

**GREATER MANCHESTER
POLICE FUND
REVENUE BUDGET AND
CAPITAL PROGRAMME
2019/20**

2019/2020 REVENUE BUDGET AND CAPITAL PROGRAMME

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FOREWORD

There is a statutory duty to determine the policing precept and set a balanced budget by 1 March each year. This paper sets out the resources available to deliver the ambitions set out in our recently published plan, Standing Together.

The Mayor increased the precept by £24 per band D property in 2019/20. This increase will raise £18m and be invested in the following priority areas, addressing public concerns:

- Neighbourhood policing
- Safety on the Transport network
- Safe night time economy
- Continue to improve the 101 service and other forms of customer contact
- Tackling serious and violent crime
- Tackling violence against women and girls
- Improvements to sickness absence

To support the delivery against the above priorities there will be an increase in police officer numbers by 320, in addition to the replacement of officers who leave the force (c.500):

- Recruit 220 new Neighbourhood Police Officers (NPOs) to enable an enhanced response to calls, particularly to those most vulnerable.
- Create a new proactive Force wide team of 50 officers to allow an effective, flexible, pro-active response to local problems and priorities
- A new transport team, with 50 additional officers, to enable a more appropriate response to problems on the transport network, including a wider focus on other transport matters.
- Undertake direct entry detective recruitment which will support investigations, particularly those into serious and violent crime and violence against women and girls.

This report must also be viewed in the context of recorded crime levels and comparisons of GMP to the national average. The latest Home Office statistics show that, in the 12 months to the end of June 2018, GMP recorded 343,089 crimes. This is an increase of 16% on the 12 months previous. This increase is due in part to changes in crime recording and changes in Home Office counting rules as well as changes in crime and steps to increase confidence in reporting crime. GMP has dealt with around 66,000 domestic abuse incidents, 18,600 incidents involving people with mental health conditions and 234 modern slavery crimes. In 2017 (latest national stats available) GMP received the second highest number of 999 calls, relative to population of all police forces in England and Wales and deals with the highest number of priority incidents relative to population.

Police Grant Settlement

The final settlement was received on 24th January 2019 advising that the police grant for 2019/20 will be £436.4m, an increase of £8.5m. In addition a one-off grant of £6.6m from HM Treasury was announced to partially mitigate against rising employer pension costs for police officers.

This extra funding covers the additional costs of the police officer pension scheme which have arisen as a result of the reduction in the discount rate, part of the Valuation Directions and set by HM Treasury for all public sector pension schemes. The impact of this direction falls solely on the employer and the impact for Greater Manchester has been calculated as £14.1m for 2019/20. Details of this significant change can be found in section 6.1 of this report.

As the additional grants only cover the increased pension costs the provisional police grant is still 'flat cash' as there is no additional funding to cover pressures to meet rising / changing demand, new threats, pay awards and inflationary rises. That grant is £1m more than the increased pension costs due to the allocation method of the grant, however there is an increased contribution to the North West Regional Organised Crime Unit to cover pay award and pension costs.

Within the settlement the Home Secretary announced a maximum police precept increase of £24. In 2018/19 the maximum increase allowed was £12. Whilst this indicates that the Government have recognised that additional funding is required for policing, this burden has been placed on local tax payers.

BACKGROUND DOCUMENTS

Background documents to this report are:

- (i) Government Settlement letters, reports and precept referendum letters.
- (ii) Reports to the Police and Crime Panel.
- (iii) Guidance note on Local Authority Reserves and Balances - Chartered Institute of Public Finance and Accountancy (CIPFA).
- (iv) Local Government Finance Act 1992.
- (v) Local Government Act 2003.
- (vi) Localism Act 2011.
- (vii) Police Reform and Social Responsibility Act 2011
- (viii) The Greater Manchester Combined Authority (Transfer of Police and Crime Commissioner Functions to the Mayor) Order 2017

SECTION 1: THE 2019/20 REVENUE BUDGET PROPOSALS

1. INTRODUCTION

- 1.1 The PCC within each force area has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the police to account on behalf of the public. For Greater Manchester the PCC functions were transferred to the Mayor on 8th May 2017. The Mayor (PCC) is the recipient of funding relating to policing and crime reduction, including government grants, the council tax precept and other sources of income. How this money is allocated is a matter for the Mayor (PCC) in consultation with the Chief Constable, or in accordance with any grant terms.
- 1.2 The provisions of Section 32 of the Local Government Finance Act 1992 require the Mayor (PCC) to set a balanced budget. In addition, Section 26 of the Police Reform and Social Responsibility Act 2011 establishes the PCC as a precepting authority for the purposes of the 1992 Act. Which means the Mayor (PCC) decides how much local people pay for policing through their council tax. For Greater Manchester, the precepting authority is Greater Manchester Combined Authority with the Mayor setting the PCC precept.
- 1.3 In accordance with Schedule 5 of the Police Reform and Social Responsibility Act 2011 (“the Act”) and Part 2 of the Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012 (“the Regulations”), a number of reports were presented to the Police and Crime Panel, with the final proposals presented and agreed at the panel meeting held on 31 January 2019.
- 1.4 On 13th December 2018 the 2019/20 Provisional Settlement was announced in Parliament and details were released to Police and Crime Commissioners. The final settlement was announced on 24th January 2019.
- 1.5 The budget sets out the overall funding which will be available to resource policing services in support of the Police and Crime Plan.

2. NATIONAL POLICE REVENUE AND CAPITAL SETTLEMENTS 2019/20

- 2.1 The settlement announced on 24th January 2019 included two key features:
 - The police grant for 2019/20 increases by £8.5m, with an additional one-off grant of £6.6m to partially mitigate against rising employer pension costs for police officers.
 - The raising of the maximum precept increase to £24. This is a significant change from 2017/18 when the precept was raised by the maximum of £12. Prior to this, Police and Crime Commissioners could raise the precept by no more than 2% unless they were one of the 10 areas with the lowest police precept. These Police and Crime Commissioners had the flexibility to raise income from council tax by £5 rather than 2%. In 2017/18 Greater Manchester qualified for the additional flexibility.

- 2.2 In order to create budgets for national initiatives the Home Office top slices the Police Main Grant. In essence this reduces the amount which is allocated to Police and Crime Commissioners to support local policing. Within the provisional settlement for 2019/20 the Home Office top sliced £1,029m (11%) from the Police Main Grant. This is an increase of £84m.

Top Slice	National figure 2019/20	National figure 2018/19	Change
	£m	£m	£m
PFI	73	73	0
Police Technology Programmes (including ESN)	495	495	0
Arm's Length Bodies	63	63	0
Strengthening the response to Organised Crime	90	42	48
Top ups to NCA and ROCUs (Regional and organised crime units)	56	0	56
Police Transformation Fund (now incorporating the Innovation Fund)	175	175	0
Special Grant	73	93	(20)
Pre-Charge Bail	4	4	0
TOTAL	1,029	945	84

The remaining £7.799bn has been distributed to each PCC using the historic formula. The revenue grant allocated to Greater Manchester is £436.4m, 5.6% of the national grant. The National Settlement is detailed in Appendix 1.

- 2.3 £46.9m will be distributed as capital funding. The total capital budget available was £76m before a top-slice of £29.1m was taken for the National Police Air Service, Police Live Services, and Special Capital Grant. The capital grant allocated to Greater Manchester is £2.4m.

MEDIUM TERM FINANCIAL PLANNING

2.4 Pensions

- 2.4.1 A significant pressure for Policing is the impact of the Valuation Direction on unfunded public sector pension schemes, such as the scheme for police officers. HM Treasury set the Valuation Directions for all public sector pension schemes. In relation to the unfunded pension schemes, the Direction which has the greatest impact on the valuation is the Discount rate which, for the first time, is being linked to OBR forecasts of economic growth. The current discount rate is based on 3%, the new rate is 2.4%. The impact of this direction falls solely on the employer.
- 2.4.2 The impact nationally for policing has been calculated as £317m. This was previously reported at £417m however HM Treasury have accepted the argument that Police have been over paying since the last valuation in 2012 when employer contributions were not reduced to the determined rate 21.3%.

- 2.4.3 The impact for Greater Manchester is £14.1m. For 2019/20 this has been funded through £8.5m increase in the police grant and £6.6m one-off grant from HM Treasury. *(Note a favourable position of £1m due to the gearing of the police grant for Greater Manchester)*. This poses a challenge for future years financial planning. Guidance has been given to assume the additional police grant will continue however the HM Treasury grant will not continue past 2019/20 with reference being made to the Spending Review in 2019.

2.5 Spending Review

- 2.5.1 This settlement is the last before the next Spending Review, which the Home Secretary has said will set long term police budgets and look at how resources are allocated fairly across police forces.
- 2.5.2 A policing submission is being developed at a national level in collaboration between Association of Police and Crime Commissioners (APCC), National Police Chiefs Council (NPCC), National Crime Agency (NCA), College of Policing (Cop) and the Home Office. This is to ensure the best possible submission to HM Treasury which details the changing nature of demand and threat, transformation activity to deliver the Police Vision 2025 and improved efficiency, productivity and effectiveness. This approach is welcomed by Greater Manchester and we are fully committed to supporting the development of the submission.
- 2.5.3 The impact of both the spending review and the funding formula is significant for Greater Manchester due to the reliance upon government funding (80%). This is due to a low tax base compared to other, more affluent areas, and historic precept decisions.

2.6 Funding Formula review

- 2.6.1 In 2015 the Home Office launched a consultation on the future funding formula of the police grant. It was well documented that the consultation process was flawed and following the release of exemplifications, which included the wrong dataset, the Home Office withdrew the consultation with a view to recommencing some time in 2017.
- 2.6.2 Detailed work was undertaken to launch a new consultation in the summer of 2017 however the General Election overtook events and the consultation was never launched.
- 2.6.3 There are indications that the formula review could be resurrected alongside the Spending Review. It is recognised that the current funding formula is flawed and does not reflect the demographics and demands of an area nor the ability to raise taxes. However, given the heavy reliance on government funding in Greater Manchester the impact could have a significant impact, either positively or negatively.

2.7 Emergency Services Mobile Communication Programme (ESMCP)

A further concern is the delay in the £1bn project to transition from Airwave radio to the new Emergency Services Mobile Communications Programme (ESMCP). The original plan was a National Shut Down (NSD) date of December 2019, which the Home Office have now confirmed will not be achieved. A review is underway to ascertain a revised NSD date including the associated cost increase. There is a real concern that any additional costs arising from the delay will result in dual running costs, possible further top-slicing to the Police Grant and / or a transfer of costs to local policing.

3. LOCAL BACKGROUND TO THE 2019/20 REVENUE BUDGET PROPOSALS

- 3.1 The settlement received on 24th January 2019 indicated that the police grant for 2019/20 will be £436.4m, an increase of £8.5m. In addition a one-off grant of £6.6m from HM Treasury was announced to partially mitigate against rising employer pension costs for police officers.
- 3.2 When considering the precept level the rising crime levels, increasing threats identified by the Chief Constable and the impact of the cumulative cuts since 2010 are all taken into account.
- 3.3 There is no doubt the cuts faced during austerity have seriously impacted on many capabilities required by the Force to deliver against its vision of “Protecting society and helping keep people safe”. The number of Police Officers has reduced by 2000 since 2010. The Force faces increased threats from terrorism, serious and organised crime, child sexual exploitation, serious sexual offences and cyber-crime.
- 3.4 This report must also be viewed in the context of recorded crime levels and comparisons of GMP to the national average. The latest Home Office statistics show that, in the 12 months to the end of June 2018, GMP recorded 343,089 crimes. This is an increase of 16% on the 12 months previous. This increase is due in part to changes in crime recording and changes in Home Office counting rules as well as changes in crime and steps to increase confidence in reporting crime. GMP has dealt with around 66,000 domestic abuse incidents, 18,600 incidents involving people with mental health conditions and 234 modern slavery crimes. In 2017 (latest national stats available) GMP received the second highest number of 999 calls, relative to population of all police forces in England and Wales and deals with the highest number of priority incidents relative to population.
- 3.5 Index of Demand¹ records that Greater Manchester is one of most challenging areas for policing in England and Wales.
- 3.6 If approved, this £24 increase will raise £18m and be invested in the following priority areas, addressing public concerns:
- Neighbourhood policing
 - Safety on the Transport network
 - Safe night time economy
 - Continue to improve the 101 service and other forms of customer contact
 - Tackling serious and violent crime
 - Tackling violence against women and girls
 - Improvements to sickness absence

¹ Her Majesty’s Inspectorate of Constabulary (HMIC) commissioned from the London School of Economics an Index of Demand, which takes account of crime, other demand on policing and socio-economic factors

To support the delivery against the above priorities there will be an increase in police officer numbers by 320, in addition to the replacement of officers who leave the force (c.500):

- Recruit 220 new Neighbourhood Police Officers (NPOs) to enable an enhanced response to calls, particularly to those most vulnerable.
- Create a new proactive Force wide team of 50 officers to allow an effective, flexible, pro-active response to local problems and priorities
- A new transport team, with 50 additional officers, to enable a more appropriate response to problems on the transport network, including a wider focus on other transport matters.
- Undertake direct entry detective recruitment which will support investigations, particularly those into serious and violent crime and violence against women and girls.

4. REVENUE BUDGET 2019/20

4.1 The budget sets out the resources which are available to fund my Mayoral PCC functions and GMP to resource policing services in support of the Standing Together Plan. It goes without saying that the appropriate distribution and deployment of those resources is critical to its success. The agreed budget for 2019/20 is as follows:

	2019/20
	£m
Employee Related	536.927
Pensions	119.926
Premises Related	32.092
Supplies & Services	66.663
Agency Payments	27.917
Transport Related	6.257
Capital Financing	11.684
Transfer to/from Reserves	(2.765)
Specific Grants	(174.092)
Income & Sponsorship	(35.560)
Net Budget Requirement	589.049
Home Office Grant	(436.468)
Precept	(148.765)
Council Tax Surplus	(3.816)
Total Funding	(589.049)
Surplus / Shortfall	(0)

A comparison with 2018/19 can be found at Appendix 4

4.2 The following key budget assumptions have been made in developing the budget. Ideally this would represent a four year strategy, however the Home Office have only issued a one year settlement.

- Pay awards of 2%
- Assume no price inflation unless evidence suggests otherwise
- Police officer pension contributions increased by £14.1m
- Police staff pension contributions remain static for the next year (tri-annual review 2020)
- Community Safety Fund to increase by £550k
- Council tax base growth of 2%
- Collection fund balances of £3.8m

4.3 The Force continues to deliver a massive transformational programme designed along the following principles:

4.3.1 Committed to Place

Commitment to Place Based working is about working closely with partners at frontline, borough and force levels. By sharing information and resources that can tackle the issues people care about in their local area, we can identify root causes of problems in communities and work to find the solution. Prioritising the people who are vulnerable, in need or have complex dependencies, Place Based working makes sure that the right services are given by the most relevant organisation.

4.3.2 “Citizen Contract”

Keeping Greater Manchester safe isn't just down to GMP, the public have to play their part in supporting policing by working with us. We need to have an honest conversation about what we can do and confirm our capacity to them so that we can provide the best possible service.

4.3.3 Continue to refine our approach to Threat, Harm and Risk

Threat, harm and risk is a fundamental factor in every decision that is made in our organisation. The aim of the threat, harm and risk review that is currently ongoing is to reshape GMP's investigative and safeguarding response. By reviewing our approach to threat, harm and risk, we can support and deliver on the core principles of the Target Operating Model, making sure we use our resources as effectively and efficiently as possible.

4.3.4 Continue to develop and support our workforce

To change and adapt the way we police, we need a workforce that is engaged in what they do and proactive about how they do it. We will be investing in opportunities for officers and staff to learn, develop and improve, so that we have a proactive workforce where people are able to drive their own careers with the support of clearly developed pathways.

Staff well-being will be at the heart of what we do and the recent staff engagement survey will help us to focus on areas for improvement, as it showed that generally, job satisfaction

is high, with officers and staff feeling highly committed to the public. Still, we know that more needs to be done to make sure people feel valued and supported in their roles, which is why we already have a well-being strategy in place. As a result, the behaviour change team will be working with local senior leadership teams on improvements that will make GMP an even better place to work. With a supportive environment and well-being assistance, we are ensuring recognition for achievements takes place at all levels.

4.3.5 Continue to embrace information and technology

By making better use of information that we hold and access through public sector and other partners, we can support efficient decision making for both people and places. New technology has already been introduced to support frontline officers and staff, including the roll out of 8000 mobile devices such as smartphones and tablets.

In July 2019 a new integrated Operational Policing System will be introduced to replace GMPICs, OPUS, KIM, ICIS and Case and Custody. This approach will ensure we are able to work smarter and faster, maintaining a visible presence in the neighbourhoods across Greater Manchester.

4.3.6 Major deliverables in 2019/20 delivered through the budget will be:

- The transformation of working practices within the Force's Operational Communications Branch to improve service to the public
- State of the art facilities for the Specialist Operations team, allowing more effective deployment and improved working conditions
- New Forensics Building at Chadderton which will reduce the backlog of cases and speed up access to justice.
- The refresh of frontline officers mobile devices and the introduction of new apps which will include new biometric fingerprinting technology to enhance operational efficiency

5 PRECEPT 2019/20

- 5.1 For 2019/20 the Home Secretary announced a maximum PCC precept increase of £24.
- 5.2 In accordance with legislation the Mayor sets the PCC precept. For 2019/20 he has increased the precept by the full £24. The precept must be sufficient to meet expenditure after taking into account all sources of income. The council tax requirement for 2019/20, after taking into account all other sources of income, is £148,765,398.
- 5.4 A council tax base of 750,204 Band D equivalent has been calculated, being the aggregate of the tax bases calculated by the Districts
- 5.5 To arrive at the band D equivalent PCC precept the following calculation is used:

R = council tax requirement

T = Taxbase

$$\frac{R}{T} = \frac{148,765,398}{750,204} = £198.30$$

The cost per band is:

A	B	C	D	E	F	G	H
£132.20	£154.23	£176.27	£198.30	£242.37	£286.43	£330.50	£396.60

- 5.6 The level of the precept was considered and endorsed by the Police and Crime Panel at its meeting on 31st January 2019.
- 5.7 A public consultation exercise was also undertaken with 59% of respondents stating that they would be willing to pay a £24 increase.

6. CAPITAL PROGRAMME 2019/20 – 2021/22

- 6.1 The key capital spending priority in 2019/20 continues to be the Information Services Transformation Programme (ISTP), which is scheduled for completion in the summer. The programme is made up of a number of projects to replace key operational policing systems and ageing infrastructure and architecture. The programme will remove the significant risk of IT failure which the current platform presents, and act as a key enabler to facilitate the changes in practices to make policing more effective and efficient.
- 6.2 Aside from the ISTP investment the majority of the capital programme is classified as business as usual activity. However there are 2 major projects within the Estates category, both of which act as enablers to release either space or property which support the rationalisation of the Estate.

Details of the funding of the proposed capital programme are included in the tables below:

Capital Spend	2019/20 £m	2020/21 £m	2021/22 £m
Estates	2.708	1.802	10.388
Fleet	2.869	3.447	3.511
Target Operation Model	37.262	23.821	16.483
Information Services Transformation Programme	10.129	0	0
Other Information Services Projects	3.301	3.573	3.216
Grand Total	56.269	32.643	33.598
Funded By:			
Capital Grant	(2.371)	(2.371)	(2.371)
Specific grants	(0.589)	0	0
Capital Receipts	(1.401)	(12.101)	(0.034)
Prudential Borrowing	(51.908)	(18.171)	(31.194)
Total funding	(56.269)	(32.643)	(33.598)

The programme excludes any carry forward of budgets that may be approved at a later date.

7. 'STANDING TOGETHER' POLICE AND CRIME PLAN

- 7.1 This is the first Police and Crime Plan prepared by the Deputy Mayor for Policing and Crime and in preparing plan users of services and a wide range of partners have been extensively consulted to create a plan which works for everybody.

There are three priorities within the plan:



7.2 Keeping people safe

Protecting and caring for people who live, work, socialise and travel in Greater Manchester. Protecting those who are vulnerable and those who are victims of crime or at risk of being victimised. Building resilience, feelings of safety and confidence in policing and community safety.

Key themes for this priority:

Social Cohesion Commission

Anti-social behaviour

Fraud prevention and investigation

Domestic Abuse

Mental Ill-health

Children and young people's safeguarding

Missing Children

Female Genital Mutilation

Modern Slavery

So called honour-based abuse

Drugs early warning system

Victim services

7.3 Reducing harm and offending

Preventing anti-social and criminal behaviour including the most serious offending by solving problems, intervening early and rehabilitating offenders to build confidence in criminal justice.

Key themes for this priority:

Family Support – both in custody and on release

Counter Terrorism prevent team

Problem solving justice

Care in Custody

Early Intervention and prevention

Intensive Community Orders

Programme Challenger

Integrated Offender Management

Sex offender management

Employment, learning and skills - both in custody
and on release

Restorative Justice

7.4 Strengthening communities and places

Helping to build resilient and resourceful communities including online communities and protecting the places where people live, work, socialise or travel. Supporting the delivery of the IT systems, buildings, roads, street lighting and other public assets needed to solve problems in a 21st century society.

Key themes for this priority:

Safer Travel

Place Based integration

Counter Terrorism

Target Hardening and designing out crime

CCTV

Civil Contingencies

7.5 COMMUNITY SAFETY BUDGET

- 7.5.1 Over 2018/19, Community Safety Partnerships (CSP) have aligned local police and crime plans with Standing Together priorities and are using Community Safety funds to support targeted work in neighbourhoods. Oversight and governance is managed through local partnership arrangements and the Deputy Mayor is informed of spending profiles through an initial proposal followed by a mid-year update on progress. The Community Safety Grant provides CSPs with local autonomy to direct funds at key police and crime priorities.
- 7.5.2 In response to feedback from CSPs, the Deputy Mayor supported the delegation of grants to the voluntary sector to CSPs, having previously been managed centrally through the Office of the Police and Crime Commissioner. These additional funds were used by CSPs to allocate funding to the voluntary sector to support engagement with communities in tackling local police and crime priorities and building community resilience and partnership.
- 7.5.3 In keeping with the Deputy Mayor's desire to further delegate funds, recognising the excellent outcomes delivered by CSPs and acknowledging the cuts to Local Authority budgets, the Deputy Mayor will not only continue to earmark the community safety grant but will increase the grant by £550,000 for 2019/20.

8. RISK ASSESSMENT

8.1 A key requirement of any budget setting process is the assessment of risk and how this is reflected in the financial strategy. An assessment of the major financial risks associated with the 2019/20 budget has been undertaken. These are highlighted below:

8.1.1 Additional grant receipts above those included in the budget, which require additional expenditure to secure the funding. These would not be accepted unless budgets could be realigned elsewhere.

8.1.2 There are no contingencies in the revenue budget to meet unforeseen circumstances.

8.1.3 There is no budget provision for a large-scale major incident. Were such an incident to occur then possible funding would be from:

- Special grant
- Insurance
- Bellwin Scheme
- General reserves

The Bellwin scheme threshold at which the scheme can be activated announced each year alongside the settlement figures. The scheme will pay 100% grant above this level. However, the special grant threshold remains at 1% of net budget.

8.1.4 Material changes to the capital programme. The capital programme for 2019/20 is substantial and is fully funded but reduces in future years. If major expenditure arises due to the unexpected loss of a building then the Mayor has adequate insurance cover in place.

8.1.5 The revenue budget includes interest earned on investments. The budget for 2019/20 has already been set in line with current economic projections.

8.1.6 Failure to fully implement planned budget cuts. Previous years' experience shows that reductions have been achieved.

9. RESERVES

9.1 GENERAL FUND

9.1.1 A General Fund level has to be set annually based on an assessment of risk.

9.1.2 There is no prescriptive guidance on the minimum (or maximum) level of general reserves required, either as an absolute amount or a percentage of the budget.

9.1.3 When recommending a minimum level of the General Fund level the Treasurer takes account of the strategic, operational and financial risks, and that level can be expressed in cash terms or as a percentage of the budget.

9.1.4 The General Fund is held to:

- Provide a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- act as a contingency to cushion the impact of unexpected events or emergencies

9.1.5 Factors to be considered in setting the level of General Fund are:

- cash flow requirements
- treatment of inflation and interest rates
- estimates of the level and timing of capital receipts
- the treatment of demand-led pressures
- the treatment of planned savings/efficiencies
- financial risks inherent in any significant new funding partnership, major outsourcing arrangement or major capital development
- the adequacy of other funds, e.g. insurance provision

9.1.6 A risk assessment has been undertaken to establish what the minimum General Fund level should be. The assessment is not an exact science and views may differ on what constitutes key financial risks and their evaluation. Taking into account the factors listed in paragraph 9.1.5, the assessment indicates minimum and maximum levels of £11.778m and £14.723m respectively during 2019/20. The calculation is set out overleaf at section 9.1.10.

9.1.7 The General Fund Balance at 31st March 2019 is forecast to be £13.061m.

9.1.8 The forecast is within the assessed range. In the past, part of the General Fund balance has been used to fund budget savings that could not be fully realised within a financial year. Another option could be to use balances to fund investment required to deliver longer-term efficiencies. These are legitimate short-term options, but reserve balances would not be used to finance recurrent expenditure. The amount held in cash balances contribute to investment income received and is credited to the Income and Expenditure Account.

9.1.9 The 2019/20 budget and future year's estimates do not include any use of General Fund balances.

9.1.10 GENERAL FUND RISK ASSESSMENT

		General Fund Amount Minimum £m	General Fund Amount Maximum £m
<u>Large scale major incident</u>			
Funding 2019/20	£m		
Police Grant	436.468		
Precept & Collection fund balance	<u>152.581</u>		
Funding total	589.049		
Allow between 2% and 2.5% of funding total		11.781	14.726
<u>SUGGESTED GENERAL FUND LEVEL AT 31/03/19</u>		<u>11.781</u>	<u>14.726</u>
Forecast level at 31/03/19		<u>13.061</u>	<u>13.061</u>
Difference between suggested and forecast levels at 31/03/19		(1.280)	1.665

As required by Section 25 of the Local Government Act 2003, the Treasurer of the GMCA is satisfied that the level of the general fund is adequate.

9.2 **EARMARKED REVENUE RESERVES**

9.2.1 Reserves are created for specific purposes only and returned to General Fund if no longer required. They arise either where monies have been set aside or anticipated expenditure has been postponed.

9.2.2 Earmarked Revenue Reserves are forecast to be £42.341m at 31st March 2020, reducing by £6.509m (13%) compared to 31st March 2019:

Balance at 31st March

	2018/19	2019/20
	£m	£m
PCC Transformation Reserve	5.720	2.340
PCC Commissioning Reserve	8.118	6.113
MOJ Commissioning	1.523	0.967
PCC Community Crime Fund	4.279	3.954
Legal Reserve	1.855	1.855
Operational Contingency Reserve	2.193	2.193
Other	9.539	10.271
PFI Reserve	11.826	10.851
Capital Financing Reserve	3.797	3.797
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	48.850	42.341

APPENDICES

Appendix 1 summarises 2019/20 National Police Settlement data.

Appendix 2 summarises the Strategic Financial Outlook 2019/20 – 2022/23

Appendix 3 sets out the Formula Funding and Specific Grants

Appendix 4 sets out the 2019/20 budget compared to the previous year

NATIONAL DATA	2019/20 £m
Total Police Funding	
Central Government funding	9,018
Less Private Finance Initiatives	(73)
Less Police Technology programmes	(495)
Less Arms-Length Bodies	(63)
Less Strengthening the response to organised crime	(90)
Less Top ups to NCA and ROCUs (Regional and organised crime units)	(56)
Less Transformation Fund	(175)
Less Special Grant	(73)
Less Pre-charge bail	(4)
Less National & International Capital City Grants	(190)
	<hr/>
Total Direct Funding	7,799
Direct Funding Allocations	
Core Grant Funding	7,108
Legacy Council Tax Grants	548
Pensions Grant	143
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Total Direct Funding Split	7,799

STRATEGIC FINANCIAL OUTLOOK 2019-2023

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
2018/19 Budget Requirement	558.9	558.9	558.9	558.9
Removal of non-recurrent decisions in 18/19	(9.4)	(9.4)	(9.4)	(9.4)
Adjusted 2018/19 Budget Requirement	549.4	549.4	549.4	549.4
<u>Commitments & Cost Pressures</u>				
Police Officer Pay	22.7	34.1	44.5	58.0
PCSO Pay	(1.3)	(1.2)	(0.7)	(0.2)
Police Staff Pay	7.0	9.7	14.2	15.7
Police Pensions - GMP Funded	1.8	2.1	2.3	2.6
IT Related	0.5	0.1	0.5	0.6
Pension Grant	(6.6)	0.0	0.0	0.0
Premises Related	1.4	1.9	1.6	1.7
Prudential Borrowing - Committed Capital Expenditure	(2.4)	(2.7)	(2.7)	(3.1)
Forensic Marketplace	0.8	0.8	0.8	0.8
Direct Revenue Funding of Capital	0.0	0.0	0.0	0.0
Collaborations	0.7	0.9	1.1	1.3
Transfer from Reserves GMP	(4.0)	(2.3)	0.0	0.0
Other Changes	0.2	1.2	2.2	2.4
Other Mayoral Office Budget Changes	0.7	(0.5)	(1.1)	(1.1)
Total Commitments & Cost Pressures	21.6	44.2	62.8	78.7
Total Budget Requirement (excluding New Investments)	571.0	593.6	612.2	628.1
<u>New Investment Choices</u>				
Flexible Resources Supporting the Transformation Programme	0.5	0.5	£0.0	£0.0
Prudential Borrowing - future year Capital Programmes	0.3	8.8	11.6	16.3
Force TOM	9.4	10.9	14.0	13.3
Chief Officer Priorities - Driver Training	0.3	0.3	0.0	0.0
Chief Officer Priorities - GDPR	0.2	0.2	0.2	0.2
Chief Officer Priorities - IOPS Upgrades	0.1	0.1	0.1	0.1
Chief Officer Priorities - Targeted Payments	0.2	0.1	0.0	0.0
Chief Officer Priorities - Spit Guards	0.0	0.0	0.0	0.0
Chief Officer Priorities - Part-time Executive Director	0.0	0.0	0.0	0.0
Chief Officer Priorities - Support to Police Now and Direct Entry	0.0	0.0	0.0	0.0
Chief Officer Priorities - Outsourcing of Probationer Medicals	0.1	0.1	0.1	0.1
Funded From Additional Precept - 224 Additional Officers	3.3	7.8	8.3	8.8
Funded From Additional Precept - Costs of Recruiting 50 Detectives via Police NOW	0.8	0.0	0.0	0.0
Funded From Additional Precept - Clothing & Equipment Associated with the Additional Officers	0.6	0.2	0.0	0.0
Funded From Additional Precept - Cost of Extending 40 OCB Staff for One Year	1.4	0.0	0.0	0.0

Funded From Additional Precept - LRO's - Earlier Recruitment of Staff	0.4	0.0	0.0	0.0
Funded From Additional Precept - PSU Helmets	0.3	0.0	0.0	0.0
Funded From Additional Precept - Hi-Vis Tac Vests & Support for Roll-Out	0.5	0.0	0.0	0.0
Funded From Additional Precept - Polygraph Examiners	0.1	0.1	0.1	0.1
Funded From Additional Precept - Intermediary Support to Vulnerable People	0.0	0.0	0.0	0.0
Transfer to Earmarked Reserve - Balance of Additional Precept	2.0	0.9	0.6	0.0
Invest to Save - Additional Resources for Workforce Planning / Resource Management Pilot	0.1	0.0	0.0	0.0
Invest to Save - 24 x 7 Nurse Facility for Staff Reporting Sick in OCB	0.1	0.0	0.0	0.0
Mayoral Investment Fund	2.0	2.0	2.0	2.0
Transfer to DM Earmarked Reserve - Council Tax Smoothing	1.3	0.0	0.0	0.0
Transfer to GMP Earmarked Reserve - TOM	0.8	0.0	0.0	0.0
Total New Investments	25.0	32.0	37.0	41.1
Total Budget Requirement (including New Investments)	596.1	625.6	649.2	669.2
Funding				
Total Government Funding	(436.5)	(436.5)	(436.5)	(436.5)
Precept	(148.8)	(153.9)	(159.2)	(164.6)
Collection Fund Surplus	(3.8)	(2.5)	(2.5)	(2.5)
Total Funding	(589.0)	(592.8)	(598.1)	(603.6)
Savings Required	7.0	32.8	51.1	65.6
Identified Savings				
Police Officer Turnover	(6.1)	(12.3)	(20.3)	(28.7)
Force TOM	(0.9)	(2.2)	(10.0)	(12.2)
Total Identified Savings	(7.0)	(14.5)	(30.4)	(40.8)
Savings Still to be identified	0.0	18.3	20.7	24.8
Memorandum: Funded from Reserves GMP				
Transfer from DM Transformation Reserves - Flexible Resources	(0.5)	(0.5)	0.0	0.0
Transfer from DM Transformation Reserves - TOM	(2.2)	0.0	0.0	0.0
Transfer from GMP Earmarked Reserves - TOM	0.0	(0.8)	0.0	0.0
Transfer from GMP Earmarked Reserves - Wellbeing Initiative	(0.2)	(0.1)	0.0	0.0
Transfer from DM Commissioning Reserves - Wellbeing Initiative	(0.2)	(0.1)	0.0	0.0
Transfer from GMP Earmarked Reserves - Positive Action Initiative	(0.4)	0.0	0.0	0.0
Transfer from DM Innovation Fund Reserve - Balance of £1m to fund 40 additional OCB Staff	(0.5)	0.0	0.0	0.0
Transfer from DM Community Crime Reserve - Invest to Save	(0.2)	0.0	0.0	0.0
Transfer from GMP Earmarked Reserves - Bradford Park Disposal	0.0	(0.7)	0.0	0.0
	(4.0)	(2.3)	0.0	0.0

FORMULA FUNDING AND SPECIFIC GRANTS

	2018/19	2019/20	Variance
	£m	£m	£m
Police Grant	223.464	228.325	4.861
Formula Funding	178.841	182.429	3.588
Legacy Council Tax Grants	25.714	25.714	0
Total funding	428.019	436.468	8.449
Other grants			
Police Pension Top Up Grant	115.384	107.889	(7.495)
Counter Terrorism Grant	32.941	39.169	6.228
Private Finance Initiative (PFI)	5.315	5.315	0
Restorative and Victims Services	3.306	4.058	0.752
Asset Incentivisation	1.994	1.954	(0.040)
Capital Grant: Pre 1990 Debt Charge	0.750	0.750	0
Other	12.033	15.604	3.571
	171.723	174.739	3.016

VARIATIONS BETWEEN 2018/19 AND 2019/20

	Original Budget 2018/19 £m	Original Budget 2019/20 £m	Variance £m
Employee Related	504.453	536.927	32.474
Pensions	125.621	119.926	(5.695)
Premises Related	31.281	32.092	0.811
Supplies & Services	55.964	66.663	10.699
Agency Payments	22.138	27.917	5.779
Transport Related	6.294	6.257	(0.037)
Capital Financing	30.839	11.684	(19.155)
Transfer to/from Reserves	(11.924)	(2.765)	9.159
Specific Grants	(170.973)	(174.092)	(3.119)
Income and sponsorship	(34.836)	(35.560)	(0.724)
TOTAL OTHER	558.858	589.049	30.191
<u>Funded By:</u>			
Home Office Grant	(428.019)	(436.468)	(8.449)
Precept	(128.041)	(148.765)	(20.724)
Council Tax Surplus	(2.798)	(3.816)	(1.142)
Funding	(558.858)	(589.049)	(30.191)
Over / (under)	0.000	0.000	0.000