

THE OFFICE OF POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE

DECISION RECORD

Request for PCC Decision	Received in OPCC Date: JANUARY 2020	OPCC Ref: 11/2020
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BUDGET 2020/21, PRECEPT REPORT AND MEDIUM TERM FINANCIAL FORECAST 2020/21 – 2023/24

Executive Summary

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

Decision

1. The letter from the Chief Constable (see page 7-10) setting out his professional recommendation to the PCC regarding the budget and precept proposal for 2020/21 was noted and acknowledged.
2. In respect of the revenue budget for 2020/21: -
 - a) The information and analysis as set out in this report was noted.
 - b) The proposed adjustments to the 2020/21 budget as detailed in both this report and Annexes A through E was agreed.
 - c) To maintain a revenue contribution to capital of at least £2.95m into the base revenue budget.
 - d) The revenue budget for 2020/21 was approved.
3. In respect of the council tax requirement, the associated police precept and provisional contributions to/(from) reserves: -
 - a) Confirm the £10 precept increase for a Band D Property, as unanimously approved by the Police and Crime Panel on 23 January 2020.
 - b) To note the anticipated movement in reserves during 2020/21 as shown in paragraph 8.4 and Annex D.

4. In respect of the Medium Term Financial Forecast for 2020/21 - 2023/24 discussed within the report but also shown in more detail at Annex A: -
- a) The financial forecasts up to 2023/24 were noted.
 - b) The assumptions inherent in those forecasts, as described in paragraph 6.7 and the scenarios that affect the projected financial position were noted.
 - c) The Medium Term Financial Forecast (paragraph 6.7 and Annex A) indicates reserves will not be sufficient to close a future funding gap was noted.
 - d) It was recognised that the Force will need to identify efficiencies and savings both for reinvestment but also to protect front-line services. (The savings strategy is included in the Medium Term Financial Strategy)
 - e) To repeat the call to government for a fairer funding settlement for Derbyshire that includes an increase in central funding and does not merely pass the financial burden to local tax-payers through precept increases.

Declaration

I confirm that I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct for the Police and Crime Commissioner for Derbyshire. Any such interests are recorded below.

None

The above request has my approval.

Signature

Hardyal Dhindsa

Date JANUARY 2020

PUBLICATION SCHEME CONSIDERATIONS

Is the related Section B report to be published Yes

The report contains commercially sensitive information.

Is the publication of this approval to be deferred No

If Yes, provide reasons below

Date to be deferred to –

NB Statutory Instrument 2011/3050 (as amended by SI 2012/2479) states that: *all decisions made by a PCC are in the types of information that must “be published as soon as practicable after it becomes available to the elected local policing body”.*

OFFICER APPROVAL

Chief Executive or Nominee:

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report.

I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner

Name Andrew Dale

Date JANUARY 2020

BUDGET SETTING MEETING

REPORT TITLE	BUDGET 2020/21, PRECEPT REPORT AND MEDIUM TERM FINANCIAL FORECAST 2020/21 – 2023/24
REPORT BY	JOINT REPORT OF THE CHIEF CONSTABLE, DIRECTOR OF FINANCE FOR THE CONSTABULARY AND CHIEF FINANCE OFFICER FOR THE PCC
DATE	7 FEBRUARY 2020

PURPOSE OF THE REPORT

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

This report provides information on the draft: -

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

A	Revenue Budget Forecast (Medium Term) 2020/21 – 2023/24
B	Budget for the Office of the Police and Crime Commissioner 2020/21
C	Budget for the Chief Constable 2020/21
D	Anticipated Reserves 2020/21 – 2022/23
E	Summary of precept 2020/21

RECOMMENDATIONS

1. To note and acknowledge the letter from the Chief Constable (see page 7-10) setting out his professional recommendation to the PCC regarding the budget and precept proposal for 2020/21.

2. In respect of the revenue budget for 2020/21: -
 - a) To note the information and analysis as set out in this report.
 - b) To agree the proposed adjustments to the 2020/21 budget as detailed in both this report and **Annexes A through E**
 - c) To maintain a revenue contribution to capital of at least £2.95m into the base revenue budget.
 - d) To approve the revenue budget for 2020/21.

3. In respect of the council tax requirement, the associated police precept and provisional contributions to/(from) reserves: -
 - a) Confirm the £10 precept increase for a Band D Property, as unanimously approved by the Police and Crime Panel on 23 January 2020.
 - b) To note the anticipated movement in reserves during 2020/21 as shown in **paragraph 8.4 and Annex D**.

4. In respect of the Medium Term Financial Forecast for 2020/21 - 2023/24 discussed within this report but also shown in more detail at **Annex A**: -
 - a) To note the financial forecasts up to 2023/24.
 - b) To note the assumptions inherent in those forecasts, as described in **paragraph 6.7** and the scenarios that affect the projected financial position.
 - c) To note that the Medium Term Financial Forecast (**paragraph 6.7 and Annex A**) indicates reserves will not be sufficient to close a future funding gap.
 - d) To recognise that the Force will need to identify efficiencies and savings both for reinvestment but also to protect front-line services. (The savings strategy is included in the Medium Term Financial Strategy)

- e) To repeat the call to government for a fairer funding settlement for Derbyshire that includes an increase in central funding and does not merely pass the financial burden to local tax-payers through precept increases.

CONTACT FOR ENQUIRIES

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Preface from the Police & Crime Commissioner

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. Announcements about the levels of police funding ('the Settlement') are usually made in early December which allows us to prepare detailed papers that include certainties about the levels of funding we will be getting from central Government through the Police Grant; we also 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. This year we had none of this. We did not get these vital figures until 22nd January – less than 24 hours before I was due to present my precept report to the Police and Crime Panel.

The General Election in December meant that decisions about governmental spending were put on the back burner, it also meant no statements 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 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. 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 had difficult decisions to make when it comes to this year's budget and precept. As I have outlined above I have had 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.

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

February 2020

Tel: 101
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Contact: Peter Goodman
Direct Tel: [REDACTED]
Ext: [REDACTED]
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

Derbyshire Constabulary Headquarters, Butterley Hall, Ripley, Derbyshire DE5 3RS
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 black ink, appearing to read 'Peter Goodman', followed by a period.

Peter Goodman QPM
Chief Constable

1. EXECUTIVE SUMMARY – WHAT THE SETTLEMENT MEANS FOR DERBYSHIRE

1.1 In reading this report and the supporting documents, it is useful to keep in mind the following key headlines:

- The government grant settlement and precept flexibility allowed for up to a £10 increase 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 provides an extra £4m of additional income to Derbyshire through council tax, bringing council tax funding to £73m.
- The Constabulary has received £7.5m up front through its Core Grant in 2020/21 to cover Derbyshire's share of the extra 20,000 officers announced by the Government with a further £2.4m performance related payment linked to achievement of the government's targets. This funds 85 additional officers in 2020/21 as part of the wider national uplift that will see 283 officers by 2022/23.
- 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. A bid has been submitted recently for £0.14m for 2019/20 and 2020/21.
- Overall funding of £189.88m based on a £10 increase. In Derbyshire, this sees our funding increase by 5.6% between 2019/20 and 2020/21.
- £1m funding has been provided from the PCC Reserves to cover additional PCSO recruitment for 2 years.

More detailed assumptions are covered later in the report.

1.2 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. This consultation, starting prior to the Government funding announcements, ran until 23 January

2020 with 1,444 respondents. 76.9% of respondents supported a precept increase of £10 and 47.1% would have supported an increase of £24 if it was allowed by referendum limits.

- 1.3 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.
- 1.4 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.

1.5 A further **£3m** of investment into the constabulary was identified as part of the 2020/21 budget considerations including support for:

- Additional funding for infrastructure to support the increase in officer numbers through the additional grant (£1.25m)
- Neighbourhood priorities through Operation Relentless, a joint community focussed approach using problem solving to deal with the top priorities and challenges facing local people (£0.25m);
- Further investment into the maintenance and improvement of the Constabulary's buildings (£0.25m); and
- £0.63m to support business cases for additional ICT, training and health and safety requirements for the constabulary;

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 **£1.113** 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 **Annex A**).

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

- £172k to mainstream the contribution to the Mental Health Triage Hub based in the Force Control Room (previously funded from reserves);
- £100k to mainstream the Safe Space provision in Derby City Centre (previously funded from reserves);
- £53k in services including improving rural community access to domestic abuse support;
- £35k to provide and promote online safety work in schools

- £30k to continue the work of the East Midlands Chamber of Commerce with the Business Crime Reduction Partnership (previously funded from reserves)
- £10k towards a broader £30k partnership initiative aimed at supporting female persistent offenders break the cycle; and
- £4k as a contribution to the road safety charity BRAKE to support them in their work with 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 multi-year 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 **£2.2m** deficit in 2021/22 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 3,423.3 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 (£2.95m) 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?

- 2.4 The key headlines for 2020/21, announced on 22 January 2020, are set out below:
- An additional £750m for the recruitment of 6000 towards officers towards the 20,000 total less £50m to cover central costs;
 - A requirement for the Home Office to find £120m of savings from within the budget in return for the investment in officers.
 - Of the £700m - £532m through un ring-fenced core grant with £168m ring-fenced for successfully meeting recruitment targets.
 - No other inflationary increases in core grant resulting in a 7.5% increase in core funding;
 - £10 precept flexibility for all PCC's or equivalent;

- A £92m (9%) increase in reallocations of funding to the centre in ICT, Organised Crime and Counter terrorism priorities.
- 'Flat cash' pension grant allocations compared to 2019/20;
- A reduction of 74% to capital grant funding to PCC's to £76m; and
- The ending of Police Transformation Grant

This funding doesn't address the legacy issues facing the Constabulary 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.

WHAT DO THE GOVERNMENT 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 of to achieve across the country as part of the settlement conditions.

There are other specific expectations on the sector, attached to the increase in funding:

- Forces are required to recruit the additional 6,000 officers by the end of March 2021;
- There are further planned £30m savings from procurement in 2020/21. Blue Light Commercial is the new body to deliver these savings in a timely manner with an expectation that a further £20m of savings will be available once established with further savings in back office functions;
- Continued improvement in digital, data and technology solutions to maximise the benefit of mobile working; and
- A Strategic Change and Investment Board (SCIB) to pursue best values from the investment in police technology.

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 increase 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. This will grow to £2.6m in 2020/21 as grant will be frozen at 2019/20 levels.

Tax base assumptions

- 2.8 The Home Office have updated their tax base assumptions to reflect the latest forecasts from the Office for Budget Responsibility of a 1.33% increase in England.

Reallocations of funding

- 2.9 In 2020/21 the top-slices/reallocations totalled £1.121bn, £92m higher than last year.
- 2.10 The table below shows the allocations for 2020/21:

Police Funding - National Reallocations	2020/21 £m
PFI (Private Finance Initiative(s))	72.8
Police technology programmes	498.4
Arm's length bodies	73.1
Police Uplift programme	16.5
Top-ups to NCA and ROCUs	56.8
Strengthening the response to Organised Crime	140
National Capability Programmes	28.6
Special Grant	80.9
Other	153.8
Total Reallocations and Adjustments	1,121

Council Tax Referendum Principles

- 2.11 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, this has been increased to £10.

Grant Allocation

- 2.12 The settlement confirms that the PCC will receive the following grants in 2020/21:

Derbyshire Reallocations	2019/20	2020/21	Variation
	£m	£m	£m
Home Office Police Grant	62.6	70.1	+7.5
Ex DCLG ¹ Formula Funding	37.9	37.9	-
Sub-total	100.5	100.5	-
Legacy Council Tax Grants	8.7	8.7	-
Total General Grants	111.1	116.7	+7.5

2.13 In addition to these general grants the PCC will receive a Pension Support Grant of £1.9m and, assuming that the officer uplift targets are met, an earmarked grant for additional salary costs of £2.4m. He also normally receives funding from the Ministry of Justice to fund victim and witness services (£1.212m in 2019/20). Under accounting rules, these grants are treated as income within the overall budget requirement.

WHAT DOES THE FUTURE HOLD?

The Spending Review

2.14 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 multi-year 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

2.15 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.

¹ DCHLG – Department for Communities, Housing & Local Government

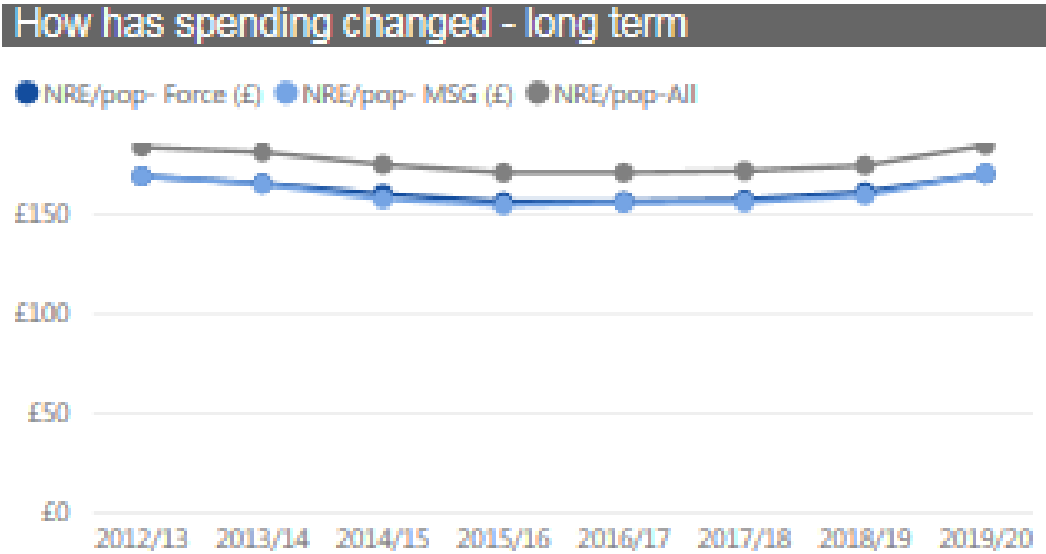
3. IS THE CONSTABULARY DEMONSTRATING PRODUCTIVITY & EFFICIENCY AND DELIVERING VALUE FOR MONEY (VFM)

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.

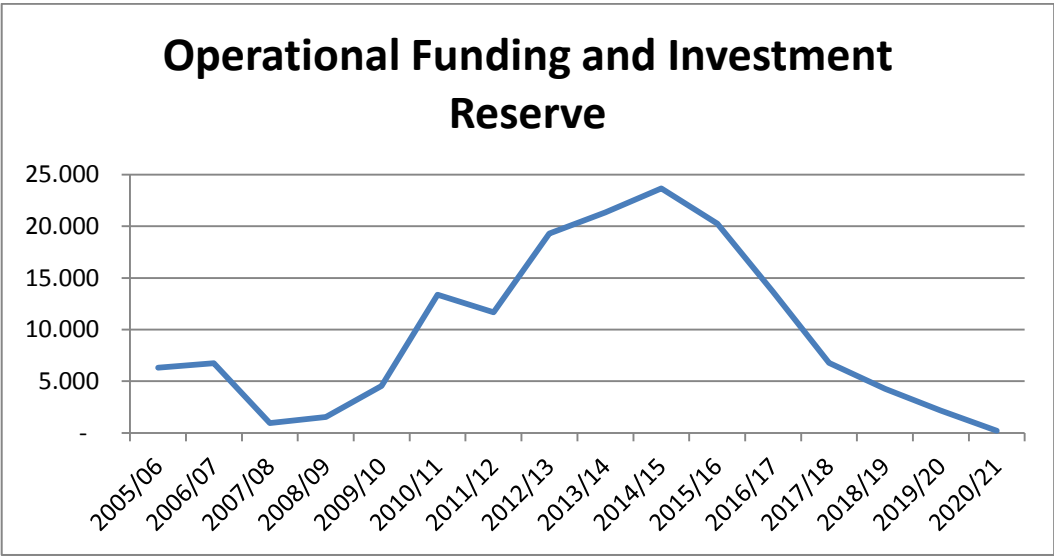
3.3 Derbyshire is consistently below average net spend per head of population against all forces (£170.47 vs. £184.92) and also slightly lower than Most Similar Group and the same as the region, as shown in the graph below:



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. 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.
- 4.5 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 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 budget and the forecasts the following underlying assumptions have been made:
- 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.

- An 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 final settlement for 2020/21 with the earmarked Officer Uplift grant increasing pro rate over the following two years in line with Derbyshire's current shares of the total 20,000 officers.
- 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 ² / Other regional collaboration	0.247
Total unavoidable costs	6.005
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 significant areas are identified below:

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

² EMSOU – East Midlands Serious & Organised Crime Unit

Description	£m
<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
Further support for the officer uplift	1.250
PCC Commissioning budgets	0.310
Operation relentless	0.250
Support of Capital Programme	0.608
Other investments and business cases	1.000
Total	4.075

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

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
2019/20 Funded Posts – Precept Report	1758	178	1358	1536	3294
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
Review of assets function			10.0		10.0
Other Police Staff changes		1.0	6.3		7.3
Police Officers national uplift	85				85
Projected 2020/21 Funded Posts – Precept Report	1835	179	1409.3	1578.3	3423.3

The 20 extra PCSO's funded through the contribution from the PCC 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:

Office of the Police and Crime Commissioner	Approved Budget 2019/20 (£m)	Draft Budget 2020/21 (£m)
Commissioner's Office	1.220	1.277
Crime Prevention Fund	0.275	0.275
Community Safety Fund	1.366	1.792
Victim and Witness Services	1.133	1.614
Sub-Total	3.994	4.958
Revenue Contributions to Capital	3.092	2.942
Debt Charges	0.701	0.731
Interest Receipts	(0.160)	(0.110)
Sub-total	7.627	8.521
Contribution from Reserves	-	(0.146)
Contribution to Reserves	0.024	0.028
Grant from the Ministry of Justice (estimate)	(1.212)	(1.212)
Local Authority Contributions		(0.450)
Net Budget Requirement	6.439	6.741

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

Chief Constable	Approved Budget 2019/20 (£m)	Draft Budget 2020/21 (£m)
Derbyshire Constabulary	160.912	171.084
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
Sub-total	173.331	183.740
Contributions from Reserves	(0.610)	(0.602)
Net Budget Requirement	172.721	183.138

NB. The 2019/20 approved budget has been adjusted to reflect the accounting requirement that Pension Support Grant is treated as income.

- 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: -

East Midlands Collaboration	Proposed Budget 2019/20 £m	Draft Budget 2020/21 £m
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
Total Collaboration	11.310	11.596

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. 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.

	Precept Increase £10
Net Revenue Budget	£189.879m
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 FINANCIAL FORECAST 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 a balanced budget for 2020/21, rising to a potential deficit of £7.889m in 2023/24, based on the some broad assumptions. These forecasts 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.

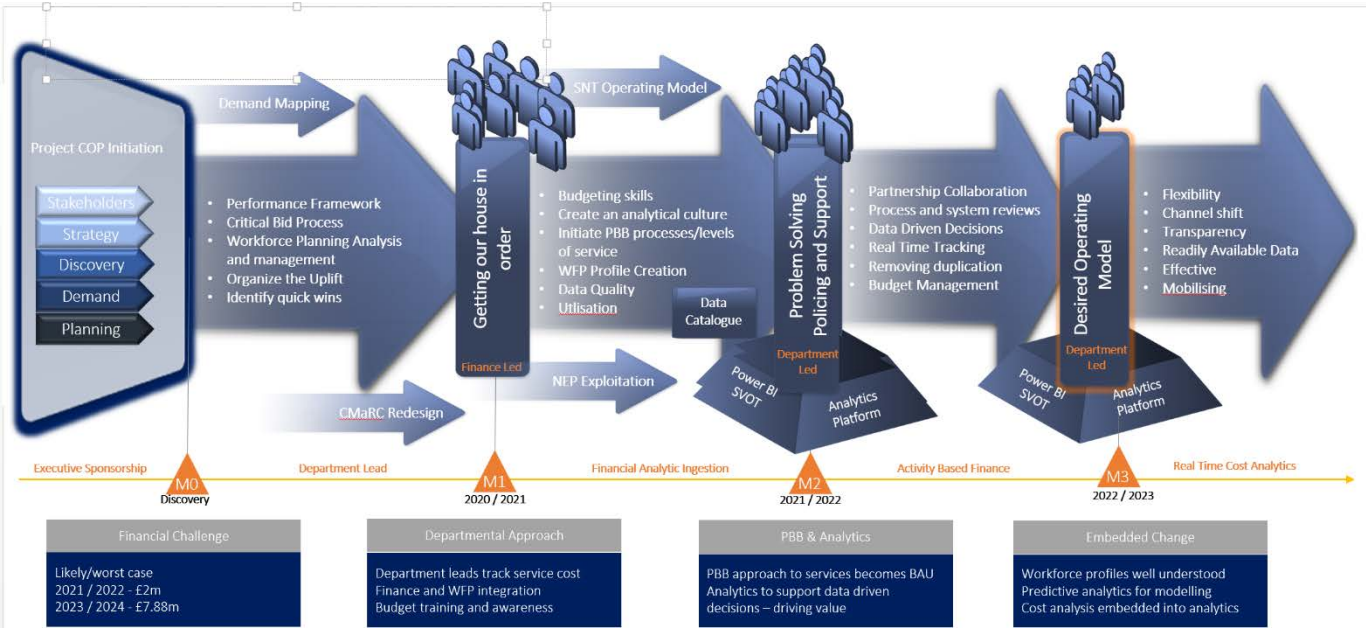
Medium-Term Forecast 2020/24	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Previous Year's Gross Expenditure	179.160	189.879	194.642	200.347
Inflation (including pay awards and increments)	5.899	6.037	6.168	6.320
Other spending pressures/reductions	4.188	(0.954)	(1.463)	(1.919)
New Business Cases	0.632	(0.320)	1.000	1.000
Net Revenue Budget	189.879	194.642	200.347	205.747
Projected Funding	(189.879)	(192.447)	(195.106)	(197.859)
Likely Annual Budget Base (Surplus)/Deficit	0	2.195	5.241	7.888
Contribution (to) / from Reserves/Bridging the Funding Gap Programme	0	(1.153)	0	0
Likely Remaining (Surplus)/Deficit	0	1.042	5.241	7.888

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. The scenarios range from the £9.258m by 2023/24 to £1.221 depending primarily on whether the Government announce inflation linked increases or keep funding flat, the level of precept flexibility and the ambition of the Constabulary. The Savings Strategy included within the Medium Term Financial Strategy sets out more details on the planned approach.

‘BRIDGING THE FUNDING GAP – THE COST OF POLICING PROGRAMME (COP)

6.9 The Force has developed its programme to ‘Bridge the Funding Gap’ called Cost of Policing (COP). This will align our review of demand and risk and also determine the cost of demand. This 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.

‘Bridging the Funding Gap’ – The **Cost of Policing** Programme



- 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 The Commissioner conducted a public consultation through both digital (the Commissioner's website) and face-to-face contact (at engagement events). The consultation described the Commissioner and Chief Constable's desire to protect policing services in Derbyshire from a budget deficit that, despite the national uplift programme, may lead to cuts if not properly addressed.
- 7.2 The consultation commenced prior to any Government confirmation on a revised precept flexibility in 2020/21. The Commissioner included options ranging from 0% (a freeze in council tax) up to a £24 increase (i.e. the increase from last year).
- 7.3 The consultation achieved 1,444 responses , 930 online and 514 face-to-face. All districts (and the City) were represented in the consultation responses. The results showed that 76.9% of respondents supported a precept increase of £10 or more.

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 31st 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. The

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 below shows the projected level of 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
GENERAL RESERVES	5.500	5.500	5.500	5.500	5.500
EARMARKED RESERVES					
Useable:-					
Operational Funding and Investment Reserve	4.276	2.153	1.653	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
Sub-Total	8.071	4.300	3.520	1.867	1.867
Non-useable:-					
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
Sub-Total	3.916	3.524	3.084	2.595	2.058
TOTAL EARMARKED RESERVES	11.986	7.824	6.604	4.462	3.925
TOTAL RESERVES	17.486	13.324	12.104	9.962	9.425

8.5 Further detail on the level of reserves is set out in **Annex D** and the Reserves Strategy within the Medium Term Financial Strategy 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 have been prepared. 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.

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, 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 forecasts 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 Cost of Policing Programme to 'Bridge the Funding Gap' 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 forecasts are based on a number of key assumptions 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 MTFP based on the most prudent forecast around funding and precept increases. It does, however, present a significant challenge, accepting it provides the worst or a likely 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 £10 for Police & Crime Commissioners. This report includes 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 MTFP presents a best estimate of the future financial pressures that the Commissioner will face. It

should be noted that inherent within the MTFP 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 February 2020

Annex A to Report 5A

	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	1,409.3	1,409.3	1,409.3
TOTALSTAFFING	3294	3,423.3	3,536.3	3,621.3
PROJECTED BUDGET REQUIREMENT		£m	£m	£m
Previous Year's Budget Requirement		181.016	189.879	194.642
less: Pension Support Grant treated as Income within budget		(1.856)		
Previous Year's Budget Requirement - adjusted		179.160	189.879	194.642
Pay & Price Increases				
Full Year Effect of Previous Year's Pay Award:-				
Police Officers		0.723	1.036	1.056
Police Staff		0.243	0.488	0.506
Provision for Current Year's Pay Award & Inflation:-				
Police Officers pay award		1.373	1.466	1.493
Police Staff pay award		0.669	0.704	0.730
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 - Collab		0.247		
Specific Price Inflation		0.114	0.152	0.136
General Inflation Contingency				
Total - Pay & Price Increases		5.899	6.037	6.168
Previous Year's Budget plus Pay & Price increases		185.059	195.916	200.810
Other Ongoing Changes (eg from government / policing service decisions)				
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)
2019/20 Precept Decisions - full year effect				
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)		
Total - Other Approved or Anticipated Changes		0.252	(.820)	(2.486)
Items Agreed after 2019/20 Precept Meeting				
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		
Police Staff - CMARC Removal of 4% Vacancy Factor				
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		
Total - Items agreed after 2019/20 Precept Meeting		0.917	0.160	0.000
Estimated Uplift Officers		2.940	4.079	3.403
less: Earmarked Uplift Grant		(2.380)	(3.164)	(2.380)
Uplift Set-Up costs		1.250	(.250)	
Provision for Op Relentless		0.250	(.250)	
CMARC - Reduction in Vacancy Factor		0.150	(.150)	
Additional support to Capital Programme		0.250	(.250)	
Additional support to Self-Insurance Provision		0.250	(.250)	
Increase in PCC's Commissioning Budget - net of reserves		0.310	(.060)	
2020/21 Supported Business Cases		0.319	(.007)	
Provision for new Growth Items		0.313	(.313)	1.000
BUDGET REQUIREMENT FOR YEAR		189.879	194.642	200.347

FUNDING FOR BUDGET REQUIREMENT		2020/21 £m	2021/22 £m	2022/23 £m
Central Government Funding				
Formula grant		(108.026)	(108.026)	(108.026)
Council Tax grants		(8.700)	(8.700)	(8.700)
Total - Central Government Funding		(116.726)	(116.726)	(116.726)
Precept Funding				
Previous year Council Tax Funding		(68.858)	(73.153)	(75.721)
Change in tax base - annual growth		(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
Total - Precept Funding		(73.153)	(75.721)	(78.380)
TOTAL PROJECTED FUNDING		(189.879)	(192.447)	(195.106)

BUDGET (SURPLUS) / DEFICIT		(.000)	2.195	5.241
Contribution from Operational Funding / Investment Reserve		0.000	(1.153)	0.000
REMAINING (SURPLUS) / DEFICIT NOT FUNDED		0.000	1.042	5.241

IMPACT ON OPERATIONAL FUNDING RESERVE				
Balance at start of year		2.153	1.653	0.000
Support to PCC Commissioning / additional PCSO's		(.500)	(.500)	
Revenue surplus / (deficits) per above		0.000	(1.153)	0.000
Balance at end of year		1.653	0.000	0.000

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

Annex B to Report 5A

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
Office of the PCC - Total Budget		1,219,800	32,700	12,600	12,100	1,277,200

2020/21 PROPOSED BUDGET		
<u>Services Commissioned via the Chief Constable</u>		
	2019/20	2020/21
	Approved	Proposed
	£m	£m
Police Officers	94.114	100.123
Community Support Officers	5.186	5.559
Other Police Staff	37.794	41.524
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	16.773
Agency & Contracted Services	0.172	0.212
Pay & Price Contingency	0.000	0.000
Specific Grants	(2.759)	(6.994)
General Income	(3.087)	(3.380)
Derbyshire Constabulary	162.767	171.084
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
PROPOSED GROSS SPENDING	175.186	183.740
Contribution from reserves		
- PFI	(.425)	(.468)
- Devolved Carry-Forwards	(.185)	(.134)
- Other Reserves	-	
	(.610)	(.602)
PROPOSED NET SPENDING	174.576	183.138

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

Annex D to Report 5A

	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	(500,000)		1,652,978	(1,652,978)		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	(779,859)	0	3,519,952	(1,652,978)	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	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	(1,220,112)	0	6,603,782	(2,141,725)	0	4,462,057	(537,087)	0	3,924,970
TOTAL RESERVES	17,486,403	(4,162,509)	0	0	13,323,894	(1,220,112)	0	12,103,782	(2,141,725)	0	9,962,057	(537,087)	0	9,424,970

2020/21 PRECEPT PROPOSAL: A £10 COUNCIL TAX INCREASE ON BAND D PROPERTIES

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	178,061,975
2020/21 Proposed	189,878,603
Increase in GRE	6.64%

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