 15.6. The previous MTFP had looked to increase officer numbers above 1,060. However, because of the grant reduction in 2017/18 and the subsequent savings requirement, it was agreed that investment in officer numbers would not be possible. The flexibility now offered on precept levels means that if Option 2 is chosen (to increase the precept by £12) then there will be an investment in 23 officers and 7 staff. This would increase numbers to 1,083, if the converted posts are added back, compared to 1,060 at 1<sup>st</sup> April 2017.
- 15.7. 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 23<sup>rd</sup> January 2018 and includes dedicated neighbourhood teams, made up of police officers, Police Community Support Officers (PCSOs) and Special Constables.

- 15.8. The MTFP provides the funding to maintain the number of PCSOs at 116 full time equivalent (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 31<sup>st</sup> December 2017 the number of Special Constables has increased to 150 and during 2017 they contributed over 31,000 hours of duty time.
- 15.9. Funding Option 2, to increase the precept to £12, would provide investment in an additional 16 officer posts in neighbourhood policing and would ensure that there would be dedicated schools liaison officers and rural and environmental liaison officers on each of the six districts.
- 15.10. Following an extensive trial it was agreed to set up a small mounted section as part of the neighbourhood model, to improve public confidence and bring a reassuring presence to potentially violent situations. The Budget for 2018/19 includes investment for £150k for the additional costs of the mounted section.
- 15.11. As part of the commitment to a green and pleasant county in the Plan the organisation now runs seven electric vehicles, including three marked 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 for the next four years to invest in energy saving opportunities, and has set aside £240k in the Estates Reserve to fund this.
- 15.12. 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 2018/19 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. The Home Office has offered PCCs additional funding, compared to the previous settlement, by freezing the main grant (rather than reducing it) and by providing more flexibility for increasing council tax. The Minister for Policing has listened to the concerns of PCCs and Chief Constables and recognised the demands that the police face. The Chief Constable welcomes the additional funding provided to PCCs.
- 16.3. The PCC has considered two funding options and the Chief Constable recognises that the PCC must take into account the concerns of local taxpayers in deciding the level of council tax to set. Careful financial management over the last few years has meant that the budget can be

balanced with a 2% increase in council tax. Funding would cover pay rises, price inflation and additional costs incurred, taking into account the £1.4m savings identified in the year.

- 16.4. However, resources have been reduced significantly over the last few years to balance the budget and the Chief Constable would ask that the PCC considers the option to increase the council tax by £12, an increase of £1 per month. This would enable the Constabulary to invest in a number of priority areas.
- 16.5. A council tax increase of £12 would provide £1.7m additional funding, compared to an increase of 2%. The Constabulary has identified four priority areas which would benefit from additional investment:
- 16.5.1. Neighbourhood Policing  
Neighbourhood Policing is at the heart of the Police and Crime Plan and it is proposed to invest in 16 additional officers, which would include a dedicated school liaison officer and a dedicated rural and environmental liaison officer for each of the six districts.
- 16.5.2. Child Protection and Child Sexual Exploitation  
Both the HMICFRS and Ofsted have criticised the child protection response in the county. The Constabulary is committed to increasing resources in this area and it is proposed to invest in seven additional detectives and additional support for the officers in the safeguarding team.
- 16.5.3. Body Worn Video  
The benefits of body worn video for frontline officers and staff are widely recognised and this will bring significant welfare benefits. The proposed investment will provide body worn videos for all uniformed, front line staff.
- 16.5.4. Swifter, more effective justice  
The Constabulary has had to absorb significant additional pressures from the changes in the Criminal Justice System, from new technology, new legislation and austerity measures. It is proposed to invest in additional staff in this area to deliver a victim focused, speedy and effective service which successfully brings criminals to justice.
- 16.6. An increase of £12 in the council tax for 2018/19 would enable the Constabulary to invest in these areas and provide 30 additional officers and staff to support these priority areas.
- 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, in the Budget for 2017/18, funding was provided for the infrastructure to increase the number of Special Constables. As at 31<sup>st</sup> December the number of Special Constables has increased to 150 and during 2017 they provided 31,000 hours of duty.

- 16.8. As part of the funding settlement the Minister for Policing stated that he expected police leaders to deliver clear and substantial progress on productivity and efficiency. The same level of funding will be provided for 2019/20 if clear progress is delivered against agreed milestones on productivity and efficiency in 2018. 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 will review the targets from the Home Office, when they are agreed, and is committed to ensure progress is made on these.
- 16.9. Funding has not been announced for 2020/21 onwards and assumptions have had to be made for the last two years of the MTFP. It is difficult to predict funding levels for these years and there is considerable uncertainty around the last two years of the MTFP. The Home Office have indicated that they may review the Police Funding Formula in 2020 and this may change the level of funding for Gloucestershire. Due to this uncertainty, and the increasing complexity of the demands on the Constabulary, the Chief Constable would ask the PCC to increase the council tax by £12 in 2018/19 and invest in additional resources in priority areas.

## 17. Conclusion

- 17.1. This report presents the budget for 2018/19 and the financial plan for the four years to 2021/22.
- 17.2. The grant settlement, made on 19<sup>th</sup> December 2017, announced that:
- 17.2.1. The grant for 2018/19 will be frozen at the same amount as for 2017/18
- 17.2.2. PCC's will be given flexibility to increase the council tax precept level by £12 (5.6%) before the need to call a local referendum.
- 17.3. I have supported the view of PCCs nationally that the referendum threshold for the council tax precept should be abandoned. PCCs are elected by local taxpayers in their area and should be accountable to them for local taxation. I take this role as elected representative very seriously and spend a lot of time engaging with local taxpayers. Although I have called for the abandonment of referendum limits I feel very strongly that this should not allow the Home Office to cut grant funding. A proportion of the cost of pay rises, price inflation and nationally mandated costs should be funded by the Home Office grant. It should be noted that, although the main grant from the Home Office was frozen, police funding was increased by 1.6% to £8.63 billion. The Home Office now hold £1.7 billion (19%) of funding centrally.
- 17.4. Although the main grant was frozen, the organisation has to find £2m to fund pay rises and price inflation for 2018/19. 80% of expenditure is for pay for officers and staff, and an additional 1% pay rise costs the organisation £1m per year. I support all officers and staff being rewarded for the difficult and demanding jobs that they do and, after the police officer pay award, I guaranteed that staff would receive a similar award.
- 17.5. It should be noted that Gloucestershire receives a low level of main grant per head of population, compared to other forces. For 2018/19 Gloucestershire will receive £89.10 per head of population compared to £104.50 nationally. There is a wide disparity in funding and some metropolitan forces receive around £150 per head of population.
- 17.6. I have considered two funding options for 2018/19:
- 17.6.1. Increase the precept by 2%  
Due to careful financial management and savings of £1.4m identified in year the budget is balanced on this level of precept.
- 17.6.2. Increase the precept by £12 (5.6%) which will provide £1.7m additional funding for priority areas.

17.7. I have taken into account the views of the Chief Constable and the plans he has provided for additional investment.

17.7.1. In my Police and Crime Plan I state that neighbourhood policing is, in my view, vital to the overall effectiveness of policing and I would welcome additional investment in this area. The Budget also includes £150k investment in a small mounted section which is part of the new neighbourhood model.

17.7.2. Child protection is a very important and is a current issue within the County and I would welcome the investment in additional detectives in that area.

17.8. Taking into account both the public consultation undertaken and the views of the Chief Constable I have taken the view that I should use the flexibility provided by the Home Office and increase the council tax precept by £12. This will give a precept of £226.49 on a Band D property, an increase of £1 per month. I will ensure that the additional funding provided by this increase will be invested effectively in the priority areas identified and that the Constabulary continues to seek to identify efficiency and productivity gains.

17.9. The Minister for Policing, in the grant announcement, expressed concerns about the level of financial reserves held by police forces, and has called for greater transparency in how these reserves are used locally. Details of all reserves are provided in the report and my Chief Finance Officer has commented upon the level of these reserves. The majority of the earmarked reserves are committed and the remaining reserves are set aside to fund future capital programmes, particularly around ICT. I am also committed during the year to produce a separate Reserves Strategy and provide further details of reserves and commitments on the OPCC website.

17.10. I welcome the level of certainty provided by the Home Office around the funding for 2019/20, based upon efficiency and productivity gains. The longer 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 by 2% per year between 2019/20 and 2021/22. I will review this plan on an annual basis.

17.11. The current Medium Term Financial Plan will increase the number of officers, 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 **£111.221m** revenue budget (see Annex A) will require a police related Band D Council Tax element of **£226.49**. This represents an increase of 5.6% in the police related Band D Council Tax or £12 for the year.
- 18.2. In order to present a balanced budget for 2018/19 the PCC proposes to issue a precept on each District Council Collection Fund as set out below:

		<b>£</b>		<b>£</b>
	Budget Requirement			111,220,893
	Less:			
	Home Office Police Grant	33,909,566		
	Ex DCLG Formula Funding	19,258,431		
	Legacy Council Tax Grants	6,082,168		
				-59,250,165
	Collection Fund Surplus			-954,623
	Total Precept 2018/19			<u>51,016,105</u>
	<b>Precept on each District Council</b>			
	<b>District</b>		<b>Tax Base</b>	<b>Precept £</b>
	Cheltenham		41,745.20	9,454,870
	Cotswold		40,297.79	9,127,047
	Forest of Dean		28,551.32	6,466,589
	Gloucester City		37,254.40	8,437,749
	Stroud		43,539.30	9,861,216
	Tewkesbury		33,858.60	7,668,634
	Total		<u>225,246.61</u>	<u>51,016,105</u>
	<b>Police related element of the Council Tax</b>			
		Council Tax Band	Tax at Band £:p	
		A	150.99	
		B	176.16	
		C	201.32	
		D	226.49	
		E	276.82	
		F	327.15	
		G	377.48	
		H	452.98	

## Annex A

## Required Revenue Budget 2018/19

	2017/18 £k	2018/19 £k	
<b>Constabulary</b>			
Staff Costs			
Police Officers	60,945	60,930	0.0%
PCSOs	3,737	3,974	6.3%
Police Staff	23,328	24,869	6.6%
Total Staff Costs	88,010	89,773	2.0%
Training	455	469	3.1%
Other Employee Expenses	348	761	118.7%
	88,813	91,003	2.5%
Premises	6,666	6,873	3.1%
Transport	1,997	2,194	9.9%
Supplies and Services	12,039	14,450	20.0%
Third Party Payments	997	1,065	6.8%
Capital Financing	2,118	2,105	-0.6%
<b>Gross Revenue Expenditure</b>	<b>112,630</b>	<b>117,690</b>	4.5%
Other Income	-2,035	-3,254	59.9%
Interest Received	-150	-150	0.0%
	110,445	114,286	3.5%
Less: Specific Grants	-5,116	-5,031	-1.7%
<b>Constabulary Budget Requirement</b>	<b>105,329</b>	<b>109,255</b>	3.7%
<b>Office of Police and Crime Commissioner</b>			
Employees	671	710	
Premises	0	0	
Transport	16	11	
Supplies & Services	72	73	
Audit Fees	68	60	
<b>OPCC Budget Requirement</b>	<b>827</b>	<b>854</b>	3.3%
<b>Commissioning Fund Expenditure</b>	<b>1,072</b>	<b>1,112</b>	
<b>Total Budget Requirement before Reserves</b>	<b>107,228</b>	<b>111,221</b>	3.7%
<b>Contribution to Reserves</b>	<b>0</b>	<b>0</b>	
<b>Total Budget Requirement</b>	<b>107,228</b>	<b>111,221</b>	3.7%

### **Note 1 – Other Employee Costs £0.761m**

The costs for 2018/19 include the costs for the Apprentice Levy (£0.33m). For 2017/18 these costs were added to the salaries costs.

### **Note 2 – Transport Costs (£2.194m)**

The costs for 2018/19 include increased costs for motor insurance of £0.140m – see Annex D.

### **Note 3 – Supplies and Services (£14.450m)**

The significant increase in costs for 2018/19 is explained by:

- Additional costs for the mounted section, contractual costs, the Collection Fund contingency and Body Worn Video - £0.675m (see Annex B)
- Costs of providing speed awareness courses (see below) - £1.204m

### **Note 4 – Other Income (£3.254m)**

From 1<sup>st</sup> June 2018 the Constabulary will run the speed awareness courses in the county. These courses were previously provided by the County Council. Total income for 2018/19 includes the anticipated income from courses - £1.204m.

The costs of providing these courses is included within Supplies and Services costs.

### **Note 5 – Commissioners Funds (£1.112m)**

The total cost of £1.112m is split as follows:

- |  |          |
|--|----------|
| • Cost of providing Victims support        | £0.724m  |
| • Funded by grant from Ministry of Justice | -£0.724m |
| • Commissioners Fund (1% of total budget)  | £1.112m  |

## Annex B

### 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
<b>Base Budget</b>	<b>107.228</b>	<b>111.221</b>	<b>112.812</b>	<b>114.671</b>
Pay Inflation & Increments	1.422	1.913	1.960	2.009
Price Inflation	0.602	0.472	0.460	0.470
Adjustments				
One-off pay rise - September 2017	0.290	-0.290	0.000	0.000
Capital Charges	-0.013	-0.020	-0.020	-0.030
<b>Continuation Budget</b>	<b>109.529</b>	<b>113.296</b>	<b>115.212</b>	<b>117.120</b>
Other Additional Costs				
Insurance	0.180	0.000	0.000	0.000
Mounted Section	0.150	0.000	0.000	0.000
Contractual increases	0.135	0.000	0.000	0.000
LGPS Revaluation	0.165	0.165	0.165	0.165
PCSO Vacancy adjustment	0.120	0.000	0.000	0.000
Police Staff	0.400	0.000	0.000	0.000
Contingency - Collection Fund	0.200	0.000	0.000	0.000
Investment in Priority Areas				
Additional Officers - Local Policing	0.779	0.000	0.000	0.000
Additional Officers - Child Protection	0.488	0.000	0.000	0.000
Body Worn Video	0.300	0.000	0.000	0.000
Criminal Justice	0.174	0.000	0.000	0.000
Commissioners Fund	0.040	0.016	0.019	0.019
Asset Replacement Fund	0.000	0.000	0.000	0.000
<b>Savings Identified - Permanent</b>	<b>-1.439</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Savings Requirement</b>	<b>0.000</b>	<b>-0.665</b>	<b>-0.725</b>	<b>-0.709</b>
<b>Contribution to Reserves</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Budget Requirement</b>	<b>111.221</b>	<b>112.812</b>	<b>114.671</b>	<b>116.595</b>
<b>Budget Increase (Decrease) %</b>	<b>3.7%</b>	<b>1.4%</b>	<b>1.6%</b>	<b>1.7%</b>

## **One off pay rise £290k**

The Budget for 2017/18 assumed a pay award of 1% for September 2017. The award for police officers was 2%, including 1% one-off, non-consolidated (and non-pensionable) payment. Police Staff have been offered the same.

The pay award in September 2017 covers two financial years, 2017/18 and 2018/19. The Budget for 2017/18 did not provide funding for the additional 1% and it was agreed to fund the award from general reserves. The one off pay award in 2018/19 has been included within the budget, and has been adjusted out of the budget for 2019/20.

## **Additional costs:**

- **Insurance costs £180k**  
The insurance premiums for motor liability and employers and public liability have increased significantly for 2018/19 because of a number of factors:
  - Experience within the bluelight market, particularly for motor
  - The Government reduced the discount rates used to value claims
  - Increase in Insurance Premium Tax (IPT)
- **Mounted Section £150k**  
Following an extensive trial it was decided to set up a small mounted section as part of the new neighbourhood policing model. The costs cover police staff salaries £50k and non-pay costs £100k. Three police officers have also been allocated to the mounted section.
- **Contractual Increases £135k**  
There were significant increases for two contracts:
  - The contract for the administration of police pensions was tendered, using a national framework. The cost of the new contract is greater than the previous contract.
  - The contract for custody detention officers includes a section to cover the National Minimum Wage, which has increased the costs for 2018/19.
- **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 2018/19 is 17.8% of pensionable salary plus a cash contribution of £988k – an increase of £165k compared to 2017/18. For future years the cash contribution will increase by £165k per year.
- **Police Staff Costs £400k**  
This cost represents the additional posts approved during the year:
  - Intelligence Researchers x 9
  - Digital Intelligence Researchers x 2
  - External Communications Officer x 1The growth in Intelligence Researchers was approved in the Budget for 2017/18 and funded from reserves during that year.

- Contingency – Collection Fund £200k  
The Collection Fund for 2018/19 is £200k more than projected. This increase is expected to be a one-off as a number of districts have increased the assumed collection rate for their tax base. The increase has been set aside in the revenue budget as a contingency, and bids will be made against this. The fund could fund permanent revenue growth or one-off expenditure (which will reduce the savings requirement in 2019/20).
- PCSO Vacancy Management Target £120k  
A temporary saving for £120k was added to the budget for 2017/18, because numbers were below establishment. PCSOs were recruited in July 2017 and the temporary saving has been taken out of the budget for 2018/19.

### **Investment in Priority Areas**

The funding option for a £12 increase in the precept proposes additional investment of £1.7m in high priority areas:

▪ Neighbourhood Policing	£779k
▪ Child Protection and Child Sexual Exploitation	£488k
▪ Body Worn Video	£300k
▪ Swifter, more effective justice	£174k

More details of the proposed expenditure are included in Section 10 of the main report.

### **Commissioner's Fund £40k**

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.

### **Asset Replacement Fund**

A charge for £0.5m was included in the Revenue Budget to ensure that sufficient funding is available to cover the asset replacement cycle, including radios and body armour. No contributions were made into the fund in 2016/17 and 2017/18. No contribution for asset replacement has been included in the Budget for 2018/19 and the MTFP. The asset replacement cycle will be reviewed and recommendations made regarding future funding from the revenue budget and reserves. This will take account of body armour, radio replacement and the Emergency Services Network (ESN) programme and the ICT replacement programme.

## Annex C

### Budget Assumptions 2018/19 – 2021/22

	Note	2018/19	2019/20	2020/21	2021/22
Pay increase (September)	1	2.0%	2.0%	2.0%	2.0%
Pay increase (in year)	1	1.6%	2.0%	2.0%	2.0%
Increments	2	0.3%	0.3%	0.3%	0.3%
Inflation	3	2.5%	2.1%	2.0%	2.0%
Government Grant	4	0%	0%	0%	0%
Council Tax Increase	5	5.6%	2.0%	2.0%	2.0%
Council Tax Base	6	2.3%	1.5%	1.5%	1.5%

#### 1. Pay Increase

For previous years the pay award has been restricted to 1%, and this assumption was made in the MTFP. The award made to officers in September 2017 was for 2%, with 1% being a one-off, non-consolidated payment.

Following this award, and taking into account inflation, it has been assumed that future pay awards, from September 2018, will 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 2018/19 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 main grant for 2018/19 was frozen at the same level as for 2017/18 (£59.25m) and the Home Office have stated the intention to maintain a broadly flat police grant in 2019/20.

No figures were provided for individual forces for 2020/21 and 2021/22. It has been assumed that the grant will continue to be frozen at the same level as 2018/19 in these years.

#### **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 2018/19 the PCCs are able to increase their council tax precept levels by £12 before the need to call a local referendum. For Gloucestershire this represents an increase of 5.6% for the year. The intention of the Home Office is to repeat the same precept flexibility for 2019/20 - £12 (5.3%) increase.

The previous referendum limit was 2% and the MTFP assumes that the Council Tax will increase by 2% in 2019/20, 2020/21 and 2021/22.

#### **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% per year for the MTFP. The increase in 2018/19 is 2.3%.

Following dialogue with the district councils it has been assumed that the council tax base increases by 1.5% per year from 2019/20 to 2021/22. This assumption has also been made by the County Council.

#### **7. Council Tax Collection Fund Surplus**

The Collection Fund surplus for 2018/19 is £955k. A number of the district councils have increased the assumed collection rate in year for 2018/19, so it is assumed that the surplus will reduce to £750k in 2019/20 and the remaining years of the MTFP.

## Annex D

### Savings

#### Savings for 2018/19

The following savings have been identified to balance the budget for 2018/19:

	£m
Reductions in Police Officer allowances	0.195
Change Services review	0.425
Police pensions	0.450
Restructure of ranks	0.265
Conversion of officer posts to staff posts	0.104
<b>Total</b>	<b>1.439</b>

1. Reductions in Police Officer allowances (£195k)

The housing allowances budget will reduce in 2018/19 due to turnover of officers, as new entrants are not eligible for this allowance.

2. Change Services Review (£425k)

The review of the Change Services department during 2017/18 has resulted in the achievement of £425k full year savings, following the reduction in the number of staff.

3. Opt Out of Police Pension Schemes (£450k)

During 2017/18 it was noted that 45 officers have opted out of the police pension schemes, which has led to a reduction in the contributions made by the Constabulary. The majority of these will not be auto-enrolled until May 2020.

4. Restructure of Ranks (£265k)

The reviews of Local Policing and Crime Command have resulted in the reduction of a number of senior officer posts. The changes in officers within rank were:

- Superintendents -3
- Chief Inspectors 0
- Inspectors -4
- Sergeants +3
- Constables +4

This has resulted in a saving of £265k on the Police Officer salaries budget.

5. Conversion of Officer Posts to Staff Posts (£104k)

During 2017/18 a number of police officer posts were converted to police staff posts. This has resulted in a saving on the salaries budget of £104k.

## **Savings for the period from 2019/20 to 2021/22**

The MTF5 shows the following savings requirements:

- |                |              |
|----------------|--------------|
| ○ 2019/20      | £0.7m        |
| ○ 2020/21      | £0.7m        |
| ○ 2021/22      | £0.7m        |
| ○ <b>Total</b> | <b>£2.1m</b> |

This assumes that government grant will continue to be frozen each year and that from 2019/20 the precept will increase by 2% per year.

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:

- A plan is being developed to review all departments using priority based budgeting techniques
- The vehicle fleet is being reviewed to identify low use vehicles and reduce the number of vehicles. A 10% reduction in the size of the fleet would save around £300k per year.
- As part of the green and pleasant county agenda, in the Police and Crime Plan, the PCC and the Constabulary are committed to moving towards a paperless office and reducing paper, print and copying costs.

In the Grant Settlement the Home Office committed to similar funding for 2019/20, dependent on delivering clear progress against agreed milestones on productivity and efficiency in 2018, particularly in two areas:

- Seek and deliver further cost efficiencies around procurement. 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.
- A modern digitally enabled workforce, so that officers spend less time dealing with bureaucracy. The Constabulary has introduced a mobile frontline working project, which is in the capital plan and funded from the ICT Reserve. It is also looking to introduce body worn video in 2018/19 to all uniformed officers, which will provide efficiency and productivity benefits, improve public confidence and improve the capture of key evidence.

## Annex E

### Officers and Staff

The Budget for 2018/19 projects that, as at 31<sup>st</sup> March 2019, the organisation will have 1,853 officers and staff, split between:

- Constabulary 1,840 fte
- OPCC 13 fte

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

	Police Officers	PCSOs	Police Staff	Total
	FTE	FTE	FTE	FTE
As at 31/03/17	1,060	116	650	1,826
As at 31/03/18	1,044	116	663	1,823
Estimated as at 31/03/19	1,055	116	682	1,853
Estimated as at 31/03/20	1,055	116	682	1,853

#### Police Officers

The budgeted establishment for police officers as at 31<sup>st</sup> March 2017 was 1,060 fte. During 2017/18 16 officer posts were converted to staff posts, so the budgeted establishment as at 31<sup>st</sup> March 2018 is 1,044 fte.

The officer establishment is planned to increase during 2018/19 to 1,055 fte:

Budgeted establishment as at 31st March 2017	1,044 fte
Additional posts	
Neighbourhood Policing	16 fte
Child Protection	7 fte
Less: Officer posts converted to Staff posts	-12 fte
Budgeted establishment as at 31st March 2018	1,055 fte

It has been assumed that 80 officers will leave during the year and recruitment is planned to replace these officers and increase the establishment to 1,055 fte.

The budgeted establishment excludes officers on secondment, career breaks and maternity leave. The Constabulary currently has 8 officers on secondment to the Regional Organised Crime Unit and 4 officers on secondment to the National Police Air Service (NPAS).

## **Workforce Modernisation**

During 2017/18 16 police officer posts, which did not require warranted powers, were converted to staff posts (workforce modernisation). During 2016/17 22 posts, previously held by police officers, were converted to police staff posts, and it is planned to workforce modernise 12 posts during 2018/19.

If these 50 posts were added back to the officer establishment, as at 31<sup>st</sup> March 2019, the number of officers would be 1,105 fte.

## **Special Constables**

As at 31<sup>st</sup> December 2017 there were 150 Special Constables, compared to 124 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 2017 Special Constables contributed over 31,000 hours of duty time.

## **Volunteers**

The Constabulary and the OPCC are supported by a large number of volunteers. As at 31<sup>st</sup> December 2017 the numbers of volunteers were:

- Police Cadets and Leaders 60
- Police Support Volunteers 114
- Community Based Volunteers 108

In the last two years 30 new volunteer roles have been created, including:

- Watch Support Volunteers
- Control Room Tour Guide Volunteers
- Custody Support Volunteers
- Volunteer Cadet Leaders.

## **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 1<sup>st</sup> April 2018 is 663 fte. This is the establishment of permanent posts, and excludes temporary posts.

The establishment was reduced during the year following the review of the Change Services Department.

During 2017/18 additional posts were added for:

- Intelligence Researchers – 9fte
- Digital Intelligence Researchers – 2fte
- External Communications Officer – 1 fte

During 2018/19 the budgeted staff establishment is projected to increase to 682 fte, because of:

- Additional posts in Child Protection and Criminal Justice 7fte
- Officer posts converted to staff posts 12fte

## Annex F

### Reserves

#### 1. General Reserve £4.955m

The General Reserve represents a contingency against unforeseen risks. The strategy of the PCC has been to maintain a minimum level of General Reserve at 5% of net revenue expenditure. During the year it was decided to fund the one-off, non-consolidated pay rise, awarded for September 2017, from the general reserve. The funding for the award for 2017/18 has reduced the reserve to £4.955m, which represents 4.5% of the net revenue expenditure for 2018/19.

	2017/18	2018/19	2019/20	2020/21	2021/22
General Reserve	5.361	4.955	4.955	4.955	4.955
Net Revenue Expenditure	107.228	111.221	112.812	114.671	116.595
Reserve as % of budget	5.0%	4.5%	4.4%	4.3%	4.2%

It is planned to maintain the General Reserve at £4.955m for the MTFP period, which will represent 4.2% of net revenue expenditure by 2021/22.

#### Earmarked Reserves £14.890m

The projected Earmarked Reserves at 31<sup>st</sup> March 2018 and for the MTFP period, are expected to be:

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Revenue Support	2.882	1.361	0.560	0.000	0.000
Estates	1.394	0.779	0.340	0.000	0.000
ICT	4.726	4.411	3.500	2.000	0.500
Vehicles	0.992	0.992	0.400	0.400	0.400
ESN	3.700	4.791	4.650	4.000	1.300
Insurance	0.500	0.500	0.500	0.500	0.500
Specific Funds	4.744	2.056	0.556	0.000	0.000
<b>Total</b>	<b>18.938</b>	<b>14.890</b>	<b>10.506</b>	<b>6.900</b>	<b>2.700</b>

#### 2. Revenue Support £1.361m

The Revenue Support Reserve was set up to support the revenue budget over the MTFP period. The budget for 2017/18 is currently projecting an over-spend of £0.220m, which will be funded from the Revenue Support Reserve. During the year £1.3m was transferred to the ESN Reserve.

### **3. Estates £0.779m**

Since April 2013 £17m has been spent on developing the estate, funded from reserves and from capital receipts. The balance on the reserve, after the following commitments is £340k:

- The organisation has committed to fund a budget of £60k per year for the next four years to invest in energy saving opportunities within the estate, and has set aside £240k to fund this.
- £200k has been set aside to fund the initial survey work for the plans to develop the Bamfurlong Operations centre.

### **4. ICT £4.411m**

This reserve was set up to fund the ICT Strategy. The balance on the reserve at 31<sup>st</sup> March 2019 is projected to be £3.5m, allowing for expenditure in 2017/18 and commitments for the mobile frontline working project (£817k) and the regional Storm platform (£132k).

The balance on the reserve will fund future ICT requirements, which will include:

- The next stage of the mobile frontline working project
- The replacement of the HR system
- The development of the force crime and intelligence system.

### **5. Vehicles £0.992m**

Due to the different replacement plans for vehicles the planned spend on vehicles varies significantly year on year. The replacement fund evens out these variations. Fixed annual contributions are made into the fund and the actual spend is taken out of the fund.

### **6. Emergency Services Network (ESN) £4.791m**

This reserve has been set up to cover the costs of the Emergency Services Network (ESN), which replaces the Airwave radio system. This will fund the costs for devices and system changes, project costs and the cost of dual running of the two systems. The latest costings indicate that Gloucestershire will require funding for £5m to cover these costs, and an additional £1.3m has been transferred into the reserve.

### **7. Insurance £0.500m**

This reserve is to allow for a number of large claims in one year, if the excesses on the insurance policies are increased significantly.

## 8. Specific Funds £2.056m

A number of specific funds are held when the expected spend for the project is likely to be over a number of years. It is anticipated that the total for these funds will be £2.056m at 31<sup>st</sup> March 2018:

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
<b>Other Specific Funds</b>					
Commissioning Fund	0.659	0.350	0.000	0.000	0.000
Six Priorities Fund	0.180	0.090	0.000	0.000	0.000
SPECS camera enforcement	0.258	0.158	0.058	0.000	0.000
Asset Recovery Incentivisation Scheme	0.225	0.000	0.000	0.000	0.000
Asset Replacement Fund	0.085	0.000	0.000	0.000	0.000
Others	0.649	0.000	0.000	0.000	0.000
<b>Total</b>	<b>2.056</b>	<b>0.598</b>	<b>0.058</b>	<b>0.000</b>	<b>0.000</b>

- Commissioning Fund  
This reserve is used to fund projects commissioned by the PCC. Most of these funds are committed to long term projects.
- Six Priorities Fund  
This reserve was set aside to support the delivery of the six priorities within the Police and Crime Plan.
- SPECS Income  
This is income received from enforcement of the temporary speed restriction on the M5 and has been set aside to allocate to communities and schools for local initiatives to make roads safer.
- ARIS Income  
This reserve was established following the receipt of a large additional payment from the Home Office. Some of this fund has been allocated to specific projects within 2017/18.
- Asset Replacement Fund  
No contributions were made into this fund in 2016/17 and 2017/18, and no contributions are planned for 2018/19. The asset replacement cycle will be reviewed and recommendations made regarding future funding from the revenue budget and from reserves.

## Annex G

### Capital Programme

	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
<u>Annual Schemes</u>				
Vehicle Replacement	1,440	1,440	1,440	1,440
IT Replacement	350	350	350	350
	1,790	1,790	1,790	1,790
<u>New Schemes</u>				
<u>Expenditure deferred from 2017/18</u>				
Mobile Working Project	817			
Regional Storm Platform	132			
Emergency Services Network (ESN)	394			
ICT Replacement	102			
Vehicle Replacement	1,400			
<b>Total Capital Expenditure</b>	<b>4,635</b>	<b>1,790</b>	<b>1,790</b>	<b>1,790</b>
<b>Funded By:</b>				
Capital Grant Received in Year	371	371	371	371
Revenue Contribution in Year	1,419	1,419	1,419	1,419
Capital Grant brought forward	394			
Revenue Contribution brought forward	927			
ICT Reserve	949			
Vehicle Reserve	575			
	4,635	1,790	1,790	1,790

#### Annual Schemes

The annual schemes are the replacement programmes for vehicles and IT 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 programme is funded from the capital grant from the Home Office, and the balance from the Revenue Budget.

## **Deferred Schemes**

A number of capital schemes have been deferred from 2017/18 in the Capital programme. The actual deferred expenditure into 2018/19 may vary from the plan, based on actual expenditure on the capital programme projects up to 31<sup>st</sup> March 2018.

## **Estates Strategy**

Since April 2013 £17m has been spent on developing the estate used by Gloucestershire Police. This expenditure has been funded from reserves and from the capital receipts from the sale of the Lansdown Road site in Cheltenham.

The next stage of the estates strategy is to develop the estate in three areas:

- Bamfurlong – refurbish and extend the operational centre.
- Stroud – to refurbish the town’s police station
- Cirencester – to work with the local authority and others to provide a better police station as part of the development of the town centre.

This will be funded from capital receipts and the remaining estates reserve. If these do not provide sufficient funding the PCC may have to borrow funds.

## **ICT Strategy**

Future ICT requirements will include:

- The next stage of the mobile frontline working project
- The replacement of the HR system
- The development of the force crime and intelligence system
- The costs of the new Emergency Services Network (ESN)

These projects will require significant investment, which will be funded from the ICT and ESN Reserves.

## **Capital Grant**

The capital grant for 2018/19 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.

## **Borrowing**

There is currently no requirement to take out new, permanent borrowing during the four year MTFP period from 2018/19 to 2021/22. All new schemes during the period will be funded from either reserves or capital receipts. In the current MTFP the borrowing costs in the Revenue Account will not be increased.

## **Annex H**

## Budget Monitoring Report – Reconciliation

	Annex A	Major Incidents	Contingency	Other Adjustments	Monitoring Statement
	£000's	£000's	£000's	£000's	£000's
Police Officers	60,930	-662	-1,725	-1,514	57,028
Police Staff	24,869	-90	-1,200		23,579
PCSOs	3,974				3,974
Other employee costs	761			1,514	2,275
Training	469		-20		449
Major Incidents		301			301
<b>Total Employee Costs</b>	<b>91,003</b>	<b>-451</b>	<b>-2,945</b>	<b>0</b>	<b>87,607</b>
Premises	6,873				6,873
Transport - Fleet	2,194			-301	1,893
Transport - Other				301	301
Supplies & Services	14,450	-50	-2,478		11,921
Agency Costs	1,065		20	-417	667
Contracts for Support Services				417	417
Force Development Contingency			5,404		5,404
Savings Required for New Growth					0
Capital Financing Cost	2,105			-1,419	686
Revenue Contribution to Capital				1,419	1,419
PCC Costs	854				854
PCC Commissioning Fund	1,112				1,112
<b>Total Expenditure</b>	<b>119,656</b>	<b>-501</b>	<b>0</b>	<b>0</b>	<b>119,154</b>
Income	-3,254	501			-2,753
Interest Receipts	-150				-150
Specific Grants	-5,031				-5,031
<b>Net Budget/Expenditure</b>	<b>111,221</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>111,221</b>
Support from Reserves	0				0
<b>Budget Requirement</b>	<b>111,221</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>111,221</b>

This reconciles the budget analysis in the Required Revenue Budget (Annex A) and the Budget Monitoring Statement, prepared quarterly during the year. The following should be noted:

- The total for the Transport Costs for Fleet (£1,893k) and Other (£301k) is £2.194k (Annex A)
- The total for Agency Costs (£667k) and Contracts for Support Services (£417k) is £1,065k (Third Party Payments - Annex A)
- The Force Development Contingency represents budgets held centrally for contingency items and for approved growth.
- The total for Capital Financing (£686k) and the Revenue Contribution to Capital (£1,419k) is £2,105k (Annex A)
- The other adjustment relates to the budget for ill health and injury gratuity payments.