

<b>POLICE PRECEPT FOR 2017/18 AND MEDIUM TERM RESOURCE STRATEGY 2017/18 - 2021/212</b>	
<b>DATE</b>	6 February 2017
<b>REPORT OF</b>	Chief Executive of the Office of the Police and Crime Commissioner for Humberside
<b>SUBJECT</b>	Police Precept Proposals for 2017/18
<b>STATUS</b>	Open

**1. EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to consider the 2017/18 precept proposal. The report is supported by the Commissioner's Medium Term Resource Strategy (MTRS) document covering the period 2017/18 to 2021/22. This provides detailed information on the revenue and capital budget assumptions used in formulating the Strategy and sets out details of the options considered by the Commissioner when making the decision on his precept proposal.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Police and Crime Panel:
- 2.1.1 Endorse the Commissioner's preferred option of increasing the precept for 2017/18, by 1.99% (from £183.67 to £187.33 for a Band D property), the increase that he consulted upon.

**3. BACKGROUND**

- 3.1 This is the fifth year that the Panel has considered a precept proposal recommended by the Commissioner.
- 3.2 There has been no change to the statutory timetable for the development of the precept proposals by Police and Crime Commissioners and for scrutiny by Police and Crime Panels.

- 3.3 The timetable for consideration of the precept is as follows:
- By 1 February. The Commissioner is required to notify the Panel of his proposed precept
  - By 8 February. The Panel is required to review the proposed precept and make a report to the Commissioner. The Panel can propose that the precept be issued, make recommendations regarding the precept level, or veto with a two thirds majority. If the Panel does not veto the proposed precept the Commissioner must have regard to the report and recommendations of the Panel and give the Panel a response to them
  - By 15 February. If the Panel vetoes the original precept the Commissioner must notify the Panel of the revised precept
  - By 22 February. The Panel must review the revised precept and make a second report to the Commissioner accepting or rejecting the revision and make recommendations
  - By 1 March. The Commissioner must give the Panel a response to its second report and issue the precept. If the second proposal is rejected by the Panel this does not prevent the Commissioner from issuing the revised precept as the precept for the financial year
- 3.4 If the Panel decides that a second report is necessary then arrangements will have to be made for additional meetings to consider revised proposals. It should be noted that the dates set out in the regulations take precedence over any local arrangements.
- 3.5 For 2016/17 the Commissioner agreed to a Council Tax increase of 1.99% with the Band D precept for the year being set at £183.67.

#### **4. POLICE AND CRIME PLAN AND THE MTRS**

- 4.1 The decision on the precept needs to be made in the context of medium term financial and resource plans as it impacts on future years. This is in line with good practice. The precept proposal and budget considerations set out in this report are made after having regard to a five year financial forecast set out within the MTRS. This forecast is based on stated assumptions and on the best available information at this time.
- 4.2 The Police and Crime Plan sets out the PCC's vision, mission and values which provide the broad direction behind it. These statements are followed by three aims formulated in consultation with the public and partners. The aims are long term aspirations which will remain for the whole period of the Plan.
- 4.3 The Chief Constable will produce a delivery plan setting out how the Force intend to improve its delivery against the priority areas reflected in the aims and the changes that will be introduced which will lead to better results. The MTRS identifies the resources made available to support these activities.
- 4.4 It also sets out details of the funding that is available to allow the PCC to support partnership working and in relation to the Office of the Police and Crime Commissioner. The Chief Executive will also produce a delivery plan in connection with these resources.

- 4.5 The three aims are:-
- To develop increasingly self-sustaining and safe communities in the Humber area;
  - To build confidence in the agencies involved in creating safer communities and
  - To provide services to victims and the most vulnerable that meet their needs.
- 4.6 The MTRS incorporates a 5-year financial forecast, including estimates of both revenue and capital expenditure. It also includes detailed information on staffing assumptions. This enables the PCC to take a view on what is needed to deliver the Plan and how it can be financed and resourced. It also provides a basis for negotiations with key partners who play a significant part alongside the Force in ensuring that the high level outcomes are achieved.

## **5. PROVISIONAL POLICE GRANT SETTLEMENT**

- 5.1 On 23 November 2016, the Chancellor in his first and last Autumn Statement, confirmed that spending plans would be in line with the arrangements set out a year earlier in relation to CSR2015 which indicated that policing would be protected. Members will recall that this was in sharp contrast to announcements earlier that summer. The earlier announcements suggested that policing would not be protected with PCCs and forces expecting to have to find budget reductions of between 25% and 40%.
- 5.2 The CSR announcement was reflected in the draft 2016/17 Police Grant Report, details of which were confirmed in February 2016. In addition Ministers changed direction and adopted a significantly different approach to identifying the resources available for policing by assuming that all PCCs would implement increases in precept up to the maximum allowable without requiring a referendum. This was very different to the pressure and financial inducements offered in previous years to freeze and to limit increases. Notwithstanding the more favourable financial position, Government indicated that savings and efficiencies would still be required and reforms would need to continue at an increasing pace in order to identify resources for reinvestment to address the new challenges facing the service.
- 5.3 The Provisional Police Grant Settlement 2017/18 continued this arrangement by once again including the projected income from Council Tax in the amounts regarded as part of the total resources available for policing. The calculations in relation to the distribution of grant to PCCs replicated the arrangements previously whereby the all receive the same level of reduction, 1.4% against general grant.
- 5.4 More detailed analysis of the information for 2017/18 identified that the Government had recognised that their assumptions of the amounts generated in 2016/17 from the Council Tax were more than they had anticipated due to the fact that the taxbase was higher than the 0.5% increase that they had assumed. The Minister was then able to suggest that as the total available was higher, this allowed for more investment in the Transformation Fund and other initiatives by top slicing, whilst enabling all PCCs to receive a flat cash settlement compared with 2015/16. This was on the assumption that all PCCs would increase precepts by the maximum amount possible without requiring a referendum.

- 5.5 Referendum limits were confirmed as 2% for the majority of PCCs, including the PCC for Humberside, with those PCCs with the 10 lowest precepts nationally being able to increase by £5.
- 5.6 In the corresponding report last year, reference was made to the uncertainties in forecasting levels of external funding in future years due to the likelihood of more funding that would otherwise be available to be distributed to PCCs being top sliced and the lack of clarity over potential changes to the police funding formula. The proposed review of the formula had been abandoned in November 2015 due to flaws being identified in the data being used.
- 5.7 The concerns over the amounts being top sliced were well founded. The amounts set aside in the 2017/18 Settlement are substantially higher with an increase of £227.2m. This includes a Transformation Fund of £175m, up from £131.4m, and increases in the amounts reallocated to cover the increased costs of the replacement Emergency Services Network. This element of the top slice has risen by almost £100m.
- 5.8 Although the impact on PCCs has been mitigated in part by the increased taxbase, the vast majority have not benefitted by the full value of this permanent source of income. All PCCs have received the same reduction in general grant of 1.4%. If the proposed precept proposal is accepted then the amount available to the PCC will be 0.3% higher in cash terms in 2017/18 compared with 2016/17. This is at a time when inflation is running at 1.6%. It now seems likely that future settlements will continue to look at the total resources available each year with adjustments for actual taxbase increases linking back to flat cash when compared with 2015/16. How this will impact on the amount available for individual PCCs when further top slicing is taken into account is uncertain but the Transformation Fund is now being advertised as being likely to increase to £700m in the near future.
- 5.9 The Government has begun the process of reviewing the funding formula again and a significant amount of work has been undertaken to progress this. The Policing Minister has indicated that the intention is to come forward with proposals in February 2017. This target looks like being achieved but at this time and even when more details are published in the spring it is unlikely that there will be exemplifications to allow the impact on individual PCCs to be established. It now seems probable that implementation will be in 2018/19 but this is not guaranteed at this stage. The added issue affecting future years which cannot be assessed at the moment is how the changes will be “damped” and the length of the period over which transition to the new arrangements will occur.
- 5.10 The Policing Minister confirmed that legacy grants relating to the Localisation of Council Tax and freeze grants will continue to be paid next year. However the risk that these may be included within the amount to be allocated as part of any new formula or indeed that they may not continue to be paid in the long term has not receded. The legacy grants for Humberside are in excess of £10m. This represents a greater share of these grants nationally than the current formula grant. The MTRS assumes that the current arrangements will continue for this funding.

- 5.11 The above information confirms once again that the Provisional Police Grant Settlement announced on 15 December 2016 provides certainty for just one year. This seriously inhibits medium term resource planning.
- 5.12 The other key information on external funding, is the amount of grant from the Ministry of Justice (MoJ) for Victims Services. This will be £1.084m in 2017/18 compared with £1.092m this financial year. The MoJ has been pressed for multi-year information on allocations but it has not been possible for this to be provided. There is further uncertainty in this area of activity as services that are currently procured and managed by the MoJ on a national basis could be devolved to PCCs in future. This possibility is currently being assessed.
- 5.13 The Provisional Police Grant Report 2017/18 is a consultation, which closed on 27 January 2017. The Deputy Chief Executive/Treasurer and the Assistant Chief Officer (Support), the two s151 Officers, have contributed to the responses to the consultation from the Police and Crime Commissioners Treasurers' Society (PACCTs) and from the National Police Chiefs' Council. This includes a request for transparency as to how the Transformation Fund is being and will be paid for together with a plea for multi-year settlements. The Final Police Grant Report 2017/18 will be announced considered by Parliament in early February 2017.
- 5.14 The financial position of the Commissioner has been improved as a result of a 2.41% increase in the taxbase with the billing authorities all reporting significantly higher numbers of Band D equivalent properties than anticipated.
- 5.15 As is normal, information on Counter Terrorism will be announced in due course but any change is unlikely to have an effect on the assumptions in the MTRS as these amounts are held separately outside of the Settlement by the Home Office.
- 5.16 The much better than anticipated CSR 2015 outcome last year presented its own challenges in reassessing spending plans and savings proposals late in the day. A comprehensive review of the existing programmes has been undertaken and where they have not delivered the previously planned savings, a prudent view of the impact on both the projected position of the 2016/17 revenue budget at the financial year end and 2017/18 base budget has been taken. In 2016/17 some £2.5m of the planned savings will not be achieved and this has been factored into the Medium Term Resourcing Strategy and Savings Plan for 2017/18 and beyond.
- 5.17 A very significant proportion of the Force budget is the staff related costs of Police Officers, Police Community Support Officers and Police Staff. As a consequence the base budget is highly dependent on the Force's planned number of staff posts in the staffing establishment and Workforce Plan prepared by the Assistant Chief Officer (Human Resources). In order to maintain the planned establishment, at a time of reduced funding, budget reductions have previously been targeted from other areas within the Force. Over 2015/16 and 2016/17, however, the gap between the establishment and the number of people actually employed and being paid throughout the financial year has been significant and has created annual financial underspending, whilst at the same time the calculated financial savings requirement could appear in retrospect to have been set too high.

- 5.18 In 2017/18 the budgets for staff costs have been built on the number of Police Officers, Police Community Support Officers and Police Staff that are currently and projected to be in post and being paid over the course of the next and future financial years. The baseline information for staffing budgets has been the Force payroll system that can identify where costs are being incurred down to individual posts. This number in post is known as “the strength” and plainly is different to the staffing establishment.
- 5.19 Through this new approach the 2017/18 overall financial requirement for pay has fallen in comparison with that prepared in previous financial years. This change is intended to provide a more accurate position as it is being based on more explicit links between financial and workforce plans and strong joint working between financial planning and workforce planning specialists in the Force. Improved accuracy with which base budgets and financial projections are made obviously reduce the risk that calculated savings targets that have to be achieved are overstated, thereby helping to maintain operational and organisational capacity and capability in the Force. A Savings Plan is in place and this will continue to be developed to allow the Force to live within its recurrent resources and to provide investment to enhance future capacity and capability in areas identified as being critical to delivering and/or enabling improved services to our communities.
- 5.20 The recently reported reduction of some 2.3% in the employers’ superannuation for police staff following the latest actuarial valuation of the East Riding Pension Fund applicable with effect from 1 April 2017 for the next three years has also been factored in to the revised pay budgets.

## **6. THE “AND CRIME” AGENDA**

- 6.1 The “and Crime” agenda is a key issue for this PCC, as it was for his predecessor. This includes the responsibilities in connection with the commissioning of victims’ services.
- 6.2 The PCC’s Police and Crime Plan considered by the PCP in January 2017 sets out details of his plans to re-energise the four Community Safety Partnerships and for them to play a much greater part in delivering outcomes that support the delivery of the Plan. The MTRS incorporates budget provision for the investment needed to fund the commitments made to advancing this agenda along with the continuing investment in Drug Intervention Programmes and other local partnership initiatives. The funding for CSPs also incorporates an allocation which will require them to continue to make resources available for voluntary and community groups in a similar same way to how the Commissioner’s Crime Reduction Fund has operated in the past.
- 6.3 The MTRS identifies the amounts available for Victims’ Commissioning utilising the grant with capacity for more investment from the base budget for partnership working. In addition, this is capable of being topped up with monies held in his Partnership Reserve to supplement spending in these areas if the available base budget proves insufficient to meet demand.

## **7. COUNCIL TAX INCOME**

- 7.1 As indicated above the PCC will benefit from another increase in the taxbase. This amounts to 6,167 more Band D equivalent properties. The forecasts of precept income have been adjusted to reflect this second year of growth in excess of previous assumptions but have been moderated until details of how the impact of local increases in excess of the Government's estimates of a 0.5% increase on grants becomes clearer.
- 7.2 In addition to the taxbase increase billing authorities are also once again reporting significant levels of estimated Collection Fund balances. These amount to £1.355m, compared with £1.450m last year.
- 7.3 As indicated above, the referendum limit for the PCC has been confirmed at 2% as in previous years. Any increase of 2% or over will require a referendum. This would have to take place, after the bills have been issued. If the vote was lost then the Commissioner would have to meet all of the costs associated with the referendum and any rebilling exercise, which could be in excess of £1m.

## **8. COUNCIL TAX/BUDGET OPTIONS**

- 8.1 Budget forecasts, based on current assumptions, are set out in the MTRS and detailed in the appendices. The budget for expenditure includes the assumptions in relation to partnership activity as outlined above.
- 8.2 The MTRS illustrates two options considered by the Commissioner namely:-
- Option 1:- Based on an increase in Council Tax of 1.99% in 2017/18 and 2% increases in future years.
  - Option 2:- Based on a Council Tax freeze in 2017/18 and 2% increases in future years.
- 8.3 A comparison shows that in Option 1, the budget gap to be addressed by 2021/22 would be £10.240m compared with £15.933m for Option 2.
- 8.4 The Commissioner proposes that the budget gap will be covered by the use of reserves. Assuming that the existing savings plans are delivered generating savings of £7.770m this would result in the use of £2.470m of reserves for Option 1 and £8.163m for Option 2 to support the base budget over the next 5 years.
- 8.5 The PCC has indicated that he intends to use reserves to improve policing in Humberside and to support the introduction of additional police officers but recognises that the nature of employment of police officers increases the permanent costs within the budget. At the same time he also acknowledges the need for reserves to act as a buffer against future reductions in grant that may arise as a result of the uncertainty over future funding levels in the period beyond 2017/18.

8.6 In previous years survey work has included questions in relation to whether the public would be prepared to pay up to 2% more to help to protect policing. In view of work to develop the new Police and Crime Plan this was not done this year. This time the PCC carried out a web based survey promoted on social media and in the local press. The number of respondents was very low but as before, the majority of those expressing a view were in favour of paying more.

## **9. RESERVES**

9.1 The level of underspending projected in 2016/17 has meant that the use of reserves to support the base budget has not been as originally envisaged.

9.2 The Commissioner has however indicated that he will continue to operate with a General Reserve and a number of earmarked reserves. These include the Performance Improvement Reserve (PIR), Risk Management Reserve and Partnership Reserve along with the Technology and Capability Reserve created last year.

9.3 The PCC has agreed arrangements with Safer Roads Humber which will allow them to administer road safety schemes which will fully utilise the reserve created in 2015/16.

9.4 Last year it was agreed that the Partnership Reserve should be topped up to £1m to provide flexibility for the enhanced joint working with the Community Safety Partnerships and other key stakeholders to be supported should additional resources be required. In view of the need work more closely with partners in delivering the Police and Crime Plan outcomes, he has agreed that £1.5m from the underspend in 2016/17 should be transferred to the Partnership Reserve to help to facilitate this should extra funding be needed.

9.5 Due again to underspending in 2016/17, there has been no requirement to draw down from Technology and Capability Fund but £1.25m of potential temporary additional costs associated with implementation and integration of the new crime recording system CONNECT and a new contact management programme SMARTContact are likely to be a call on this reserve in the years to 2018/19. This represents the Humberside Police contribution towards the systems that have been jointly procured with South Yorkshire. The actual requirements are currently being assessed.

9.6 The PCC has also agreed to reaffirm the policy of maintaining the General Reserve at 3% of the Net Revenue Budget and to maintain the Risk Management Reserve at the same level as in previous years.

## **10. RISK MANAGEMENT**

10.1 The Commissioner has to set a balanced budget in order to be able to raise the funding necessary to finance policing, "and crime" and community safety initiatives.

- 10.2 The Force has already delivered substantial business change through previous savings plans. Anticipated savings from the Strategic Partnership with South Yorkshire have not been developed as originally envisaged due to a pause agreed following changes in the PCC in Humberside and the Chief Constable in South Yorkshire. However existing plans and proposals already in train will be implemented.
- 10.3 As a result, the savings plans have been reappraised. Although the planned savings in 2016/17 have not been fully achieved underspending has still occurred. This reappraisal has resulted in the change in the construction of pay budgets. It is understood that some other PCCs are adopting a similar approach. It has reduced the base costs. Budgets will also be lower due to the beneficial effect of a reduction in superannuation contributions referred to above and savings arising from joining up to NPAS.
- 10.4 In the event that spending pressures increase beyond those anticipated within the MTRS and/or the estimated level of savings cannot be achieved then the Commissioner recognises that there may be further calls on reserves beyond those already proposed.
- 10.5 The reserves also provide an important resource to help to be able to phase in any changes arising from reductions in external funding in a managed way. Balances will be reviewed continuously together with the impact on the assumptions of staffing levels.
- 10.6 Neither of the options presented to the Commissioner would give rise to the need for a referendum and so the risks associated with a public vote and the proposal being defeated do not arise.

## **11 CAPITAL PROGRAMME/FUNDING**

- 11.1 Work has continued within the Force and in conjunction with partners to identify opportunities for joint working and asset rationalisation in order to reduce costs and to generate capital receipts.

11.2 The following table outlines the estimated costs of the current programme over the next five financial years.

<b>Capital</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<u>Expenditure</u>					
Estate Strategy	11,455	9,720	900	250	250
IT Equipment	2,730	3,177	3,060	932	1,059
Vehicles/ Equipment	1,858	818	553	650	337
<b>TOTAL</b>	<b>16,043</b>	<b>13,715</b>	<b>4,513</b>	<b>1,832</b>	<b>1,646</b>
<u>Financing</u>					
Capital Grant	698	697	697	697	697
Revenue	0	0	0	0	0
Loan	15,345	13,018	3,816	1,135	949
Capital Receipts	0	0	0	0	0
<b>TOTAL</b>	<b>16,043</b>	<b>13,715</b>	<b>4,513</b>	<b>1,832</b>	<b>1,646</b>

## 12 COLLABORATION

- 12.1 The MTRS incorporates the latest assumptions of spending in connection with collaboration across the four forces in the Yorkshire and the Humber Region and with the wider group of North East Forces.
- 12.2 The budget projections also include estimates of spending and income in relation to the joint work with South Yorkshire OPCC and South Yorkshire Police.
- 12.3 In 2015/16 and 2016/17 a principal policing partnership with South Yorkshire Police saw joint Human Resources and Information Services established alongside joint teams for estates and facilities management and legal services. Significant scoping work was completed in 2016/17 through the Strategic Partnership Programme (SPP) to produce blueprints for further collaborative working, in particular in Criminal Justice and Contact Management services.
- 12.4 Late in 2016 the creation of further joint services was paused to allow the new Chief constable of South Yorkshire Police to review that force's service delivery models, although a commitment continues to procure joint information technology platforms for these services so that this work can be picked up again in future. The costs of these collaborative services are built into the proposed 2017/18 Budget and the Savings plan takes forward all of the recommendations from the work completed by the SPP Team that can be implemented in Humberside Police alone.
- 12.5 Provision has been made within the MTRS for costs associated with appropriate national products and services.

- 12.6 Existing local partnerships within Humberside will also be taken further, particularly with the Humberside Fire and Rescue Service with whom we already benefit from a joint venture with vehicle maintenance, and with local authority partners and health service bodies.
- 12.7 Again as referred to above there is financial provision available to support the PCC's aspirations in terms of local partnership working on community safety issues generally and for the commissioning of services for victims.

### **13 S.151 OFFICER RESPONSIBILITIES**

- 13.1 In accordance with the Police Reform and Social Responsibility Act 2011 and associated guidance, the Deputy Chief Executive/Treasurer and the Director of Finance both have responsibilities under s 151 of the Local Government Act 1972. As such, they are required to report on their view of the robustness of the budget, the assumptions that underpin it and on the adequacy of reserves. The Commissioner must have regard to these views when making his decision on the budget and the precept.
- 13.2 The officers have confirmed that the budgets within the MTRS are robust and that the level of reserves in each case is adequate.

### **14 CONCLUSIONS**

- 14.1 The MTRS identifies the budget gap and the additional savings required to balance the budget for two Options, a 1.99% increase and a freeze in 2017/18 with projected increases of 2% in all future years within the MTRS in both cases.
- 14.2 The two options for precept levels have been considered in line with both the MTRS and the impact on family budgets.
- 14.3 In order to test public opinion, a consultation exercise was carried out via the PCCs website promoted through social media. Unfortunately, the numbers responding were minimal but once again showed the majority of those expressing a view were prepared to pay 2% more for policing.
- 14.4 The Government's assumptions in arriving at the Provisional Grant Report for 2017/18, as for 2016/17, assume that all PCCs will increase their precepts by the maximum amount possible without requiring a referendum. If this is done, Ministers have indicated that PCCs will receive a flat cash settlement when compared with 2015/16.
- 14.5 Despite the levels of external funding being more than could have been anticipated 18 months ago, the PCC will have to meet a range of inflationary, demand and other cost pressures in 2017/18 and the years ahead.
- 14.6 The recommendation of the Police and Crime Commissioner for Humberside is that the precept is increased in 2017/18 by 1.99% (from £183.67 to £187.33 for a Band D property).

## **BACKGROUND PAPERS**

The Police and Crime Commissioner's Medium Term Resources Strategy 2017/18 to 2021/12 and Appendices.

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