

**POLICE AND CRIME PANEL**

**23 JANUARY 2020**

**REPORT OF THE POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE**

**PROPOSED PRECEPT FOR 2020/21- Additional information**

**PURPOSE OF THE REPORT**

This report sets out the latest expected budget and precept proposals for the Office of the Police and Crime Commissioner and the Constabulary.

There are a number of assumptions contained within the report based on the latest projections and information available at the time of writing on 20<sup>th</sup> January 2020. This has been necessary in the absence of the draft police settlement and associated precept consultation guidelines.

This report provides information on: -

1. Police and Crime Commissioners (PCC's) Revenue Budget for 2020/21.
2. Proposed Precept for 2020/21.
3. Medium Term Financial Forecast 2020/21 – 2023/24.

**ATTACHMENTS**

**List of Annexes**

<b>A</b>	Revenue Budget Projections (Medium Term) 2020/21 – 2023/24
<b>B</b>	Budget for the Office of the Police and Crime Commissioner 2020/21
<b>C</b>	Budget for the Chief Constable 2020/21
<b>D</b>	Anticipated Reserves 2020/21 – 2022/23
<b>E</b>	Summary of potential precept options 2020/21
<b>F</b>	Summary of projected movements in the 2020/21 budget

The following section sets out the anticipated proposals for the budget, subject to publication of the draft settlement for 2020/21.

## **RECOMMENDATIONS**

1. To note the letter from the Chief Constable setting out his professional recommendation to the PCC regarding the budget and precept proposal for 2020/21.
2. To note the information, analysis and assumptions made for the 2020/21 budget and the Medium Term Financial Plan.
3. To consider, and approve, in line with Schedule 5 of the Police Reform and Social Responsibility Act 2011, and associated regulations, a precept rise of the maximum allowable by the precept limit, but that does not exceed £10 (in total) for a Band D property.

## **CONTACT FOR ENQUIRIES**

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## **Budget Preface from the Police and Crime Commissioner (PCC)**

To say that my preface to this precept report is being written in unusual times is, to coin an over used phrase, something of an understatement. We are usually able to prepare detailed papers for the Panel that include certainties about the levels of funding we will be getting from central Government through the Police Grant; we know at what level the precept limit has been set, so I have an idea of the scale of the flexibility I have available to me when considering any change; and most importantly I will have had time, albeit over the holiday season, to give Derbyshire residents the opportunity to have their say over any potential changes in precept levels for policing. As I write this I have none of these.

The General Election in December meant that decisions about governmental spending were put on the back burner, it also meant no statements have been made about the capping arrangements for any potential precept rises. This in turn has made it very difficult for me to go to the people of Derbyshire and explain the financial picture for 2020/21 and what I may need to ask in terms of the precept level for policing in the coming year. To me this is unacceptable but something over which I have no control. I have shared my concerns with the Chair of the Panel, and suggested that she might consider moving the date of the meeting until we knew more, but her decision was to retain this date so we find ourselves in uncharted waters, where all I can provide you with is best guesses based on intelligence we have been able to gather from a variety of sources.

I think it is fair to say that there is an acceptance that after a decade of austerity, and resultant cuts in policing, there has been a significant effect on the Police Service of England and Wales. The headline-grabbing announcement towards the end of the year of 20,000 additional officers would seem to be a recognition of this. Whilst obviously welcomed, let me be clear that this will not cancel out the effects of the past ten years, though it will help shore up the service. It is important to recognise that the roll out of these additional resources will take time, and will not be felt in full until the end of 2023. We must also acknowledge that whilst any additional police officers are a welcome boost to the service, the 20,000 does not address the estimated 19,000 police staff roles that have been lost that allow these new officers to do the job of policing and keeping people safe, rather than the administrative tasks that keep the engine running. Last year I will admit I was, like most of my colleagues, caught a little off guard when the government announced the flexibility to raise the precept by a maximum of £24.

We had heard whispers that a greater flexibility than the usual 2% increase might be on the cards, but this represented the first significant increase in over ten years. I worked closely with the Chief Constable and ensured that he fully understood that if I was going to ask the public of Derbyshire for an additional £24, I (and they) expected to be able to see and feel the difference that this would make. The Chief agreed that this was important and we set about an unprecedented recruitment campaign, to seemingly impossible deadlines, to be able to deliver the uplift in officers and staff. True to his word, the Chief Constable delivered these officers and staff and we are now starting to feel the benefit of them within our communities. We have seen increased visibility within neighbourhoods, we have seen work (supported by additional funding from my office) to increase activity to address speeding through enforcement and investment in Community Speedwatch initiatives, we have seen a focus on tackling the issues of rural and wildlife crime through investment in the rural crime team, whilst also responding to police identified risk and threat. Initial feedback I have had from people out on the streets has been positive, but I am acutely aware that there is still more for us to do.

It would be short-sighted to simply consider policing in isolation, as I have a wider responsibility relating to partnership working and supporting victims of crime. Some may suggest that austerity's bite has been even more noticeable with some of our partners, and I have certainly felt the impact of their cuts through a shift of demand from services traditionally provided by partners onto the police. Examples of this would include children's services and provision for those with mental health needs. Whilst I obviously want to play my part as an active partner, I simply cannot afford to plug all of the gaps that are now appearing.

I have a difficult decision to make when it comes to this year's precept. As I have outlined above I am having to consider options with only half the picture. As you would expect, I have spent a considerable amount of time talking to the Chief Constable to gain his professional perspective and he has chosen to write an open letter to share his views with the people of Derbyshire (a copy of which follows). My Chief Finance Officer has worked with the Force finance team to model potential financial positions and options for this and future years. I have gone to the public, both online and in person, to ask for their views. The following report, however imperfect, is the best I have been able to produce considering the missing pieces of the jigsaw and the lack of the lid of the jigsaw box.

I must also acknowledge the elephant in the room in that there are the PCC elections in May. But let me be clear...the decisions I will make, and the recommendations I outline in this report are based on doing what I believe are the right things for the people of Derbyshire, not the most politically expedient. When I took up office in 2016 I took an oath which stated that I would, to the best of my ability, execute the duties of my office to ensure that the police are able to cut crime and protect the public.

A handwritten signature in black ink, appearing to read 'Hardy Dhindsa', with a stylized flourish at the end.

**Hardyal Dhindsa**

**Police & Crime Commissioner for Derbyshire**

**January 2020**

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Contact: Peter Goodman  
Direct Tel: [REDACTED]  
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Our ref: HQ/CC/PCPT1.8  
Date: 13 January 2020

Hardyal Dhindsa  
Police and Crime Commissioner for Derbyshire  
Butterley Hall  
Ripley  
Derbyshire  
DE5 3RS

Dear Commissioner

### Precept Considerations for 2020/21

I am writing to you as I enter my fourth year as Chief Constable of Derbyshire Constabulary and to share my professional view on why I believe you should increase the council tax precept by £10, subject to the maximum allowed by the Government and regulations. During my time as Chief Constable I believe that we have developed a good and professional working relationship, one which I hope that you have found to be beneficial, allowing you to hold me to account for the delivery of policing services within Derbyshire, supporting the ambitions of your Police and Crime Plan.

Firstly, I would like to take this opportunity to formally thank you on behalf of the Constabulary for proposing last year's precept increase of £24, which was unanimously supported by the Police & Crime Panel. This provided the opportunity for the Constabulary to continue to provide a high-quality policing service to the people of Derbyshire. As a result of this precept growth, I am pleased to say that I have been able to increase the number of Police Officers and Police Staff dedicated to providing visible policing within our communities by 120 people, comprising of fifty-eight Police Officers, fifteen Police Staff, eleven Neighbourhood Enquiry Officers, fourteen PCSOs and twenty-two Detective Staff Investigators.

This year has also seen our first cohort of Police Now Officers join the Constabulary, specifically recruited to support visible neighbourhood policing. Police Now is a two-year graduate programme, training and developing people to become part of the next generation of Police Officers. This is a new way to enter the police family, broadening the diversity, skills and experience of our workforce and helping to make us truly representative of our communities.

In addition to all of the above, I have supported your commitment to ensure a visible and dedicated difference to the way in which rural communities are policed through the creation of a County-wide Rural Crime Team. Further work is also ongoing to train Safer Neighbourhood Officers so that they are equipped to respond to the rural and wildlife issues in their local area. I also know that as part of your #D383 initiative, one of the consistent topics that was raised as a concern by our communities is the speeding of motor vehicles. I am very pleased to say that last year's precept increase allowed me to provide an uplift of specialist officers dedicated to tackling speeding and other crime on the roads of the north-west of the County and beyond. This is yielding rewards, with the number of people killed or seriously injured on the roads of Derbyshire already reduced. We have also seen investment in our public protection capability, which sees the most vulnerable victims of crimes such as sexual abuse, child sexual exploitation and domestic violence receive an enhanced service from the Constabulary.

The changes that I have made to the Constabulary are not limited to ensuring "boots on the ground". A priority of mine has been to ensure that the Constabulary is completely fit to face the future through a comprehensive programme of workforce

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Incoming telephone calls and data communications may be monitored and recorded



modernisation. We were one of the first forces to implement the National Enablers Programme, and our ground-breaking work on Business Intelligence, Analytics, and 24-7 drone coverage proves our commitment to innovate and “push the envelope” when it can be shown to deliver clear benefits to the organisation. I have also ensured that cultural change is prioritised, empowering my colleagues to do the right thing without fear of blame should it go wrong, guaranteeing that lessons are learned throughout the entire organisation, and emphasising a just culture that is able to demonstrate a real difference to the people of Derbyshire.

I know that the decision to propose and lobby for this increase in funding was a difficult one for you to make, especially at a time when household budgets are being squeezed on many fronts. I hope that I have shown that when the Constabulary is trusted by you with the public’s money, it spends it wisely, ensuring that the benefits to the community are realised quickly and intelligently.

As you know, the cost of policing does not remain static, and over recent years we have seen some very real and significant financial challenges facing the Constabulary. Some of these challenges are completely out of our control, such as the recent decision to increase Police Officer and Police Staff salaries by 0.5% above the expected level of 2%, yielding a requirement to find an additional £0.6m annually. In the absence of contrary information, we forecast that this 2.5% increase will continue for several years to come. We have also seen a recent change to the way in which the contribution to Police Officer pensions is calculated, yielding an additional, and significant, annual pressure of £1.8m which is currently being met by a grant contribution from the Home Office; although there are no guarantees on that funding going forward.

We are also confronted with a constantly changing landscape regarding the way in which our business is conducted in the digital environment. Whilst I recognise that this does present us with many opportunities for long-term savings through business efficiencies, such as those expected from our Analytics programme, there are significant upfront and ongoing maintenance costs associated with technology development and licensing which are unavoidable. We do, of course, have the option of reducing our expenditure on the future-proofing of our capabilities, but this is ultimately ill-advised as it would denude our ability to tackle new and emerging crime types, as well as reducing our capability to understand and address the ever-increasing and complex demands placed upon our services.

As mentioned above, we are leading the way with the National Enablers Programme, recognising at an early stage the potential it could bring. However, we should not forget that this programme was an unavoidable outcome of the changes to Office 365 over which we had no control. Increasingly, what were old infrastructure and on-premise storage capital costs in IT have now become annual revenue costs based upon licences and cloud-based storage solutions which create further pressure. We are now completely reliant on technology, and I know you share my ambition that we should make the most of what this offers, to improve policing and the services we offer; its changing nature does have a significant impact upon our finances however.

It should not be forgotten that the risk and threat that we face as a society is constantly changing. Again, the ability to meet these challenges is not without cost, and tackling vulnerability requires significant investment. For example, the recent work to address the scourge of modern slavery in Derby and Latvia through Operation Doubrava necessitated an expensive multi-national, multi-agency investigation which resulted in the safeguarding of twenty-eight vulnerable adults and the prosecution of eleven perpetrators. As a result of Operation Doubrava, the Constabulary now has a unit dedicated to tackling modern slavery and human trafficking; only a few years ago this would have been seen as a luxury, rather than a necessary and vital tool in our arsenal against organised criminality.

Whilst some of the above areas have been financed through the increases in precept over recent years, I have ensured that our reserves have been used, as appropriate, to reduce the burden on the public purse. However, we are now at a stage where our reserves have been largely depleted,

reducing at the fastest rate of any other Force over the recent period, and aggravated by the recent unforeseen and significant expenditure incurred whilst responding to the emergency at Toddbrook Reservoir in Whaley Bridge (which the Force is unable to claim back as it fell below Bellwin limits).

Put bluntly, it is not a comfortable position in which we now find ourselves. If we assume a maximum 2% increase in the precept for the forthcoming year (the limit currently set by the Government), then we face a real-terms cut and an end of year deficit of approximately £2.9m in 2020/21, with insufficient available funding in reserves to balance the budget. Savings opportunities are still being developed through the "Bridging the Funding Gap" programme and are by no means certain at the moment. Any prudent financial planning would not anticipate "banking" any savings that are still in the process of being delivered. Whilst our reserves would certainly be decimated in this scenario, the impact would also be felt in the inability to continue with our various modernisation programmes, with planned upgrades and maintenance to our estate being scaled back, delayed, or put on hold indefinitely. It may very well be the case that in order to achieve the desired level of savings (thus maintaining an appropriate but highly reduced level of reserves), resource vacancies will have to be placed on-hold, with a very strong possibility of an overall reduction in numbers of Police Staff, which may reluctantly include Investigators and other frontline Police Staff, throughout the County.

Whilst a 2% precept increase would present significant challenges if substantial savings cannot be identified, a 0% increase in the precept amount has the potential to be catastrophic to policing in the County, with an expected end of year deficit of approximately £3.7m in 2020/21. It is no exaggeration to state that all operational activity would be detrimentally impacted upon, forcing the Constabulary back into austerity measures, and leading to all of the good work conducted during my time as Chief Constable to be completely undone. All modernisation programmes would cease, redundancies would be inevitable, and we would have no choice but to scale back on our involvement in wider partnership working as well as looking to delay any further investment in collaborative opportunities with Derbyshire Fire & Rescue Service; collaboration and partnership working is not a zero-sum game with the Police having historically invested heavily to ensure its success. Without doubt our current operating model would have to change, and we would be confronted with some difficult decisions as to the type and level of service we give. We know other forces have operated some very strong non-investigation and triage policies for certain crimes and incidents. We have taken a very pragmatic threat and risk-based approach thus far, but it would be choices such as this which we would face if presented with such a large financial gap.

The recently announced uplift of Police Officers by 20,000 is certainly welcome, and will yield approximately 280 additional Officers over the next three years. However, the reality is that this will not even return us to resource levels that were already in existence prior to the recent period of austerity and overall reduced Government spending. In particular it would do nothing to address the loss of nearly 300 Police Staff since 2010, whose work is vital in supporting activity of frontline Police Officers. The funding for these Officers is ring-fenced, and recruitment will be closely monitored by the Home Office to ensure the successful delivery of this target. Ultimately, this means that whilst our overall Police Officer figures will increase regardless of the precept amount, we do not have the flexibility to "cash-in" these resources for use elsewhere. In-fact, if we are left with no alternative but to hold vacancies or to consider redundancies as discussed above, then we will need to back-fill some or all of those deemed essential with Police Officers rather than significantly undermine the service we offer to our communities. This will reduce the impact of the uplift programme on our ability to deliver an enhanced frontline policing presence. Of note, this may very well be prevented by the Government who want to see the uplift programme deliver visible policing rather than backroom support. Let me be clear, we do not want to find ourselves in a situation where Police Officers carry out office-based roles that would be better undertaken by Police Staff.

Clearly therefore, neither the 0% or 2% precept figures would be sufficient if our primary purpose is to ensure the safety and security of the residents of Derbyshire. Our financial forecasting suggests that the most sensible and pragmatic approach, an approach which balances the needs of the Constabulary against the additional fiscal "ask" of council tax payers of the County, is to see



a more significant increase, to the maximum allowed if the Government raise the limit on the precept amount (which could be around £10) whilst still developing a savings programme that ensures we are efficient and effective; the Force remains in the lowest quartile for spend per head of population and for its available reserves. Whilst I understand that increasing the burden on council tax payers has always been your last resort, and that your preference has always been for increased central Government grant funding, it is my belief that this is the only realistic option left open to us, to protect the service financially, whilst ensuring that your strategic priorities (as set out in your Policing Plan) are addressed. This precept amount would allow for our current recruitment profile to remain unchanged, and would demonstrate a commitment to the people of Derbyshire to continue the level of investment in community policing seen over the past two years.

I believe that it is fair to say that up until recently, and as a result of austerity, the Constabulary has been operating at a level at which we have only been able to deliver essential services. In the past two years, and with your support, I have been able to invest in the areas of greatest risk and threat, and together we have provided a specific uplift of resources to the area of neighbourhood policing. My colleagues and I strive every day to ensure that these services are delivered to the best of our collective ability, but the recent inspections by HMICFRS have suggested that an ongoing and general erosion in the availability of resources throughout the Constabulary has impeded upon our ability to truly deliver these services to a quality that the public of the County of Derbyshire would, and should, expect.

Ultimately, and in order to meet our principle of keeping Derbyshire safer together with our partners, we require investment. The combination of the uplift of Police Officers combined with a £10 precept increase (if allowed by the Government) would put the Constabulary in a better place in which it is fit to meet the challenges, both known and unknown, that lay ahead in 2020/21 and beyond.

With kindest regards,

A handwritten signature in dark ink, appearing to be 'P. Goodman', followed by a small dot.

**Peter Goodman QPM**  
**Chief Constable**

## **1. EXECUTIVE SUMMARY – WHAT THE SETTLEMENT WILL PROBABLY MEAN FOR DERBYSHIRE**

1.1 In reading this report and the supporting documents, it is useful to keep in mind the following key assumptions and proposals in the absence of the provisional settlement announcement:

- There is a possibility that the precept flexibility could be up to £10 for a Band D property, (a 4.62% increase or less than a £1 a month for a Band D property). The initial limit set by the Government was equivalent to a £4.31 increase in the Band D charge or 2%. £10 would provide an extra £4m of additional income through council tax, bringing council tax funding to £73m.
- It is anticipated that there will be no increase in police grant or other grants. However, we anticipate that additional funding of £7m will be provided in 2020/21 to cover Derbyshire's share of the extra 20,000 officers announced by the Government, rising to an assumed maximum of £9.9m in 2022/23 but all of this remains uncertain until settlement is published. This would be used to recruit the 283 officers (by 2022/23) making up Derbyshire's share of the uplift, including 85 in 2020/21.
- There are a number of other bid-based funding schemes that are being introduced, most notably the national Taser Funding of £10m which the Force can bid into on the basis of risk and threat. This has not been included in any forecasts at this time but would allow us to sustain funding in future years and increase the roll out.
- Projected overall funding of £191.296m based on a £10 increase. In Derbyshire, this sees our potential funding increase by 6.3% between 2019/20 and 2020/21.
- £1m of funding has been provided from the PCC Reserves to cover additional PCSO recruitment for 2 years.

Other more detailed assumptions are covered later in the report.

1.2 Panel members should also remain mindful that the limit is put on precept rises before a referendum is required. It is estimated that the cost of such a referendum in Derbyshire would be around £1m. This roughly equates to a 2% rise in the precept. The PCC is very clear that he does not wish to exceed the precept limit and trigger the need to hold a referendum.

- 1.3 The Commissioner whilst welcoming additional specific funding regrets that much of the burden is still having to be transferred again to the public of Derbyshire. The Commissioner has consulted with the public of Derbyshire concerning his proposal to increase the precept in 2020/21. The consultation is still open although it looks as though the public are supportive of both the Commissioner's call for more funding from central government as well as paying more council tax to protect policing services. The consultation is discussed in more detail within section 7 of this report.
- 1.4 A budget settlement with a £10 increase in precept for a Band D property in 2020/21 means we are able to maintain our operational policing capabilities in the short term, support the introduction of the extra officers and sustain the investment made over the last two years with **£4.892m** of investment from 2019/20 maintained across the Force and PCC priorities. We can continue to maintain and equip neighbourhood teams, rural crime teams, prevention, response policing and our roads policing team and continue to progress our essential investments in technology and analytics to support the force in dealing with risks and threats to the communities of Derbyshire. We will be able to continue to support the **£3.209m** investment from 2019/20 (of the **£4.892m**) into these priority areas, made up of 58 officers and 62 police staff so our communities will continue to see a visible investment in the areas that need them. This follows on from our investment of 25 new officers during 2018/19 and a further 25 other officers reallocated to areas of increased risk and threat. These were primarily in Child Abuse and Exploitation, Domestic Abuse, Sexual Violence, Modern Slavery and Cyber Crime. On the back of these two years of investment, the Force has significant developments in investigation of rape offences, 7 day a week public protection, 24 hour drone capability, increased taser capability and enhanced investigation capacity and safeguarding support to all children at high risk of all types of exploitation. It will also ensure we can deliver the 283 extra officers by 2022/23 as our share of the 20,000 announced nationally by the government.
- 1.5 Careful financial management over the last few years has also allowed us to continue to invest in our people, Information Technology, in particular, the National Enabling Programme (NEP) to improve information sharing and productivity and the Estate. Investment in other priority areas included sustaining our previous investment in 2019/20, but also in year investment to reinforce our information management team to meet new legislative

requirements, new communications approaches including Derbyshire Alert and partnership contributions in making Derbyshire Safer together. These priorities and others amount to an extra **£0.917m** during 2019/20, after the precept was agreed.

There are also unavoidable costs we have to cover of **£5.899m**, predominantly pay awards and pension contributions. Other changes in the year amount to a reduction in the budget requirement of **£0.252** which are included in **Annex A**.

(Further detail on the cost-pressures and investments the Force will make are included in **section 5** of this report and also **Annexes A & F**).

1.6 In addition to maintaining the investments identified by the Force, the Commissioner will invest:

- **£172.0k** to mainstream the contribution to the Mental Health Triage Hub based in the Force Control Room (previously funded from reserves).
- **£100.0k** to mainstream the Safe Space provision in Derby City Centre (previously funded from reserves).
- **£62.5k** in services aimed at improving rural communities' access to domestic abuse support as well as broader IT provision.
- **£35.0k** to provide and promote online safety work in schools.
- **£30.0k** to continue the work of the East Midlands Chamber of Commerce with the Business Crime Reduction Partnership (previously funded from reserves).
- **£30.0k** in a service aimed at supporting female persistent offenders break the cycle.
- **£4.0k** as a contribution to the road safety charity BRAKE to support them in their work within Derbyshire.

1.7 The extra government funding for officers through the settlement and potential for precept flexibility for 2020/21 only are by no means a permanent solution to our funding challenges with significant uncertainty over future funding from the Government. The underlying budget pressures remain due to the ring-fencing of the funding. Indeed, this funding actually restricts the Forces ability to manage and fund other pressures. The absence of a multiyear settlement also makes planning and resourcing very difficult. The Force is developing its 'bridging the

funding gap' savings programme and is reviewing priorities, vacancies, overtime, demand, detective staffing models and back office processes to address the anticipated **£1.296m** deficit in 2020/21 that still remains, even after a £10 increase in the precept alongside anticipated government funding. Despite the potential for a £10 increase in Precept the Force and the PCC will continue to lobby for extra funding as part of the next Comprehensive Spending Review (CSR). Had we not received the flexibility on the precept in the last two years and without flexibility this year, we would be looking at a deficit of nearly **£12m** by the end of 2020/21. This is approximately equivalent to the salary costs of **240** police officers. The table below shows the impact on council tax income of a £4.31 or 2% increase or a £10 (4.62%) increase.

#### High level analysis of 2020/21 precept options

Precept Increase (%)	Band D 2020/21 (£ per yr)	Precept Increase (£ per yr)	Generates an additional (£ per year)
1.99%	220.91	4.31	2,575,796
4.62%	226.60	10.00	4,325,970

- 1.8 Even with the proposed additional investment from Government, the Force is still short of its previous establishment of 3,730 Officers and staff in April 2009 with a projected establishment of 3,413.3 at March 2021. However, the need to identify further savings remains, particularly with the likely expectation from government that officer numbers will be maintained and vacancies minimised. This will be a significant challenge to the Force in the future.
- 1.9 We have maintained a significant contribution to our capital programme for 2020/21 (**£2.7m**) in the revenue budget. This is because our reserves are diminishing and we face the need to finance our future capital expenditure, particularly on our police stations, by borrowing. The additional contribution from the revenue budget will help to reduce the amount of borrowing required and will be needed now we increasingly have to pay for much of our new IT equipment and software through our revenue funding.

1.10 Derbyshire continues to be a safe County and the investment last year into priority areas has had an impact. The Force continues to meet the Home Office tests to allow it to increase its precept. Reserves are around average for Forces nationwide, Procurement savings targets set by the Home Office are being met and the Force maintains a low cost per head of population when compared with other Forces. With the proposed additional investment, particularly into our communities, the Force has a great opportunity to continue to make Derbyshire Safer.

## **2. THE NATIONAL PICTURE**

### **WHAT'S HAPPENED IN THE PAST?**

- 2.1 Since the Chancellor announced the results of the Coalition Government's Spending Review in 2010 Government support for local policing budgets was reduced, in real-terms, by 34%. Even with annual increases in council tax precept, total funding for local police was reduced by 21% up until 2018.
- 2.2 The 2015 Spending Review claimed overall police spending would be protected in real terms between 2015/16 to 2019/20. The actual funding to police forces was only protected to a flat cash level, which is not insulated from inflation or changes in the national pay settlement. Even at this level, Police and Crime Commissioners (PCCs) have been expected to increase their precept by the maximum permissible level.
- 2.3 The 2019/20 Police Finance Settlement provided an additional £970m of additional funding, with £813m for local policing. Precept flexibility was increased to up to £24 and an additional £161m of other additional grant funding was provided to cover other national priorities and pressures. There were national efficiency targets set by the Home Office which were met to allow for the precept flexibility.

### **WHAT'S HAPPENED THIS YEAR AND WHAT DO WE KNOW SO FAR?**

- 2.4 As mentioned throughout the report, we are still waiting for the settlement announcement for 2020/21 and have prepared this report based on the latest assumptions and information available. Some assumptions were mentioned earlier in respect of the overall precept and grant funding positions. What is clear, however, is that any additional grant funding is likely to be ring-fenced to

increasing officer numbers which does nothing to address the legacy issues facing the force after having to pull back on investment in the Estate and Information Technology and meet growing demand. These pressures remain in the short and medium term. The following sections will set out more detail on the expected pressures, potential policy changes and funding assumptions we have made in developing this draft budget. Full detail will be provided in this section once it is published and prior to formal approval of the precept.

## **WHAT DO WE THINK THE GOVERNMENT WILL EXPECT IN RETURN?**

2.5 In 2019/20, the Home Affairs Select Committee (HASC) outlined the Policing Minister's 4 priority areas to "drive efficiency, productivity and effectiveness next year": -

1. Continued efficiency savings in 2019-20 through collective procurement and shared services. There will be an expectation that every force contributes substantially to procurement savings and the Home Office will be working with the police to agree the "right force level objectives for 2019-20 and 2020-21".
2. Major progress expected to resolve challenges in investigative resource identified by HMICFRS, including recruitment of more detectives to tackle the shortfall.
3. Continue to improve productivity, including smarter use of data to deliver £50m of productivity gains in 2019-20.
4. Maintain a SOC response that spans identification and management of local threats as well as support for national priorities.

The Force performed in all these areas with over £0.590m in equivalent annualised savings through collaborative procurement and shared services, with particular work with the Fire and Rescue Service through shared posts and procurement. This was highlighted in the latest Home Office returns. There was also national recognition for the approach to smarter working through mobile technology and the excellent approach to serious and organised crime. This expectation remains and there will still be with an overall national efficiency target to achieve across the country as part of the settlement conditions.

## **WHAT ELSE DO WE THINK WILL IMPACT ON US?**

### **Additional Pension Costs**

- 2.6 The changes to the way in which police pensions are calculated means that the police, as well as other “unfunded” schemes, saw sharp increases in costs. As part of the 2019/20 settlement, these costs, nationally for the Police, were estimated to be approximately £330m (£302m for police officers and a further £28m for Metropolitan Police Service Civil Servants).
- 2.7 In 2019-20 the Treasury provided forces with an additional £142.5m grant in addition to the £161m additional funding. The result is that in some forces the combined grants cover the full pension costs, in others there is a relatively small remaining figure. Actual costs will depend on local circumstance netted off with the pension grant allocations. In Derbyshire there was a shortfall of £0.4m in 2019/20. We think this will grow to £2.6m in 2020/21 as grant will be frozen at 2019/20 levels.

### **Tax base assumptions**

- 2.8 We also anticipate that the Home Office will update their tax base assumptions to reflect the latest forecasts from the Office for Budget Responsibility of a 1.5% increase in England.

### **Reallocations of funding**

- 2.9 In 2019-20 the top-slices/reallocations totalled £1,029m. We are assuming the same top slice in 2020/21 in the absence of any further information so any further top slice from the Government will increase the projected deficit in the budget.
- 2.10 In 2019/20, there was also an additional £90m to tackle Serious and Organised Crime (SOC). The table below shows the allocations for 2019/20 in the absence of information for 2020/21.



<b>Police Funding - National Reallocations</b>	<b>2019/20 £m</b>
PFI (Private Finance Initiative(s))	73
Police technology programmes	495
Arm's length bodies	63
Top-ups to NCA and ROCUs	56
Strengthening the response to Organised Crime	90
Police transformation fund	175
Special Grant	73
Pre-charge bail	4
<b>Total Reallocations and Adjustments</b>	<b>1,029</b>

- 2.11 We have assumed that the transformation fund will remain the same, in cash terms, at £175m although further funding could be provided to support the creation of the National Commercial Organisation which is responsible for overseeing the development of shared services and joint procurement across Forces.

### **Council Tax Referendum Principles**

- 2.12 The Ministry for Housing, Communities and Local Government published the draft council tax referendum principles. In 2020/21, it proposed that PCCs will be allowed to increase band D bills by only 2%. However, we are now hoping that this will be increased to £10 or 4.62% based on latest indications.

### **Grant Allocation**

- 2.13 We are assuming that the PCC will receive the following grants in 2020/21: -

<b>Derbyshire Reallocations</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>Variation £m</b>
Home Office Police Grant	62.6	62.6	-
Ex DCLG <sup>1</sup> Formula Funding	37.9	37.9	-
<b>Sub-total</b>	<b>100.5</b>	<b>100.5</b>	<b>-</b>
Legacy Council Tax Grants	8.7	8.7	-
Pension Support Grant	1.9	1.9	-
Officer Uplift Grant		7.0	7.0
<b>Total General Grants</b>	<b>111.1</b>	<b>118.1</b>	<b>7.0</b>

<sup>1</sup> MHCLG – Ministry for Housing, Communities & Local Government

- 2.14 In addition to these general grants the PCC normally receives funding from the Ministry of Justice to fund victim and witness services (£1.212m in 2019/20).

## **WHAT DOES THE FUTURE HOLD?**

### **The Spending Review**

- 2.15 The Association of Police and Crime Commissioners (APCC) and the National Police Chiefs Council (NPCC) continue to work closely with Home Office and wider policing partners on any future spending review submissions. It is anticipated that multiyear spending reviews will return in 2021/22 which, whilst still likely to present funding challenges, this should allow policing to plan more effectively.

### **Funding Formula**

- 2.16 The police funding formula is widely considered to be unfit for purpose and needs replacing. Indeed, the current formula has never been fully implemented. Substantial work was undertaken in 2016/17 to bring forward new proposals but this work was suspended in May 2017, following the snap general election. The Minister is expected to announce that this work will recommence as part of future spending reviews.

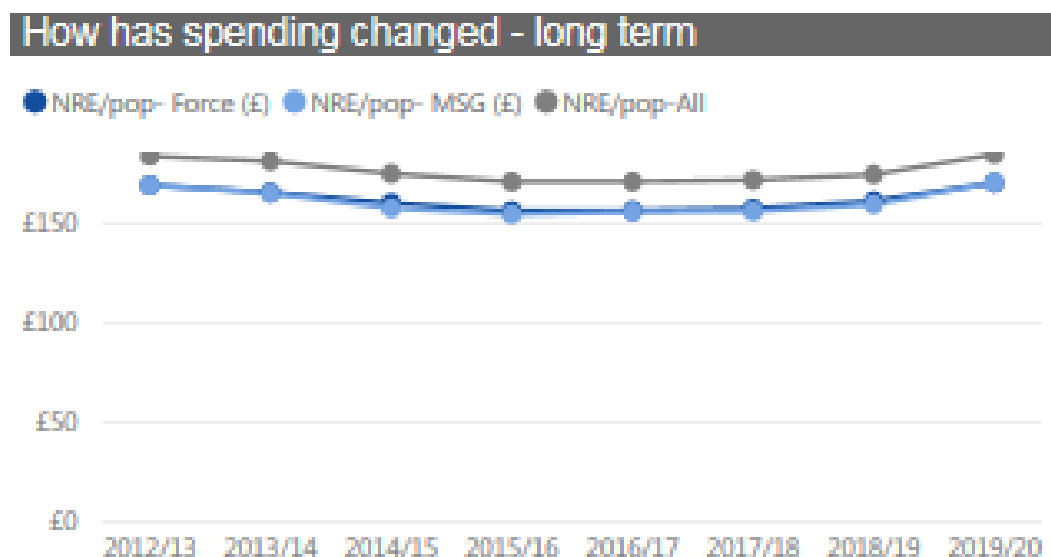
## **3. IS THE CONSTABULARY DEMONSTRATING PRODUCTIVITY & EFFICIENCY AND DELIVERING VALUE FOR MONEY (VFM)**

- 3.1 In order to meet the Minister's conditions in relation to productivity and efficiency, the APCC, NPCC and Home Office have created a National Commercial Board through which to focus efforts to deliver real progress in relation to procurement and shared services. Efficiency targets are being developed as part of this and regular monthly returns are submitted to inform the efficiency targets set by the Treasury to support any further investment or precept flexibility.

### **Results of VFM Profiles**

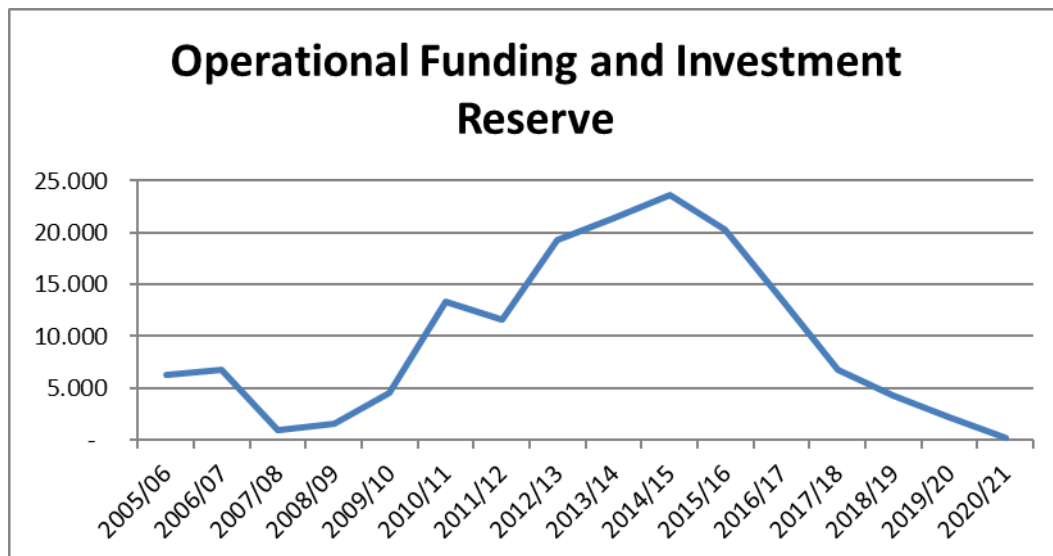
- 3.2 Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) publish value for money dashboards, which provide comparative data on a wide range of policing activities from 2011 up to the most recent data release.

- 3.3 Derbyshire is consistently below average net spend per head of population against all forces (£170.47 vs. £184.92) and also slightly lower than Most Similar Group and the same as the region, as shown in the graph below:



### Reserve Position

- 3.4 Derbyshire's reserves have been falling faster than the national average over the past seven years. Reserves have been used appropriately to support investment and ensure that any precept increases are justified alongside savings plans and reserves. The level of reserves is now only around the national average and reserves are now being used to meet certain cost pressures rather than holding a contingency in the budget. This position isn't sustainable and the reserves projections later on in the report show the challenges in funding future investment from reserves and identify the need to develop the budget on a more sustainable footing through council tax increases and savings plans, in the absence of government funding flexibility.



#### 4. WHAT ARE THE CHALLENGES FOR POLICING?

- 4.1 Chief Constables still have significant challenges as outlined in the letter to the PCC in respect of the 2020/21 budget. A reduction in real terms funding of police budgets of 21% (range 11% to 29%) up until 2018 came at a time when the policing mission had been expanded and demand has grown.
- 4.2 The public and political expectation that policing should address crimes against the most vulnerable, (domestic abuse, child sexual exploitation, modern slavery, human trafficking, county lines and forced marriage) is resource intensive. Victims require safeguarding. Investigations are often complex and partnership case management is intense. The ability to create significant efficiencies is limited in an area concerned with protecting very vulnerable people.
- 4.3 The threat from terrorism remains high and significant investment in counter terrorism policing has been provided to National Counter Terrorism Policing. Whilst the funding in some counter terrorism capabilities has grown it is worth reflecting that the majority of the police responses to terrorist and indeed local emergencies such as the Todbrook Dam in Whaley Bridge come from core policing resources. Even uplifts in areas such as armed policing with additional funds have required support from host force budgets.
- 4.4 The demand on policing remains high. This is reflected in additional demand through reports and call volumes but it is also apparent in the evidence being

provided to police. The digital footprint in most investigations requires more time to process the work.

- 4.5 The force needs to respond to an increasingly digitally capable criminal requiring new technology capabilities and organisation and serious and organised crime is a threat, more widely regarded as a national security issue.
- 4.6 Finally, the stretch on the police workforce is extensive with a sharp focus now on the level of community and neighbourhood resources and the need to reinvest back into our communities.

## **5 WHAT ASSUMPTIONS HAVE WE MADE? WHAT COSTS DO WE NEED TO COVER? WHAT INVESTMENT DO WE NEED TO MAKE?**

### **Assumptions**

- 5.1 The proposals developed for the draft budget ensure that resources remain committed towards priority service areas, the delivery of the strategic objectives contained in the Police and Crime Plan and meeting our Strategic Policing Requirement.
- 5.2 In developing and refining the draft budget and the MTFS<sup>2</sup> the following underlying assumptions have been made in the absence of the settlement information but with regard to available information and discussions with other forces:
  - Pay inflation has been allowed for at 2.5% per annum in each of the four years to reflect the increase in inflation and removal of the central government capping on pay increases.
  - A proposed increase in council tax precept of £10 per annum in 2020/21 (4.62%), reverting to 1.99% for subsequent years in line with assumed referendum principles.
  - Council tax billing base to increase by 1.6% in 2020/21 and by 1.5% in each of the next three years.
  - Police grants (Main Grant & Pensions Grant) have been assumed to remain at the cash levels as notified in the provisional settlement for 2019/20 (£100.504m for Main Grant and £1.856m for Pensions Grant).

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<sup>2</sup> MTFS – Medium Term Financial Strategy

- Maintenance of the Regional and Organised Crime Unit (ROCU) funding
- There is no assumed taser funding at the moment. 20% of the funding will relate to 2020/21 and the remaining 80% in 2021/22.
- No change in the assumption that the Force will pick up Special Branch costs in 2020/21.
- An assumption that there will be no flexibility in managing the number of police officers with a requirement to fill all vacancies (£1.4m in 2020/21)
- No provision has been made at this stage for the introduction of the new National Police Funding Formula due to the unknown impact this will have on Derbyshire's share of the national policing funds.
- The future investment in technology, whether direct capital purchase or revenue service contracts, will need to be funded by revenue given the diminishing reserves and the minimal level of annual capital grant.

### **Inflation**

- 5.3 This additional cost does not relate to any increase in service but is required just to maintain the existing base level of service and pay commitments. The 2020/21 budget assumes that all such increases can be contained within existing estimates, i.e. they will be offset by procurement / other savings

### **Costs We Have to Cover**

- 5.4 These are items within the budget which are committed to by means of previous decisions taken, national agreements or statutory payments. The main significant changes that have occurred in this section for 2020/21 include: -

Description	£m
Pay Awards	3.008
Pay increments/ Specific Price Inflation	2.283
Pension Contributions	0.361
Other contributions to national IT Services	0.106
EMSOU <sup>3</sup> / Other regional collaboration	0.247

<sup>3</sup> EMSOU – East Midlands Serious & Organised Crime Unit

<b>Total unavoidable costs</b>	<b>6.005</b>
Other approved or anticipated changes	0.146

### Priority Areas

- 5.5 These items of growth or sustained investment are required to improve performance, meet the Commissioner's and Constabulary's priorities and the growing demands on the Constabulary. The list of growth items is considerably smaller than previous years, reflecting the financial restrictions. The main significant areas are identified below:

<b>Description</b>	<b>£m</b>
<i>Maintaining and sustaining investment</i>	
Full year impact of 2019/20 Precept Changes	0.608
Police Officers national target establishment	1.365
Renewal of Pronto licences	0.255
Support for Regional Collaboration	0.215
Less: Police Officer turnover	(2.366)
Other Budget Changes	0.077
<b>Cost of sustaining investment</b>	<b>0.154</b>

<b>Description</b>	<b>£m</b>
<i>Other areas of investment to support the front line</i>	
New accommodation – North Division	0.222
Business Change – increase in posts	0.251
Communication & Engagement – increase in posts	0.062
Information Management – increase in posts	0.034
Other new police staff posts	0.088
Support of Capital Programme	0.358
<b>Cost of other investment</b>	<b>1.015</b>

These investments and cost-pressures are also shown in both **Annex A & Annex F**.

## The Workforce Strength

- 5.6 The table below provides a summary of the changes to the funded establishment built into the 2020/21 revenue budget including the uplift from the Governments proposed grant for extra Police Officers:

FTE's	Police Officers	PCSO'S	Police Staff	Total Staff	Total
<b>2019/20 Funded Posts – Precept Report</b>	<b>1758</b>	<b>178</b>	<b>1358</b>	<b>1536</b>	<b>3294</b>
Workforce Modernisations	(8)		10.2		2.2
Business Change Department – approved increases			8.0		8.0
Comms & Engagement – approved increases			2.0		2.0
Criminal Justice – temporary posts funded by PCC / MHCLG			4.6		4.6
Increase in Regionally-funded posts			5.2		5.2
Increase in CREST / DBS-funded posts			5.0		5.0
Other Police Staff changes		1.0	6.3		7.3
Police Officers national uplift	85				85
<b>Projected 2020/21 Funded Posts – Precept Report</b>	<b>1835</b>	<b>179</b>	<b>1399.3</b>	<b>1578.3</b>	<b>3413.3</b>

In addition, the 20 extra PCSO's will be recruited in 2020/21 on top of the numbers above.

## 6. WHAT IS THE EXPECTED OUTCOME? - 2020/21 DRAFT BUDGET SUMMARY

- 6.1 The tables below provide a summary of the 2020/21 draft revenue budget showing a high-level split of the overall budget between those elements that the PCC is directly responsible for and those under the direction and control of the Chief Constable to manage and operate.
- 6.2 The proposed draft budget for 2020/21 for the **Office of the Police and Crime Commissioner** is summarised in the table below:



<b>Office of the Police and Crime Commissioner</b>	<b>Approved Budget 2019/20</b>	<b>Draft Budget 2020/21</b>
	<b>£m</b>	<b>£m</b>
Commissioner's Office	1.220	1.277
Crime Prevention Fund	0.275	0.275
Community Safety Fund	1.366	1.732
Victim and Witness Services	1.133	1.614
<b>Sub-Total</b>	<b>3.994</b>	<b>4.898</b>
Revenue Contributions to Capital	3.092	2.692
Debt Charges	0.701	0.731
Interest Receipts	(0.160)	(0.110)
<b>Sub-total</b>	<b>7.627</b>	<b>8.211</b>
Contribution from Reserves	-	(0.146)
Contribution to Reserves	0.024	0.028
Grant from the Ministry of Justice (estimate)	(1.212)	(1.212)
Contributions from partners	-	(0.450)
<b>Net Budget Requirement</b>	<b>6.439</b>	<b>6.431</b>

6.3 The proposed draft budget for the **Chief Constable** is set out in the table below:

<b>Chief Constable</b>	<b>Approved Budget 2019/20</b>	<b>Draft Budget 2020/21</b>
	<b>£m</b>	<b>£m</b>
Derbyshire Constabulary	162.768	174.106
East Midlands Collaboration	11.310	11.596
BCU Fund	0.318	0.318
Partnerships	0.576	0.579
Contribution to National Policing	0.215	0.163
<b>Sub-total</b>	<b>175.187</b>	<b>186.762</b>
Contributions from Reserves	(0.610)	(0.748)
<b>Net Budget Requirement</b>	<b>174.577</b>	<b>186.014</b>

- 6.4 The budget for the share of specialist policing within Derbyshire that is being delivered collaboratively with other police forces within the **East Midlands** is summarised in the table below: -

<b>East Midlands Collaboration</b>	<b>Proposed Budget 2019/20 £m</b>	<b>Draft Budget 2020/21 £m</b>
EMSOU Serious and Organised Crime, incl. TSU	4.886	4.940
Major Crime	0.188	0.189
Forensics	1.875	1.969
HR Service Centre	0.745	0.802
Learning and Development / Occupational Health	1.039	1.074
Legal	0.357	0.397
Contribution to Regional Teams	0.302	0.307
Major Crime (budget retained within Derbyshire's base)	1.911	1.909
Crimestoppers Regional Manager	0.007	0.009
<b>Total Collaboration</b>	<b>11.310</b>	<b>11.596</b>

### **Council Tax base**

- 6.5 The tax base is calculated by the billing authorities by converting all properties to band D equivalents and making assumptions about the levels of discounts to be offered and the amount of tax to be collected. Billing authorities are not required to finalise their tax bases until the end of January. Based on current information the total tax base for the PCC for 2020/21 is expected to be 321,088.28 and is broken down by authority in **Annex E**.

### **Band D Council Tax**

- 6.6 Assuming the Government allow for an increase of £10, the recommended Band D council tax proposed for 2020/21 is £226.60, an increase of 4.62% on the comparable figure for 2019/20.

	<b>Precept Increase £10</b>
Net Revenue Budget	£192.592m
Budget Increase (%)	6.2%
Proposed Council Tax Requirement	£72.759m
Police Council Tax (Band D)	£226.60
Police Council Tax Increase (£)	£10.00
Police Council Tax Increase (%)	4.62%
Proposed Contribution from reserves	£1.296m

## MEDIUM-TERM PROJECTIONS 2020/24

- 6.7 The impact of the budget proposals for 2020/21 and key assumptions for costs and income streams over the next 4 years is summarised in the table below. All government funding, including all special grants, are shown as external funding, illustrating the full cost and funding of the Derbyshire PCC and Chief Constable. This shows the deficit of £1.296m for 2020/21, rising to £13.362m in 2022/23, based on the current assumptions. These projections are set out in more detail at Annex A. Given the uncertainties surrounding future funding for the police service the projected deficits can only be highly provisional at this stage and represent the likely to worse case scenarios, assuming no police grant increase of further funding for officers and restrictions through ring fenced grant. It also assumes a 2% precept increase in future years and shows the extent of the challenge that remains.

<b>Medium-Term Forecasts 2019/23</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Previous Year's Gross Expenditure	181.016	192.592	202.024	210.090
Inflation (including pay awards and increments)	5.899	6.019	6.149	6.300
Other spending pressures/reductions	5.358	3.420	0.917	(1.919)
<b>New Business Cases</b>	<b>0.319</b>	<b>(0.007)</b>	<b>1.000</b>	<b>1.000</b>
<b>Net Revenue Budget</b>	<b>192.592</b>	<b>202.024</b>	<b>210.090</b>	<b>215.471</b>
Projected Funding	(191.296)	(195.281)	(199.357)	(202.110)
<b>Annual Budget Base (Surplus)/Deficit</b>	<b>1.296</b>	<b>6.743</b>	<b>10.733</b>	<b>13.362</b>
Contribution (to) / from Reserves/Bridging the Funding Gap Programme	(1.296)	0	0	0
Remaining (Surplus)/Deficit	0	6.743	10.733	13.362

- 6.8 We continue to model a range of scenarios for the future and the Statement from the Chief Finance Officer for the Chief Constable highlights some of the risks that need to be managed.

## SAVINGS STRATEGY

- 6.9 The Force has developed its 'Bridging the Funding Gap' Programme which will be monitored through the Finance Futures Board. The following diagram sets out the themes and regular updates will be included in the budget monitoring reports. Much of the focus will be on managing the workforce growth and development, linking closely to the Workforce Futures Board to achieve the savings targets. The Force will work with the figures outlined above in determining the savings targets.



- 6.10 It is vital that Derbyshire Police continue to explore opportunities to deliver savings to fund future investment as Reserves will only cover any deficit until 2021/22 based on the current projections, without further savings or funding.

## 7. PUBLIC CONSULTATION AND ENGAGEMENT

- 7.1 This section will be updated once the consultation is updated.

## **8. RESERVES AND BALANCES**

- 8.1 There is continuing focus on the amount of reserves held by the police. A report was presented to the Policing Minister in October 2018 which showed that total revenue reserves at 31<sup>st</sup> March 2018 amounted to £1.40bn; a reduction of 14% on comparable figures twelve months ago. The last available forecasts indicate that revenue reserves will fall by a further 47% between now and March 2021 to a figure of £747m.
- 8.2 Capital grants and reserves have fallen from £534m in March 2017 to £168m by March 2018 and expected to fall still further by March 2021.

### **Reserves Position for Derbyshire**

- 8.3 The budget plans accommodate all the known immediate financial risks facing Derbyshire Police. Nevertheless, risks continue to remain over future finance settlements, inflation and the impact of future pay awards, but also the:
- Contributions to Regional Organised Crime Units (ROCU) and East Midlands Serious and Organised Crime Unit.
  - Future funding to support recruitment and the associated costs
  - National Police Information and Technology charges
  - Employer Pension rates.
  - Changes to the funding model for the National Police Air Service (NPAS).
  - Forensics (investment in digital technology and supplier pressure).
  - Introduction of the Emergency Services Network (ESN).
  - Impact of Brexit.
- 8.4 Equally, major and unpredictable new policing operations can also impact heavily on the budget. As it stands, reserves are sufficient to provide a cushion against short term risks. The table shows the projected reserves up to 2024:

	Balances at 31/03/19	Estimated Balances at 31/03/20	Estimated Balances at 31/03/21	Estimated Balances at 31/03/22	Estimated Balances at 31/03/23
	£m	£m	£m	£m	£m
<b>GENERAL RESERVES</b>	<b>5.500</b>	<b>5.500</b>	<b>5.500</b>	<b>5.500</b>	<b>5.500</b>
<b>EARMARKED RESERVES</b>					
<b>Useable:-</b>					
Operational Funding and Investment Reserve	4.276	2.153	0.357	0.000	0.000
Carry-forwards	1.647	1.116	0.982	0.982	0.982
PCC Grants & Commissioning	2.147	1.031	0.885	0.885	0.885
<b>Sub-Total</b>	<b>8.071</b>	<b>4.300</b>	<b>2.224</b>	<b>1.867</b>	<b>1.867</b>
<b>Non-useable:-</b>					
PFI - Ilkeston	1.063	0.999	0.925	0.842	0.749
PFI - Derby	2.782	2.449	2.078	1.672	1.228
Insurance	0.070	0.076	0.081	0.081	0.081
<b>Sub-Total</b>	<b>3.916</b>	<b>3.524</b>	<b>3.084</b>	<b>2.595</b>	<b>2.058</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>11.986</b>	<b>7.824</b>	<b>5.308</b>	<b>4.462</b>	<b>3.925</b>
<b>TOTAL RESERVES</b>	<b>17.486</b>	<b>13.324</b>	<b>10.808</b>	<b>9.962</b>	<b>9.425</b>

8.5 Further detail on the level of reserves is set out in **Annex D** and the Reserves Strategy will show the modelling of the impact on reserves of risks and key assumptions.

## 9. IS OUR BORROWING AFFORDABLE?

9.1 Whilst the Prudential Code relates to new capital controls, it does impact on the revenue budget. Any agree long term borrowing meeting all the Prudential Code guidelines will have on-going revenue implications over a long period. Separate reports deal with the Capital Programme and also the Prudential Indicators for the Constabulary will be prepared once the settlement has been published. Borrowing assumptions for currently approved capital schemes are included in this report.

## **10. ASSURANCE STATEMENT FROM THE S151 OFFICERS' CONSIDERATIONS**

10.1 When setting the Budget and Capital Programme for the forthcoming year the Police & Crime Commissioner must be satisfied that adequate consideration has been given to the following: –

- Government policy on police spending, as applied to the Police & Crime Commissioner.
- The CIPFA Prudential Code and the CIPFA Treasury Management Code.
- The impact on the Council Tax and the threat or risk of exceeding the excessiveness principle (previously capping).
- Whether the proposals represent a balanced budget for the year.
- The robustness of estimates and the size and adequacy of general and specific earmarked reserves.
- The medium-term implications of the Budget and Capital Programme (MTFS).

10.2 Section 25 of the Local Government Act 2003 requires the Commissioner's Chief Financial Officer to provide the Commissioner with assurance on the robustness of estimates made for the purposes of the budget calculations and the adequacy of reserves.

10.3 The Act requires that the Commissioner has regard to the report of the Chief Finance Officer in making their budget decision. Where this advice is not accepted, this needs to be formally recorded in the minutes of an appropriate meeting. This statement will be finalised once the settlement is announced but the draft statements based on the latest assumptions are included below.

### **ASSURANCE OF THE CHIEF CONSTABLE'S CHIEF FINANCIAL OFFICER**

10.4 As the Chief Constable's Chief Financial Officer, I can provide the following assurances: -

- The main assumptions and estimates, (in the absence of the settlement), for compiling the budget are set out within the report and the figures for the 2020/21 budget have been based on these assumptions.

- The recommendations are consistent with the budget strategy also set out within the report and do not impact on the financial stability of the Constabulary. There is, however, increased pressure on reserves with the operational funding and investment reserve being exhausted in 2021/22 based on current projections and potentially significant savings programme targets for future years.
- Future financial implications up to 2024 have been analysed but can only provide an indication of the potential financial position that the Constabulary and Commissioner will face. This reflects all known factors that could have an impact on these financial plans up to 2023 and we are assuming that funding for the increased pensions contributions will continue in the medium-term financial forecast which is a risk that we will have to monitor closely. The impact of increasing funding through ring fenced grants will also require careful monitoring and the development of the 'Bridging the Funding Gap' Savings strategy will be required to deliver savings to sustain the budget in the short and medium term and will be monitored through the Finance Futures Board.
- The figures within the Medium Term Financial Strategy are based on a number of key assumptions set out within the MTFS and can only provide an indication of the scale of the challenge that we face at this time. In particular the figures are heavily dependent on future government funding decisions and precept limitations.
- Medium Term implications –. There are a number of scenarios that the Constabulary will need to model with the current MTFS based on the most prudent forecast around funding and precept increases. It does, however, present a significant challenge, accepting it provides the worst case scenario, based on very limited information at the moment.

#### **ASSURANCE OF THE POLICE AND CRIME COMMISSIONER'S CHIEF FINANCIAL OFFICER**

10.5 As the Commissioner's Chief Financial Officer, I can provide the following assurances: -

- Government Policy – The MTFS is produced in line with the latest government policy as applied to Police & Crime Commissioners.
- CIPFA Code – the MTFS is produced in line with the Prudential Code and the CIPFA Treasury Management Code. Details are outlined in the Treasury Management and Capital Programme reports.



- Council Tax – The Government confirmed that legislation through the Localism Act provides communities with the power to veto, through a referendum, council tax increases deemed by the government to be excessive. The level at which council tax is deemed excessive is decided in accordance with a set of principles determined by the Secretary of State for Communities. For 2020/21 the revised Referendum Principle is anticipated to be £10 for Police & Crime Commissioners. This report presents the precept option for the Commissioner to consider, which is for an increase in the Police element of Council Tax at Band D by £10 and £4.31 (2%). Increases in council tax secure year on year funding, as being a part of the base revenue budget.
- Balanced budget – a balanced budget is presented.
- Robustness of Estimates – I have reviewed the matters that have been considered in drafting the proposed budget and the consequential budget requirement, and the required level of the police precept. I am satisfied that the procedures adopted by the Director of Finance and his team are sufficiently robust to ensure the financial data is accurate and forms a sound basis for the preparation of the estimates for 2020/21.
- Adequacy of reserves – I consider the level of general reserves (£5.5m) to be adequate for meeting estimated future risks. Specific reserves are reducing (rapidly in some cases) but are at appropriate levels to support future expenditure in the medium term. Given the size of the deficit, however, I will keep this position under regular review.
- Medium Term implications – I consider that the MTFS presents a best estimate of the future financial pressures that the Commissioner will face. It should be noted that inherent within the MTFS are key assumptions that (a) the pensions grant for 2020/21 continues in future years in flat terms, (b) the precept is increased by £10 in 2020/21 and 1.99% thereafter and (c) that 2.5% pay inflation will apply in the future. Movement in any of those key assumptions would have significant impact on the available resources to support policing. The Director of Finance and I will continue to monitor national developments carefully to ensure the Commissioner and Chief Constable are sighted on any emerging risks for Derbyshire.



**POLICE & CRIME COMMISSIONER FOR DERBYSHIRE**

**Revenue Budget Projections 2020/21 to 2023/24**

Updated January 2020

	notes	2020/21	2021/22	2022/23
PROJECTED STAFFING LEVELS	19/20	fte's	fte's	fte's
Police Officers	1758	1,835.0	1,948.0	2,033.0
PCSO's	178	179.0	179.0	179.0
Police Staff	1358	1,395.7	1,395.7	1,395.7
<b>TOTALSTAFFING</b>	<b>3294</b>	<b>3409.7</b>	<b>3522.7</b>	<b>3607.7</b>
PROJECTED BUDGET REQUIREMENT		£m	£m	£m
<b>Previous Year's Budget Requirement</b>		<b>181.016</b>	<b>192.592</b>	<b>202.024</b>
less: Special Branch costs moved to Counter-Terrorism Funding				
<b>Previous Year's Budget Requirement - adjusted</b>		<b>181.016</b>	<b>192.592</b>	<b>202.024</b>
<b>Pay &amp; Price Increases</b>				
Full Year Effect of Previous Year's Pay Award:-				
Police Officers	(1)	0.723	1.036	1.056
Police Staff	(1)	0.243	0.480	0.499
Provision for Current Year's Pay Award & Inflation:-				
Police Officers pay award	(1)	1.373	1.466	1.493
Police Staff pay award	(1)	0.669	0.693	0.719
Police Officer Increments		1.575	1.582	1.622
Police Staff Increments		0.595	0.610	0.625
Police Staff Pensions Revaluation		0.361		
Inflation - Collaboration		0.247		
Specific Price Inflation		0.114	0.152	0.136
General Inflation Contingency	(2)			
<b>Total - Pay &amp; Price Increases</b>		<b>5.899</b>	<b>6.019</b>	<b>6.149</b>
<b>Previous Year's Budget plus Pay &amp; Price increases</b>		<b>186.915</b>	<b>198.611</b>	<b>208.174</b>
<b>Other Ongoing Changes (eg from government / policing service decisions)</b>				
Police Officers - Turnover (recruitment less wastage)		( 2.366)	( 2.472)	( 2.256)
Police Officers - Vacancy Factor removed		1.365		
Police Officers - Overtime (no of Bank Holidays)		0.118	0.235	( .120)
Police Officers - Rent / Housing Allowance eligibility		( .122)	( .118)	( .108)
Police Officers - Overtime Special Duty adjustment		( .059)		
Police Staff - misc changes in existing costs		0.125		
Renewal of Pronto licences		0.255		
Mobile Phones rental			0.400	
Single On-line Home costs		( .029)	( .029)	
National IT Charges		0.106		
Other subscriptions to national policing services			0.152	
Debt Charges - current borrowing (pre 2019/20)		( .029)	( .024)	( .022)
Debt Charges - new borrowing (from 2019/20)		0.358	1.044	0.068
(Profit) / Loss on Joint Venture - LLP		( .300)		
JHQ Service Charge Increase		0.110		
Investment Income		0.050		
Other miscellaneous changes		0.052		
Changes in specific Reserve contributions		0.011	( .043)	( .048)
<b>2019/20 Precept Decisions - full year effect</b>				
Police Officers - Reform & Engage posts		0.476		
Police Staff posts		0.356		
Domestic Abuse training		( .063)		
Taser Uplift		0.142	0.036	
Other Changes		( .303)		
<b>Total - Other Approved or Anticipated Changes</b>		<b>0.252</b>	<b>( .820)</b>	<b>( 2.486)</b>
<b>Items Agreed after 2019/20 Precept Meeting</b>				
WFM - FIMU Restructure, Taser Manager, Crime Registrar		( .025)		
Police Staff - Derbyshire Alert / Comms Asst		0.062		
Police Staff - Information Management posts		0.034		
Police Staff - Business Change posts		0.251		
Police Staff - Staff Networks & Inclusion Manager		0.018		
Police Staff - Wildlife Officer Post 0.8 fte		0.027		
Police Staff - Joint JTC		0.016		
Police Staff - Regional EMPAC Post		0.027		
Assets - Rental/Cleaning Of Serious Crime Hub		0.204		
Assets - Rates Roland Hill House		0.018		
Business Change - Devolved Budget Requirement		0.036		
Child / Adult Protection Contributions		0.040		
Dogs Budget - realignment of Budget to spend		0.036		
HR - Increase in EAP Contract		0.012		
Income Budget - UOD Police Apprentices		( .112)		

Income Budget - Contribution to Gateway Development Post		(.022)		
Income Budget - Regional EMPAC Post		(.021)		
Income Budget - Director of Finance DFRS Share		(.042)		
Income Budget - Other Changes		(.089)		
IS - Bes Blackberry		0.127		
IS - NEP Annual Charge		0.034		
IS - Fleet Management System		0.008		
IS - Adobe Licensing Changes		0.022		
IS - Crime Support - Digital forensics tool - Additional Licence Costs		0.020		
IS - Chorus Licences - Additional Requirement Crime Support		0.010		
IS - Photocopier Contract - Savings		(.020)		
IS -Ongoing cost of Analytics		0.030	0.160	
<u>Collaboration Changes</u>				
EMSOU - Adjustment due to loss of funding streams		0.096		
Regional Forensic Collision Investigation Network		0.034		
Forensics - Realignment of the EMSOU Contract		0.058		
Other Collaboration Changes		0.027		
<b>Total - Items agreed after 2019/20 Precept Meeting</b>		<b>0.917</b>	<b>0.160</b>	<b>0.000</b>
Estimated Uplift Officers		2.940	4.079	3.403
Uplift Set-Up costs		1.000		
Increase in PCC's Commissioning Budget - net of reserves		0.250		
2020/21 Supported Business Cases		0.319	(.007)	
Provision for new Growth Items				1.000
<b>BUDGET REQUIREMENT FOR YEAR</b>		<b>192.592</b>	<b>202.024</b>	<b>210.090</b>

<b>FUNDING FOR BUDGET REQUIREMENT</b>	notes	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
<b>Central Government Funding</b>				
Formula grant	(4)	( 100.504)	( 100.504)	( 100.504)
Council Tax grants	(4)	( 8.700)	( 8.700)	( 8.700)
Pension Support grants		( 1.856)	( 1.856)	( 1.856)
Officer Uplift grant		( 7.083)	( 8.500)	( 9.917)
<b>Total - Central Government Funding</b>		<b>( 118.143)</b>	<b>( 119.560)</b>	<b>( 120.977)</b>
<b>Precept Funding</b>				
Previous year Council Tax Funding		( 68.858)	( 73.153)	( 75.721)
Change in tax base - annual growth	(5)	( 1.128)	( 1.091)	( 1.130)
Change in Band D Council Tax		( 3.211)	( 1.477)	( 1.529)
Change in Collection A/c Surplus / (Deficit)		0.044	0.000	0.000
<b>Total - Precept Funding</b>		<b>( 73.153)</b>	<b>( 75.721)</b>	<b>( 78.380)</b>
<b>TOTAL PROJECTED FUNDING</b>		<b>( 191.296)</b>	<b>( 195.281)</b>	<b>( 199.357)</b>

<b>BUDGET (SURPLUS) / DEFICIT</b>		<b>1.296</b>	<b>6.743</b>	<b>10.733</b>
<b>Contribution from Operational Funding / Investment Reserve</b>		<b>( 1.296)</b>	<b>0.000</b>	<b>0.000</b>
<b>REMAINING (SURPLUS) / DEFICIT NOT FUNDED</b>		<b>0.000</b>	<b>6.743</b>	<b>10.733</b>

<b>IMPACT ON OPERATIONAL FUNDING RESERVE</b>				
<b>Balance at start of year</b>		<b>2.153</b>	<b>0.357</b>	<b>0.000</b>
Support to PCC Commissioning / additional PCSO's		(.500)	(.357)	
Revenue surplus / (deficits) per above		( 1.296)		
<b>Balance at end of year</b>		<b>0.357</b>	<b>0.000</b>	<b>0.000</b>

**Office of the PCC - 2020/21 Budget (detail)**

Account	Account(T)	2019/20 Base Budget	Full Year Inflation	Increments	Other Changes	2020/21 PROPOSED BUDGET
1100	Police Staff Pay	734,100	20,600	10,300	4,000	769,000
1120	Police Staff Overtime - Plain Time	1,100				1,100
1140	Police Staff National Insurance	79,300	2,200	1,100	(1,100)	81,500
1160	Police Staff Superannuation	94,700	9,900	1,200	(5,600)	100,200
1501	Training Courses	5,000				5,000
1600	NHS Re-Imbursement	0				0
1602	Recruitment Advertising	1,000				1,000
1603	Interview Expenses	500				500
2210	Hire of Rooms	1,200				1,200
3200	Police Vehicle Fuel	400				400
3300	Hire of Vehicles	1,200				1,200
3400	Other Mileage (PSV)	11,000				11,000
3403	Rail Travel	8,000				8,000
3408	Car Parking, Taxis, etc	1,000				1,000
4000	Equipment - General	3,000				3,000
4040	Furniture	2,500				2,500
4100	Accommodation / Hotel Expenses	1,800				1,800
4101	Subsistence Expenses	400				400
4291	Meals / Refreshments	1,700				1,700
4400	Printing and Stationery - General	5,000				5,000
4401	Publications	500				500
4505	Financial Contracts	48,000				48,000
4520	Professional Fees	22,400				22,400
4543	Professional Fees - Legal	17,600				17,600
4575	Media Relations	46,500				46,500
4630	Hardware - Purchase	0				0
4635	Software Purchase	17,500				17,500
4740	JARAC Attendance	7,000				7,000
4741	JARAC Mileage	1,000				1,000
4805	Non-Recruitment Advertising	4,900				4,900
4807	Conference Expenses	2,500				2,500
4888	Bank Charges	7,000			14,800	21,800
4890	Misc Expenditure	25,000				25,000
4895	Subscriptions General	67,000				67,000
<b>Office of the PCC - Total Budget</b>		<b>1,219,800</b>	<b>32,700</b>	<b>12,600</b>	<b>12,100</b>	<b>1,277,200</b>

<b><u>2020/21 PROPOSED BUDGET</u></b>		
<b><u>Services Commissioned via the Chief Constable</u></b>		
	<b>2019/20 Approved £m</b>	<b>2020/21 Proposed £m</b>
Police Officers	94.114	99.873
Community Support Officers	5.186	5.559
Other Police Staff	37.794	41.249
Police Pensions	2.912	3.047
Other Employee Expenses	0.834	0.792
Premises	9.212	9.761
Transport	3.760	3.667
Supplies & Services	14.629	16.085
Agency & Contracted Services	0.172	0.212
Pay & Price Contingency	0.000	0.000
Specific Grants	( 2.759)	( 2.759)
General Income	( 3.087)	( 3.380)
<b>Derbyshire Constabulary</b>	<b>162.767</b>	<b>174.106</b>
Contribution to East Midlands Collaboration	11.310	11.596
BCU Funding	0.318	0.318
Partnerships	0.576	0.579
Contribution to National Policing	0.215	0.163
<b>PROPOSED GROSS SPENDING</b>	<b>175.186</b>	<b>186.762</b>
<b>Contribution from reserves</b>		
- PFI	( .425)	( .468)
- Devolved Carry-Forwards	( .185)	( .134)
- Other Reserves	-	
	<b>( .610)</b>	<b>( .602)</b>
<b>PROPOSED NET SPENDING</b>	<b>174.576</b>	<b>186.160</b>

**POLICE & CRIME COMMISSIONER FOR DERBYSHIRE**  
**STATEMENT OF LEVEL OF RESERVES AT 31 MARCH 2019 AND FORECAST LEVELS TO 31 MARCH 2023**

	2019 / 20					2020 / 21			2021 / 22			2022 / 23		
	Balances at 31/03/19	Movements (to) / from Revenue	Transfers Between Reserves	Contributions to Capital	Balances at 31/03/20	Projected Movements (to) / from Revenue	Projected Contributions to Capital	Estimated Balances at 31/03/21	Projected Movements (to) / from Revenue	Projected Contributions to Capital	Estimated Balances at 31/03/22	Projected Movements (to) / from Revenue	Projected Contributions to Capital	Estimated Balances at 31/03/23
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
GENERAL RESERVES	5,500,000	-		-	5,500,000	-	-	5,500,000	-	-	5,500,000	-	-	5,500,000
EARMARKED RESERVES														
Useable:-														
Operational Funding and Investment Reserve	4,276,487	(3,123,509)	1,000,000		2,152,978	(1,796,000)		356,978	(356,978)		0			0
Carry-forwards	1,647,489	( 531,400)			1,116,089	(133,700)		982,389			982,389			982,389
PCC Grants & Commissioning	2,146,744	(116,000)	(1,000,000)		1,030,744	(146,159)		884,585			884,585			884,585
Total Useable:-	8,070,720	(3,770,909)	0	0	4,299,811	(2,075,859)	0	2,223,952	(356,978)	0	1,866,974	0	0	1,866,974
Non-useable:-														
PFI - Ilkeston	1,063,054	(63,595)			999,459	(74,465)		924,994	(82,985)		842,009	(92,682)		749,327
PFI - Derby	2,782,382	(333,443)			2,448,939	(371,188)		2,077,751	(405,762)		1,671,989	(444,405)		1,227,584
Insurance	70,247	5,438			75,685	5,400		81,085			81,085			81,085
Total Non-useable:-	3,915,683	(391,600)		0	3,524,083	(440,253)	0	3,083,830	(488,747)	0	2,595,083	(537,087)	0	2,057,996
TOTAL EARMARKED RESERVES	11,986,403	(4,162,509)	0	0	7,823,894	(2,516,112)	0	5,307,782	(845,725)	0	4,462,057	(537,087)	0	3,924,970
TOTAL RESERVES	17,486,403	(4,162,509)	0	0	13,323,894	(2,516,112)	0	10,807,782	(845,725)	0	9,962,057	(537,087)	0	9,424,970

**2020/21 PRECEPT PROPOSAL: A £10 COUNCIL TAX INCREASE**

Band D £226.60	Council Tax Base	Total Funding	Collection Fund		Council Tax
			Surplus	Deficit	
	321,088.28	73,153,026	612,078	- 217,656	72,758,604
Amber Valley Borough Council	39,909.63	9,136,982	93,460		9,043,522
Bolsover District Council	22,169.60	4,949,847		- 73,784	5,023,631
Chesterfield Borough Council	29,181.08	6,725,910	113,477		6,612,433
Derby City Council	69,592.06	15,625,689		- 143,872	15,769,561
Derbyshire Dales District Council	29,828.68	6,843,082	83,903		6,759,179
Erewash Borough Council	33,699.90	7,725,090	88,693		7,636,397
High Peak Borough Council	30,970.00	7,092,822	75,020		7,017,802
North East Derbyshire District Council	31,263.33	7,145,796	61,525		7,084,271
South Derbyshire District Council	34,474.00	7,907,808	96,000		7,811,808

Gross Revenue Expenditure	
2019/20 Approved	179,930,504
2020/21 Proposed	191,295,952
Increase in GRE	6.32%

Council Tax Requirement	
2019/20 Approved	68,432,634
2020/21 Proposed	72,758,604
Increase in CTR	6.32%

Council Tax per Banding		
BAND	2019/20	2020/21
	£	£
A	144.40	151.07
B	168.47	176.24
C	192.53	201.42
D	216.60	226.60
E	264.73	276.96
F	312.87	327.31
G	361.00	377.67
H	433.20	453.20