

**POLICE PRECEPT FOR 2015/16
AND
MEDIUM TERM RESOURCE STRATEGY 2015/16-2019/20**

DATE	3 February 2015
REPORT OF	Chief Executive of the Office of the Police and Crime Commissioner for Humberside
SUBJECT	Police Precept Proposals for 2015/16
STATUS	Open

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to consider the 2015/16 precept options. The report is supported by the Commissioner's Medium Term Resource Strategy (MTRS) document covering the period 2015/16 to 2019/20. This provides detailed information on the revenue and capital budget assumptions used in formulating the Strategy and sets out details of the options being considered by the Commissioner when making the decision on his precept proposal.

2. RECOMMENDATIONS

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 2015/16, by 1.99% (from £176.57 to £180.08 for a Band D property), the increase that he consulted upon and that has significant public support based on responses to that consultation and to note:

2.1.2 The first decision required of the Panel is to support or reject the recommendation on precept options and to respond by 8 February. Further detail is contained within the report

2.1.3 The s.151 officers can confirm that the budgets set out in each of the options contained within the MTRS are robust and that the level of reserves in each case is adequate

3. BACKGROUND

3.1 This is the third 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. This remains as detailed in the Police and Crime Panel (Precepts and Chief Constable Appointments) Regulations 2012 (SI No.2271).

3.3 The timetable for consideration of the precept, including the Panel's power of veto 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 of the Panel 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 2014/15 the Commissioner agreed to a Council Tax increase of 1.99% with the Band D precept for the year being set at £176.57.

4. POLICE AND CRIME PLAN AND THE MTRS

4.1 The decision on the precept needs to be made in the context of a medium term financial plan 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. These forecasts are based on stated assumptions and on the best information at this time. It recognises that there is continued and considerable uncertainty beyond 2015/16 given that the Police Grant Settlement from Government covers only the next financial year, the next Comprehensive Spending Review (CSR) has been delayed until after the General Election and there has been little outward progress on developing a new funding formula for policing.

4.2 The MTRS identifies the resources that will underpin the delivery of the Police and Crime Plan 2013-2017. Service and financial planning continue to be linked to the three public facing strategic 'outcomes' set out in the Police and Crime Plan:

- Reduce crime
- Protect the public and improve safety
- Improve the quality of victims' services

4.3 These outcomes have been retained and provide the long term perspective and consistent view of what the Commissioner is seeking to achieve for the public. They continue to be underpinned by shorter term objectives. These provide the immediate focus for the police and partners.

4.4 The issues being considered in relation to this year's precept proposals take into account discussions with the Chief Constable and the views of the public. In late 2014 the Commissioner undertook a similar public consultation exercise to that undertaken in the previous year using SMSR Ltd., a local independent research company. Resident's views were obtained on whether they would support an increase in the precept of 2% (equivalent to around 7 pence per week for a Band D property) to help to support the cost of policing. The Commissioner also gathered information at his regular surgeries and events throughout the Force area.

4.5 Almost 800 residents from across all of the four unitary authority areas covered by the Force responded to the survey. The results showed that overall 74% of those responding supported paying an increase of 2% with 18% against and 8% unsure. The analysis of the results across each local authority area are as follows:

	Yes	No	Don't Know
East Riding of Yorkshire	77%	16%	7%
Hull	72%	18%	10%
North East Lincolnshire	77%	16%	7%
North Lincolnshire	73%	18%	9%

4.6 Face-to-face discussions during street surgeries and public events have allowed the Commissioner to have a more balanced dialogue on police funding with a large number of local people. The results from the consultation confirmed the response from people on the street who were in the main in favour of paying more to protect services.

5. PROVISIONAL POLICE GRANT SETTLEMENT

5.1 The Provisional Police Grant Settlement for 2015/16 was announced on 17 December 2014. This sets out details of the funding that will be made available to the Commissioner in 2015/16. The Settlement is a consultation, which closed on 23 January 2015. The Deputy Chief Executive/Treasurer and the Assistant Chief Officer (Support) from the Force, the two s151 Officers, have contributed to the responses to the consultation from the Police and Crime Commissioners Treasurers' Society (PACCTs) and from the Association of Chief Police Officers (ACPO). On the basis of past experience the final figures are unlikely to change significantly in the Final Police Grant Report 2015/16, which is likely to be issued in early February 2015.

5.2 Some information on support for Counter Terrorism and on capital grant remains outstanding but this is unlikely to be material to the MTRS for Humberside although the former is significant for metropolitan police forces and may have a wider impact this year.

5.3 For 2014/15 the principles relating to the need for a referendum on Council Tax and precept decisions were not available at the time the Commissioner made his recommendation to the Panel. For 2015/16 details of the principles were announced on 18 December 2014 when the Department for Communities and Local Government confirmed

that any precept of 2% or more from a Police and Crime Commissioner would require a referendum.

5.4 It remains a matter of concern that the Settlement was once again received very late, after the Home Office considered detailed allocations following the Autumn Statement on 3 December 2015. In addition, it only provides information for 2015/16. No information is available on grants for 2016/17 or beyond and there is little intelligence on which to quality assure the assumptions built into the MTRS but they represent the best estimates based on professional judgement.

5.5 This lack of certainty is concerning and is exacerbated by the lack of long term information Government spending plans in view of the General Election. A new CSR will not take place until later in the year. However austerity measures are certain to continue following agreement to the Charter for Budget Responsibility, which requires the Government budget deficit to be balanced every three years. There is further complexity for Policing given the delay in making progress on the review of the funding formula, which cannot now be implemented until 2016/17 at the earliest.

5.6 For 2014/15 there was a significant increase in top slicing of the Police and Crime Commissioners' allocation to fund a number of national initiatives including the transfer of resources to the Independent Police Complaints Commission (IPCC), investment in Her Majesty's Inspector of Constabulary (HMIC) and the creation of an Innovation Fund of £50m.

5.7 The top slice has increased in 2015/16 to £251m, and the amount (excluding PFI (£72.8m) and Ordnance Survey (£1.7m)) now represents more than 2% of the total funding for Policing that was made available in 2014/15. The IPCC has increased to £30m, the Innovation Fund is now £70m with an increase of £1.8m for the College of Policing. Additional amounts have been set aside for Major Programmes (£40m), Police Special Grant (£15m) and a new Police Knowledge Fund (£5m).

5.8 These increases to the top slice were announced late and without consultation. It has been highlighted to the Home Office that this, together with the lack of information on funding levels in future years, seriously inhibits the accuracy of long term financial planning. This is vital, particularly when Chief Constables and Commissioners are implementing significant change programmes, which have substantial lead times.

5.9 The Commissioner has worked with the Police and Crime Commissioner for South Yorkshire on joint Innovation Fund bids given the collaboration that has been going on for some time between the two Forces on Human Resources and IT. This has resulted in successful bids to the Home Office for support from a "Pre-Cursor Fund" in 2013/14 and in the bidding round for the main fund in 2014/15. £1m was secured in 2013/14 with amounts of £1.812m in 2014/15 and £1.358m in 2015/16 being approved in mid-2014. The grant is being shared equally between the two Commissioners.

5.10 A further joint bid has been submitted in respect of the 2015/16 Innovation Fund for support to transform the way in which the police handle calls from the public to put victims, witnesses and other customers at the heart of what the Force does so that they feel that they can make a difference and become engaged in a bigger team to help the fight against crime. The total amount of the latest bid is £6.8m, £3.4m in 2015/16 and £3.4m in 2016/17. £4.1m of this will be met from grant if the application is approved. A decision is likely to be made by the end of March 2015 on the latest application to the Fund.

6. THE “AND CRIME” AGENDA

6.1 The “and Crime” agenda has moved ahead during 2014/15 following the previous Community Safety Fund Grant (CSFG) being subsumed as anticipated into Police Main Grant. The Commissioner agreed to continue to fund key community safety partners in this financial year at the same level as in 2013/14. This provided for a range of initiatives, including support for drug and substance misuse interventions, Community Safety Partnerships (CSPs), Youth Offending Teams (YOTs) and Positive Lifestyles delivered by Catch 22.

6.2 In 2015/16, the Commissioner has maintained the same base budget of £2.3m to enable continued support for these or other partnership activities. Discussions are underway with partners to provide assurances to them in respect of longer term support for substance misuse interventions linked to their commissioning timetable, tender profiles and to share in service efficiencies. Work is also ongoing to determine the arrangements for making maximum beneficial use of the remaining budget in continuing to support the YOTs, CSPs and in ongoing provision for youth interventions.

6.3 In June 2014 the Commissioner launched his Crime Reduction Fund (CCRF) utilising savings from the cost of his office in the current and previous years. As planned the capital receipt from the sale of Pacific Exchange to Hull City Council in August 2014 has been added to the monies available within the CCRF. The Fund will continue to operate in 2015/16.

6.4 Police and Crime Commissioners became responsible for the commissioning of Victims’ Services from 1 October 2014. In 2014/15 the Commissioner used the allocations made available by the Ministry of Justice (MoJ) for Victim Support Services and Restorative Justice (RJ) in addition to monies carried over from the 2013/14 allocation. The funding supported building capacity and capability as well as providing services and RJ initiatives.

6.5 In addition to these funds, the Commissioner was successful in securing additional funding in 2014/15 of £137k from the MoJ’s Competed Fund for the provision of Young People’s Independent Sexual Violence Advisers on the north and south banks of the Humber.

6.6 For 2015/16, the provisional allocation from the MoJ of £989k has yet to be confirmed. The Commissioner will have to meet the costs of a referral mechanism for victims of crime from this allocation and he has agreed to use up to £208k for the provision of RJ services commissioned from Remedi who secured the contract following a competitive tender exercise.

6.7 A key focus for the Commissioner moving into 2015/16 is the alignment of the two elements of his role, namely; police and the “and crime” agendas. As funding for future years remains uncertain and central grants are likely to reduce further the requirement to make better use of these resources, better understand the requirements and work in partnership across the force area becomes increasingly vital if services are to be maintained.

7. COUNCIL TAX INCOME

7.1 In 2014 the Government announced a further incentive scheme for Police and Crime Commissioners with an offer of an additional grant in return for freezing precepts. This followed earlier schemes in 2011, 2012 and 2013. The former Humberside Police Authority along with all other police, fire and local authorities agreed to freeze the Council Tax in 2011/12. The Commissioner agreed not to increase the precept in 2013/14 but increased the precept by 1.99% in 2014/15. The grants available to support these decisions have been built into the projections within the MTRS.

7.2 If a Police and Crime Commissioner agrees to freeze in 2015/16 he or she will receive a grant of the equivalent of a 1% increase in Council Tax in the year. The amount, £502k for Humberside, is based on a tax base calculated by the Department for Culture and Local Government. Clearly, any decision to freeze and take non-recurrent funding has a long term impact in that it reduces the permanent income base on which future precepts are calculated.

7.3 As indicated above the Government has announced the referendum limits that will apply for 2015/16 and any increase of 2% or over will require a referendum. The referendum would have to take place in May, after the bills have been issued. In the event of a referendum there would be considerable uncertainty and the potential for rebilling if the vote was lost. 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 the assumptions, are set out in the MTRS and detailed in the appendices. The budget for expenditure includes an assumption that the base budget for partnership activity will remain at £2.3m, which is the same as 2014/15 and broadly the same as the CSFG in 2013/14. The £2.3m can be supplemented with funding from the Partnership Reserve as directed by the Commissioner.

8.2 Previous year's medium term financial plans since the CSR 2010 have demonstrated the need for substantial savings to achieve a balanced budget. Estimated savings of over £35m are expected to have been achieved by 31 March 2015. They are the results from a series of initiatives, including originally a "Choices Programme" and then the CSR 2015 Savings Plan. The residual savings from these initiatives have now been combined within the Building the Future plan, which have been extensively briefed to the Panel and externally to partners.

8.3 Due to the medium term plan now including more emphasis on staffing issues the previous medium term financial strategy has been broadened and re-designated as a medium term resource plan.

8.4 The Commissioner has narrowed the available options to two, as follows:

- Option 1. Based upon a Council Tax freeze in 2015/16, allowing the Commissioner to receive the Council Tax Freeze Grant with 2% precept increases modelled for later years.

- Option 2. Based on an increase in Council Tax of 2% in 2015/16 and assumes 2% increases in future years. This reflects the proposal for 2015/16 used in the public consultation. This is the recommended option.

8.5 A comparison shows that in Option 1, the level of savings required to be achieved by 2019/20 is £36.634m compared with £35.631m for Option 2. Both options assume that savings of £6.785m will be achieved in the current financial year.

8.6 As has been set out at length previously and communicated to the public, a significant part of the budget each year is pay and pay-related. This inevitably means that the savings required mean significant reductions in the numbers of officers and staff. The redesign of the Force operating model is a key part of the response to this challenge, as is the Commissioner's determination to ensure that police officers and PCSOs are equipped with mobile technology to ensure that they can spend as much time as possible out in their communities.

8.7 The savings target for 2014/15 has been achieved and the budget for 2015/16 has been balanced against savings plans currently in implementation with limited use of reserves. Although every effort has been made to make savings in non-pay budget lines, this has in the main been achieved by staff reductions.

8.8 Police officers cannot be made redundant and it is now widely acknowledged that the pace at which police officer numbers can be reduced is constrained by the rate of natural turnover and so, for this part of the workforce, planning assumptions are based on predictions of the numbers of officers leaving the organisation through transfer, retirement etc. There is however a further constraint on the number of officers as the Chief Constable must ensure resilience at times of peak activity to satisfy local, regional and national demands on the service.

8.9 The rest of the establishment is made up of police staff, which includes PCSOs. The Commissioner has indicated that he wishes to maintain the number of PCSOs at around 230. Working within these parameters therefore, the balance of budget reductions will fall on police staff.

8.10 From the 1 April 2014 baseline establishment of 3,309, 1,650 police officers and 1,659 police staff (including 310 PCSOs), the budget forecasts assume that in the current financial year there will be a reduction of 251. This is made up of 103 police officers and 148 police staff (including 40 PCSOs). The forecasts also reflect the loss of a further 208 posts in 2015/16. This is made up of 53 police officers and 155 police staff (including 14 PCSOs).

8.11 More planned reductions have been included in the financial plans between 2016/17 and 2018/19 but these will not balance the budget over the period of the MTRS on their own.

8.12 If the assumptions set out in the financial projections prove to be accurate and the primary source of savings remains staff reductions then this would require that additional staff reductions are made over and above those in current plans.

9 RESERVES

9.1 The Commissioner has indicated that he will continue to operate with a General Reserve and three earmarked reserves, the Performance Improvement Reserve (PIR), Risk

Management Reserve and Partnership Reserve. He has also agreed to reaffirm the policy of maintaining the General Reserve at 3% of the Net Revenue Budget.

9.2 Both Options assume use of the PIR to support the revenue budget in working towards a balanced position at the end of the MTRS period. Option 1 would leave a balance in the PIR of £0.645m with £1.549m for Option 2. This is judged to give some limited flexibility in order to deal with further reductions in grant funding and/or reductions in referendum limits. The position will be reviewed on a regular basis and the assumptions will be revisited when details of the next CSR are known after the General Election.

9.3 The Commissioner intends to continue to utilise the unspent balance in the Partnership Reserve to support partnership working. It is not currently anticipated that additional savings from spending on policing services will be required.

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 and has achieved targets set for budget reductions. This has limited the calls on reserves to support the revenue budget. As a result the Commissioner continues to have access to reserves and can maintain the established practice of implementing savings initiatives in a planned and orderly manner whilst seeking to sustain performance. However, the levels of savings requirement have increased substantially and have required a more fundamental response in the form of the new operating model. The implementation of this model will be the subject of separate risk management arrangements.

10.3 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. The balance of reserves will be reviewed continuously together with the impact on the assumptions of staffing levels. The MTRS models levels of savings and reserve balances for each of the options.

10.4 Neither of the options presented by 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 with local authority and other 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.

Capital	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
<u>Capital</u>					
Expenditure					
Estate Strategy	4,212	1,604	1,371	1,820	0
IT Equipment	5,258	2,288	3,810	754	899
Vehicle/ Equipment	870	1,326	882	1,042	704
TOTAL	10,340	5,218	6,063	3,616	1,603
<u>Financing</u>					
Grant*	1,700	1,700	1,700	1,700	1,603
Loan	8,640	3,518	4,363	1,916	0
Capital Receipts**	0	0	0	0	0
TOTAL	10,340	5,218	6,063	3,616	1,603

Note:- * Details of the capital grant for 2015/16 have yet to be received

** Funding from capital receipts will only be assumed when there is certainty about the timing and amounts involved.

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. The budget projections also include estimates of spending and income in relation to the joint work with South Yorkshire OPCC and South Yorkshire Police. This has to date been focused on Human Resources and IT. The work in relation to IT has been rewarded with two successful Innovation Fund bids. Work is now underway to explore opportunities and options for further collaboration. This could ultimately lead to a strategic alliance at some stage in the future.

12.2 Provision has also been made within the MTRS for costs associated with appropriate national products and services.

12.3 The arrangements for the provisional support for Community Safety Partners and the 'and Crime' agenda have continued and the increased importance of partnership working has been recognised. Joint working has continued with local authority and other public, private and voluntary and community sector partners and this has been extended with greater and more detailed emphasis on Victims' Services.

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 Assistant Chief Officer (Support) 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 can confirm that the budgets set out in each of the options contained within the MTRS are robust and that the level of reserves in each case is adequate.

14 COMMENTS OF THE COMMISSIONER

14.1 The Police and Crime Plan set out my vision for making communities safer. All of the available resources outlined in this report must be used wisely to achieve the aspirations set out in the Plan and I am dependent on the Chief Constable, the Force and other partners to realise my goals.

14.2 By the end of 2014/15 it is estimated that over £35m will have been saved from policing budgets since 2010 through a series of programmes of managed business change. Although there is once again significant uncertainty in terms of the detailed assumptions contained within the MTRS, it is now clear that austerity measures will continue and that policing will have to continue to make its contribution to restoring the public finances. The fact that policing is very unlikely to be a protected service in the years ahead means that the scale of the financial pressures on the organisation in the future may well be even greater than the challenges that we have seen to date.

14.3 In my consultation on the precept for 2015/16, I wanted an open and honest dialogue with the public about the scale of the challenge and the future direction to take with their policing service. I made it clear that the financial issue was not just a matter for next year but for the next five years. As I anticipated in the narrative supporting the consultation the savings requirements are now even greater.

14.4 74% of respondents to the consultation were in favour of paying up to 2% more towards policing. The result is consistent with last year's findings and has once again only served to reinforce the consistent message that I received in my personal contact with local residents across the Force area. I continue to maintain that the Force belongs to local people. Therefore, it is important that they remain significant stakeholders in its future. The recent consultation process once again indicates that the public are prepared to pay more to protect policing.

14.5 I have expressed my concerns about the lack of financial manoeuvrability that I have, given that we only raise around a quarter of the budget through the Council Tax. The potential amount to be generated by a 1% increase in precept is £440k. I remain concerned therefore that, despite my political mandate, I will be subject to ongoing restrictions on increases in precept in the next and future years. This will mean greater dependency on Government funding, which currently funds the remaining three quarters.

14.6 The impact of the one-year settlement announced in December 2014 and recurrent financial pressures require substantial additional savings to be made. I must stress that they are over and above the budget reductions already made and those which the Force had planned to achieve. Although the Home Secretary has tried to protect policing, like all of my fellow Commissioners, I have suffered a 5.11% reduction in General Grant next year. I will receive £6.1m less in the Police Grant Settlement for 2015/16 than I did in the current financial year.

14.7 Regrettably, once again money that would have been available to distribute to Commissioners is being diverted from policing to inspection. As I have previously stated this ties up scarce Force resources as well as moving money from front-line policing. The full year effect of strengthening the IPCC now puts that cost at £30m and I maintain the view that whilst this is undoubtedly important, the amount of funding transferred is disproportionate.

14.8 I am also concerned that further top slices have been made, £40m for Major Projects (such as the replacement for Airwave), £15m for Special Police Grant and £5m for a Police Knowledge Fund. These amounts were included in the top slice at the last minute and without consultation further removing monies available to Commissioners and adding to the difficulties in budget planning.

14.9 Another inhibitor to effective financial planning is the continued delay in the review of the funding formula for policing. This was announced in 2013/14 but has still not progressed to a conclusion. Whilst I recognise the difficulties in implementing changes of this nature, some of the information on which the current formula is based is now 10 years out of date and the model is recognised as being seriously flawed. Continuing blanket reductions in funding have also hindered the development of a distribution mechanism that is fit for purpose and reflects local needs. This delay adds to the uncertainty in longer term financial projections but ironically, given the continuing need to dampen the effects of change, the implications may not be significant over the period described by the MTRS.

14.10 Working with the Police and Crime Commissioner for South Yorkshire funding has been secured from the Innovation Fund to support mobile technology and improvements in IT. A further bid for funding to transform the contact management arrangements in both Forces is currently being considered by the Home Office who will make a decision in March 2015. I will continue to seek out opportunities to obtain additional external funding wherever possible from the Home Office, MoJ or other sources.

14.11 The collaboration with the Forces and Commissioners across the Yorkshire and the Humber area has continued and I have chaired the Regional Collaboration Board for the last two years prior to handing over to the South Yorkshire Commissioner from the start of 2015.

14.12 The Humberside Force has continued to develop the collaboration with South Yorkshire on shared IT and Human Resources and work is now underway to assess the possibilities and options for more collaboration on more services to improve efficiency and to save money. This work could ultimately lead to a strategic alliance between the four key stakeholders; Humberside Police and Crime Commissioner, Humberside Police, South Yorkshire Police and Crime Commissioner and South Yorkshire Police.

14.13 In my precept consultation, I indicated that further and deeper reductions in spending may lead us, in the longer term to seek mergers with neighbouring forces. However I recognise that this has wide ranging consequences both positive and negative. This would require considerable investigation. None of the detail has been explored or discussed with neighbours but whilst the cost of any merger may be high, it could eventually remove duplication and unnecessary cost so that we can continue to protect and serve the public, but at the expense of reducing local ownership and accountability.

14.14 In 2014/15, I have continued to work with partners and to provide financial support for a range of services, including interventions for drug and substance misuse, Youth Offending Teams and for the implementation of the Positive Lifestyles Programme. For 2015/16 I have maintained the budget provision for this support at the same level as in the current financial year. I have supported CSPs in the same way as I did in 2013/14 and am in the process of examining how to improve joint working in 2015/16 with these key partners.

14.15 The responsibility for commissioning Victims' Services came to me and my Commissioner colleagues with effect from 1 October 2014. I have used the MoJ funding available to me in 2013/14 and 2014/15 to build capacity and capability and commissioned restorative justice services from Remedi. I have commissioned a review of existing provision for domestic abuse across the Force area and created a Victims Fund from which I have allocated c£260k to voluntary and community groups and other agencies that achieve so much with so little.

14.16 Whilst the funding allocation from the MoJ of £989k for 2015/16 has still to be confirmed, I am in the process of securing a referral mechanism for victims of crime that will be effective from 1 April 2015. I am also assessing the ongoing commitments in respect of services supported in 2014/15, including the full year financial implications of activities funded from the Competed Fund.

14.17 In 2015/16, I will also continue to support local community and voluntary groups through my Crime Reduction Fund to engage the wider public in addressing crime and community safety issues.

15 CONCLUSIONS

15.1 The MTRS identifies the additional savings required. It highlights the use of reserves to support organisational change and to ease the burden of savings in the relevant financial years. This continues the past practice of utilising reserves to enable budget reductions to be introduced in a planned and managed way reducing the risk to the public. This is particularly important when the changes are significant and require a long lead-in period to implementation. However, options are becoming increasingly restricted.

15.2 All options for precept levels have been considered in line with both the MTRS and the impact on family budgets. In order to test public opinion, consultation exercises were conducted with local residents to determine whether they were prepared to pay more for their policing. This is the start of an open and honest dialogue on the challenges facing the Police Service and partners in this time of continuing uncertainty. The outcome of the public engagement activities shows that a substantial majority would be prepared to pay 2% more.

15.3 The need for substantial reductions in the police workforce have been known for some time and the Chief Constable's Building the Future plan, which will be implemented from April 2015, reflects this. Balancing the budget over the medium term will require more savings to be identified and work is underway to assess how this gap can be closed.

15.4 The MTRS models two options, a 2% rise in precept and a freeze in Council Tax in 2015/16. The recommendation of the Police and Crime Commissioner for Humberside is that the precept is increased in 2015/16 by 1.99% (from £176.57 to £180.08 for a Band D property).

BACKGROUND PAPERS

The Police and Crime Commissioner's Medium Term Financial Strategy 2015/16 to 2019/20 and Appendices.

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**POLICE AND CRIME COMMISSIONER
FOR
HUMBERSIDE**

**MEDIUM TERM
RESOURCE STRATEGY**

2015/16

TO

2019/20

**POLICE AND CRIME COMMISSIONER FOR HUMBERSIDE
MEDIUM TERM RESOURCE STRATEGY 2015/16 - 2019/20**

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Appendix 2	Council Tax increased by 2% in 2015/16 and later years, rejecting the tax freeze grant - Summary, Revenue Budget Forecast

Introduction

- 1.1 This document sets out details of the Medium Term Resource Strategy (MTRS) which supports the Police and Crime Commissioner for Humberside's (PCC's) precept proposals for 2015/16.
- 1.2 The MTRS provides information on the resources available to support the delivery of the Police and Crime Plan and for the first time incorporates more detailed information on workforce planning assumptions in addition to the medium term financial plans.
- 1.3 The PCC has responsibility for the totality of policing in the Humberside Police Force area and he also has a wider role in relation to the "and Crime" agenda. This role expanded significantly in 2014/15 when the responsibility for commissioning victims' services transferred to the PCC with effect from 1 October 2014.
- 1.4 This year the MTRS also therefore includes more information on spending plans in connection with collaboration with partners on community safety issues.
- 1.5 After taking into consideration the above issues, the options within the MTRS are those presented to the PCC in developing his proposals for the precept next year. These options are reflected in the first year, 2015/16, in the illustrations shown later in this document and in the Appendices. Assumptions for future years are indicative at this stage as the Police Grant Settlement announced in December 2014 was for one year only. Information for 2015/16 is based on this. Assumptions for 2016/17 and later years are based on the best information at this time and will need to be reviewed and updated following the General Election in May 2015 when details of the next Comprehensive Spending Review (CSR) are expected to be announced. The day after the Grant Settlement, the Secretary of State for Communities and Local Governance (CLG) gave details of the referendum limits and Council Tax Freeze Grants for 2015/16. The limit for PCCs is 2% with a grant of 1% available for a freeze next year based on a projected Council Tax base. The Grant is £502,427 in 2015/16.
- 1.6 The precept proposal for 2015/16 is subject to consideration by the Police and Crime Panel (PCP) that has a power of veto. The PCP is scheduled to meet on 3 February 2015 to consider the PCC's precept proposal.
- 1.7 The arrangements are that the PCP has to receive the precept proposal by 1 February 2015. The PCP must then consider the PCC's proposal and respond with its views by 8 February. The Panel can either agree or veto the proposal. A veto requires a two thirds majority. Any veto can only be on the grounds that the PCC's proposal is either too high or too low. In those circumstances the PCC must consider and submit a further precept proposal, either lower or higher, depending on the PCP's comments on the original proposal. This must be presented to the PCP by 15 February. The Panel then has until 22 February to consider and submit comments to the PCC who has to have regard to those comments and declare and issue the final precept by 1 March 2015.

2 Police and Crime Plan

- 2.1 The Police and Crime Plan covers the period 2013 to 2017. This outlines the PCC's long term vision and what he wants to achieve on behalf of those who receive a service from the police or who may need their services in the future. The Plan was subject to wide consultation and was considered by the PCP prior to publication in April 2013. The PCP has received and considered annual reports for 2012/13 and 2013/14.
- 2.2 The PCC has continued to work closely with the Chief Constable to develop plans for the redesign of the Force, "Building the Future", in response to the continuing and prolonged austerity measures, with policing having to make its contribution to restoring the public finances. Policing is not a protected service and is therefore likely to be exposed to further grant reductions in future years. This position could be exacerbated by the fact that police budgets have been prioritised within the Home Office, a situation that may not be capable of being sustained given other demands.

- 2.3 The PCC is continuing to work hard with the Chief Constable and other community safety partners and criminal justice agencies to ensure that his key outcomes are delivered.
- 2.4 The Police and Crime Plan is a strategic document. The following high level outcomes remain in place:
- To reduce crime
 - To protect the public and improve safety
 - To improve the quality of victims' services
- 2.5 A range of proposed objectives are set out in the Plan which also comments on enablers and the resources needed to deliver it.
- 2.6 The MTRS again incorporates a 5-year financial forecast, including both revenue and capital, together with more detailed information this year on staffing implications. 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.

3 Purpose of the Medium Term Resource Strategy

- 3.1 This MTRS sets out comprehensive and detailed plans covering the period 2015/16 to 2019/20. The Strategy takes account of the latest information following the release of the Government's Provisional Funding Settlement on 17 December 2014. This provided details of the Police Main Grant, once again for one year only, 2015/16. Considerable uncertainty remains therefore about some key information needed to assist budget planning for 2016/17 and later years. No detailed information has been provided for 2016/17. However, the Government has announced details of the referendum limits for 2015/16. The announcement was made the day after the Police Main Grant settlement together with details of the tax freeze grant for the year. Unlike last year the PCC has this information prior to the precept proposal having to be submitted to the PCP. On 18 December 2014, the Local Government Minister, Kris Hopkins, stated that any PCC proposing to increase the Council Tax by 2% or more will need to allow local people the opportunity to approve or veto this increase in a referendum. Details of the 1% grant on offer if Council Tax is frozen referred to in 1.5 were confirmed at the same time.
- 3.2 The MTRS incorporates details of the options for increasing Council Tax/Precept for 2015/16 to this limit and for a freeze accepting the grant on offer.
- 3.3 There is greater uncertainty in the assumptions in the MTRS in later years given the General Election in May 2015 which will be followed by a new CSR. This is likely to be announced in late 2015 or in 2016 when the elections for PCCs will take place.
- 3.4 The age of austerity will continue with further substantial financial challenges ahead as the Government seeks to run public finances with a small surplus. In his Autumn Statement on 3 December 2014 the Chancellor of the Exchequer indicated that estimates showed borrowing falling from £97.5bn last year to £93.1bn this year, £75.9bn next year then £40.9bn and £14.5bn with a surplus of £4bn in 2018/19. The surplus is forecast to increase to £23bn by 2019/20.
- 3.5 MPs have subsequently approved an update to the Coalition Government's Charter for Budget Responsibility. This forecasts that a further £30bn of public spending cuts or tax increases will be needed to close the current deficit. The Charter commits the Treasury to balancing the budget over a 3-year period. The Chancellor has since proposed a new fiscal rule that would require the Treasury to run a surplus unless the Office of Budget Responsibility (OBR) has judged the economy to be facing abnormal pressure.

- 3.6 The Police Service faces added uncertainty as a result of the fact that whilst considerable effort has been invested in examining the formula for distributing police funding it is now not possible for changes to be implemented until 2016/17 at the earliest.
- 3.7 In 2015/16, once again, all PCCs have received similar reductions in general in cash terms as dampening has continued.
- 3.8 The amount top-sliced from the settlement for PCCs, excluding amounts for PFI and the National Police Coordination Centre, has increased from £90m in 2014/15 to £176.8m in 2015/16. In addition to the anticipated increases in the top slice for the Innovation Fund from £50m to £70m and the full year effect of strengthening the IPCC, £18m to £30m, and the continued support for HMIC, £9m, there are three new top slices. A new Police Knowledge Fund, £5m, a Major Projects Fund, £40m, to support technology changes such as the move from Airwave with the Emergency Services Mobile Communications Programme (ESMCP), and a contingency of £15m for Police Special Grant. These changes were introduced late in the day and without consultation and represent a further cut in the amount made available to PCCs.
- 3.9 PCCs took on responsibility for the commissioning of victims' services with effect from 1 October 2014. This was transferred from the Ministry of Justice (MoJ). In addition to funding of £338,722 in 2013/14, the MoJ awarded grants of £318,366 in 2014/15 for improving capacity and capability and for services. These grant monies must be spent by 31 March 2015. The PCC has been notified of an indicative grant of £989,000 for victims' services in 2015/16. This and monies for previous years incorporate funding for Restorative Justice but this is not ring fenced. In 2015/16 the PCC will have to meet the costs of a referral service from the grant.
- 3.10 In 2014/15 the PCC was successful in securing monies from the MoJ's Competed Fund for initiatives on the north and south banks of the Humber. Once again these monies for the provision of young people's Independent Sexual Violence Advisers (ISVAs) were required to be spent by the end of 2014/15.
- 3.11 The four unitary authorities within the Force area are the billing authorities and they have provided information on the tax base for 2015/16, 249,059.61 Band D properties. A 1% increase in precept/Council Tax would generate c£440k based on this figure. They have also provided details of the following estimated collection fund balances:

Collection Fund Balance 31 March 2014 £000		Estimated Collection Fund Balance 31 March 2015 £000
459	East Riding of Yorkshire Council	467
170	Hull City Council	238
21	North East Lincolnshire	34
0	North Lincolnshire	135
650	TOTAL	874

- 3.12 Last year there was a great deal of uncertainty about pay issues. For 2015/16 most of the recommendations from the Winsor Review into the terms and conditions of police officers and staff have been implemented in respect of police officers. On police staff where the Home Secretary cannot impose conditions, work is ongoing to examine opportunities to review pay and reward arrangements. A pay award for police officers of 1% has been implemented by the Police Negotiating Board. An offer of 2.2% or £400 whichever is the greater on all staff pay points with effect from 1 March 2015 has been made by the Employers' Side to police staff. The offer covers two pay years 2014/15 and 2015/16 but would be paid over 18 months covering the period up to 31 August 2016 but this has not yet been agreed. The trades unions have balloted for strike action but proposed industrial action scheduled for 22 December 2014 and 23 January 2015 has been called off. Negotiations are continuing.

- 3.13 It has been confirmed that the loss of contracted out status in connection with National Insurance will add £3.3m to the Force budget from 2016/17. It has also been confirmed that forces will not benefit as a result of a reduction in the employers' contributions in respect of police pensions following the latest actuarial valuation. The reduction was from 24.2% to 21.3% but the Home Office will make adjustments through the Pension Fund Account for this so that the benefit goes back to the HM Treasury.
- 3.14 The development of the "and Crime" agenda has been important for the PCC. In 2014/15 the PCC continued to fund most key partners at the same level as he had supported them in the previous year. Reductions were made in the support provided to the Force for drug testing on arrest but investment in addressing substance misuse through Drug Intervention Programmes (DIPs) remained the same in all the local authority areas other than the East Riding of Yorkshire Council where funding was increased by £30k. The amounts awarded to the Youth Offending Teams (YOTs) and to Catch 22 to deliver Positive Lifestyles have remained unaltered from 2013/14. Provision has also been made to support Community Safety Partnerships (CSPs) at the same level as in the last financial year with revised terms and conditions.
- 3.15 For 2015/16 the PCC has agreed to maintain budget provision at the same core level, £2.3m, as in previous years. He has indicated that he is prepared to provide support for drug intervention and to commit funding for longer periods linked to the commissioning strategies of local partners. The PCC is also prepared to continue to fund the four youth offending teams in the Force area at the same level in 2015/16 as in previous years. Discussions are under way on the mechanisms for providing support to CSPs and for Positive Lifestyles in the next financial year.
- 3.16 As indicated above the "and Crime" aspect of the work of the PCC now also covers the provision of victims' services. Allocations of monies in 2014/15 will have a full year effect in 2015/16 and later years and the extent of this is being assessed.
- 3.17 In 2014/15 the PCC launched his Crime Reduction Fund (CCRF) and the amounts available were increased due to the addition of receipts from the sale of Pacific Exchange to Hull City Council in August 2014. These receipts can only be spent on initiatives of a capital nature.
- 3.18 Last year the MTRS for 2014/15 - 2018/19 referred to the second stage of the transitions required by the Police Reform and Social Responsibility Act 2011. This involved the Home Secretary approving proposals for the future employment of police staff by the PCC and the Chief Constable. The proposals were agreed in December 2013 in principle and were formally approved in March 2014. They included arrangements for the setting up of a shared service arrangement with the formation of a Corporate Support Team (CST) to provide services to both the PCC and the Chief Constable to avoid duplication of functions and to offer opportunities for further efficiencies.
- 3.19 The assumptions within the MTRS reflect benchmarking at local, regional and national level undertaken by both the Assistant Chief Officer (Support) and Deputy Chief Executive / Treasurer.
- 3.20 Two options for the budget for next year and future years are included, based on assumptions of:
- Freezing the Council Tax in 2015/16, taking the Council Tax Freeze Grant with 2% increases in each of the following years
 - A 2% increase in 2015/16 rejecting the grant with similar increases in each further year of the financial forecast.
- 3.21 Following discussion with the PCC and networking with colleagues in policing around the country these are seen as the most realistic options. There is the capacity to model other scenarios in fast time as and when required and sensitivity analysis has already been carried

out examining alternative assumptions of grant and alternative projections including assumptions of higher pay inflation and bigger reductions in Government Grants.

- 3.22 The PCC continues to be concerned about the impact of continuing restraint on increases in Council Tax/Precept and the degree to which he has to rely on Government funding. As previously stated he believes that the Force belongs to the people and that they should contribute to ensure that policing can be based on a sound financial footing.
- 3.23 Last year, the PCC undertook a large scale consultation exercise to supplement the feedback that he obtained from the public at his regular surgeries and events throughout the Force area. This work showed that 75% of those responding were prepared to pay 2% more for policing in 2014/15.
- 3.24 A similar exercise has been carried out this year, once again using the independent local research company SMSR Ltd, with respondents being asked as to whether they would once again be prepared to pay an extra 2%, the anticipated referendum limit and the same level of increase as in the current financial year. The results this year show that overall 74% of those responding supported an increase with 18% against and 8% unsure.
- 3.25 The analysis of the results across each local authority area are as follows:

	Yes	No	Don't Know
Hull	72%	18%	10%
East Riding	77%	16%	7%
N E Lincs	77%	16%	7%
N Lincs	73%	18%	9%

- 3.26 In this consultation exercise the PCC indicated that he wanted to start an open and honest debate with the public about the future challenges and the future direction of the policing service. At that stage, prior to the grant settlement in December 2014, the budgeted gap was £31m with the Force redesign having identified £22m of this. These figures have been revised due to the receipt of additional information and the use of amended assumptions. The scale of the budget reductions remains extremely challenging. The PCC indicated that there was little room for manoeuvre in terms of precept and that there would need to be more collaboration and in the longer term possible merger.
- 3.27 The MTRS is based on the previous version of the Medium Term Financial Strategy (MTFS) approved by the PCC in February 2014 and submitted to the PCP in support of his precept proposal for 2014/15 with assumptions updated as the year has progressed. These assumptions have now been amended for the information set out in the Provisional Police Grant Settlement for 2015/16 announced on 17 December 2014 and reflect the latest assessments of this and key factors impacting on future years.
- 3.28 The Strategy will be informed by and drive resource management within the Force. The Force Business Management (FBM) process, a derivation of the Integrated Business Management (IBM) approach used previously, takes into account the financial implications of key strategies for Human Resources, IT/IS and Estates. The overall intention remains to be to ensure that assumptions are continuously reviewed to demonstrate the affordability of these plans which support delivery of the Police and Crime Plan.
- 3.29 In 2014 there was a substantial increased workload in relation to the “and Crime” aspects of the PCC’s responsibilities. In 2014/15 he provided for a base budget broadly equivalent to the grant provided by the Home Office in 2013/14 in respect of grant regimes that ceased on 31 March 2013 where, in the majority of cases, monies were previously paid direct to local partner agencies. This budget provision has been fully allocated in 2014/15, with additional funding being made from the PCC’s Partnership Reserve.
- 3.30 In addition in 2014/15 the PCC has utilised the resources made available by the MoJ in respect of victims’ services and has committed resources to Restorative Justice by commissioning services which will be provided by Remedi.

- 3.31 The MTRS covers a period of 5 years. It is based on two firm fundamental principles, setting annual budgets in the context of the medium term and never funding permanent pressures with temporary funding, except to assist in spreading the financial challenge so that, as far as possible, savings targets can be achieved within a realistic and sensible timescale.
- 3.32 In June 2014 the PCC launched CCRF using monies identified from savings in the cost of his office. This was supplemented with receipts from the sale of Pacific Exchange in August 2014.
- 3.33 Following approval, the MTRS will be reviewed regularly by the Assistant Chief Officer (Support) and Deputy Chief Executive / Treasurer, by the Corporate Governance Group (CGG) as well as the Chief Officer Group and the Force Leadership Team. The PCC will receive regular updates and briefings throughout the year at his submissions sessions. He will also have the opportunity to consider updates at the CGG in respect of Force and "and Crime" spending plans, as well as reviewing the costs of the OPCC.
- 3.34 The document reflects formal and informal discussions between the PCC and stakeholders. The review arrangements will again need to reflect the dynamic nature of policing and its context. It must continue to be recognised that there is a need for the Force and the PCC to have the ability to respond and to resource additional demands upon this 24/7 service. They also have to be capable of reacting to changes emanating from external factors outside of their control.
- 3.35 Importantly it incorporates details of the outcomes from the FBM process, the latest information on progress made in delivering against existing savings plans and the most up to date information on the impact of the Building the Future plan.
- 3.36 The MTRS is a key component in providing the link between operational planning and financial and resource planning. It provides a framework for scrutiny to ensure that plans are robust and that resources are directed toward outcomes and objectives set out in the Police and Crime Plan.
- 3.37 The MTRS attempts to describe the financial direction of the Force, and supports work with Community Safety partners. It seeks to capture known and estimated information on external funding, spending pressures and development needs, as well as seeking to encompass risks with financial consequences over the 5 year period.
- 3.38 The MTRS provides options over the medium term for delivering a sustainable revenue budget and capital programme. It also provides the background for setting prudential indicators on capital financing which enables the PCC to determine how capital spending can be paid for.
- 3.39 It seeks to establish a stable financial framework on which to plan for the future. It also provides a basis for the development of specific proposals with partners and stakeholders and for consultation, in addition to allowing issues arising from strategic intelligence assessments to be considered.
- 3.40 The MTRS is one of a number of key shared endeavours between the Force, PCC and partners. Notwithstanding the difficulties in foreseeing the future, it is important that the PCC continues with the process of setting annual budget decisions in the context of the medium term in order to assess the impact of budget options on the Force and partners as well as assisting in seeking to enhance the ability to deliver the best possible service to local communities.
- 3.41 The PCC and the Force have continued to strive to be as prepared as possible to address the financial challenges ahead including the decision to undertake a fundamental review of the way the Force operates with the Building the Future plan agreed and due to be implemented in April 2015. The planned approach to resolving budget shortfalls whilst seeking to minimise the detrimental impact on performance and service delivery of major financial and operational

policy changes must continue. It has proved to be a sound approach in the past. It is now even more important that all parties work together to see that it is carried on and extended to working with partners who have such a crucial role in delivering the outcomes set out in the Police and Crime Plan.

4 Benefits of the Strategy

4.1 The MTRS assists the PCC in:

- Responding to the Chief Constable's resource requirements to contribute to the delivery of the outcomes and objectives set out in the Police and Crime Plan
- Considering the funding requirements of the "and Crime" aspects of his role including the commissioning and provision of victims' services
- Providing a basis for aligning financial resources to agreed spending priorities taking account of the risk of threat and harm to the public
- Consulting with the public on service plans and on future budget and precept proposals
- Seeking continuous improvement in financial planning and the financial management of Force, partnerships and the OPCC to maximise the financial and other resources available to tackle crime and community safety issues
- Ensuring that the resources available, both internal and external, are directed towards delivering the Police and Crime Plan over the medium term
- Ensuring that, the PCC responds to the challenge of ensuring that the Chief Constable provides value for money services to local communities
- Ensuring that funding for crime and community safety initiatives is used efficiently and effectively
- Allowing the development of longer term budgets and strategic thinking, including identifying opportunities for collaboration with other forces and external partners
- Reviewing the PCC's policies in relation to use of reserves to ensure that a balance continues to be struck between the need to deliver performance and to pump prime significant developments whilst making efficiency savings, in addition to cushioning the impact of budget cuts and providing support for partnership working
- Identifying financial risks and ensuring that there are sufficient reserves available to deal with unexpected events and emergencies
- Responding to external pressures, including variations in the level of external funding announced in Government Settlements, Spending Reviews and revised grant distribution mechanisms together with the impact of changes to other funding regimes and the pressures on partners
- Developing a sustainable revenue budget and a capital programme over the medium term
- Informing treasury management decisions and determining prudential indicators
- Providing information to improve and influence national, regional and local partnership working and to support consultation and joint working with partners

5 Principles of the Strategy

5.1 The key principles and actions underlying the MTRS 2015/16 to 2019/20 are designed:

- To work with the Chief Constable to ensure that using the FBM and other Force processes, resources are directed to objectives aimed at achieving the Police and Crime Plan
- To contain overall Force and PCC expenditure within original estimates each year
- To agree proposals for funding allocations to partners and for other initiatives that support the delivery of the Plan
- To set and deliver a balanced budget and maintain the intelligent use of reserves
- To aim to manage financial risks and seek to meet the financial challenge arising from spending pressures and continuing reductions in grant support within the period covered by the financial forecasts, whilst maintaining an adequate level of overall reserves and balances (within this to maintain a General Reserve at a minimum of 3% of the net revenue budget, the level that the PCC has expressly decided to maintain this General Reserve level)
- To maintain Earmarked Reserves for specific purposes which are consistent with best practice and used in line with the requirements to review balances at least annually
- To ensure that the PCC responds to the challenge of holding the Chief Constable to account for delivering an effective service during a period of austerity and specifically that financial viability is maintained and the service provides the best value for money with the resources available
- To provide a basis for setting and monitoring the achievement of savings and efficiency targets
- To seek to rationalise the approach to efficiency and value for money, building on the work that has already achieved substantial savings to deliver budget reductions identified utilising workforce planning assumptions alongside the FBM and other Force processes
- To ensure that, in line with best practice, there is a culture that places sustainability as a core responsibility and makes efficiency and productivity improvements key factors in the approach to integrated resource management
- To provide resources to support regional and sub-regional joint working to improve capacity and resilience as well as seeking to maximise efficiency gains through the implementation of appropriate efficiency and productivity programmes
- To recognise the impact of increases in precept levels in areas of low income and low wealth (as measured by property values) on local communities
- To consider Government initiatives to limit increases and promote the freezing of the Council Tax in 2015/16 and later years within the context of the medium term implications for the Force and the PCC
- To seek to balance the need for increases in precept against delivery of service priorities and the need for continuing financial stability, working within the scope of the best information on the Government's announcements associated with the procedures for holding a referendum on proposals for increases in Council Tax/Precept which exceed predetermined limits

- To use prudential borrowing and other means of financing to support the capital programme as part of an effective Treasury Management Strategy
- To contribute to reviews of police funding and to support the work of professional associations such as the Association of Police and Crime Commissioners (APCC), the Association of Police and Crime Commissioners' Chief Executives (APACCE) and the Police and Crime Commissioners' Treasurers' Society (PaCCTS) as well as ACPO and its successor and the College of Policing
- To ensure that the Assistant Chief Officer (Support) and Deputy Chief Executive / Treasurer continue to prepare a rolling programme of 5 year budget forecasts
- To explore opportunities to secure external funding, sponsorship and other income generation to support the objectives set out in the Police and Crime Plan
- To assess and review the impact of the time expiry, withdrawal or changes to the funding from external sources as well as the impact of wider public sector funding cuts on the resources available for policing and crime and community safety

6 Police and Crime Commissioner's Review of the Strategy

6.1 The development of the MTRS for 2015/16 to 2019/20 has involved consideration of:

- The MTFS agreed by the PCC in 2014/15 and subsequent revisions during 2014
- The financial environment in which the Force and PCC operates
- The current financial position
- Funding
- The "and Crime" agenda
- Medium Term Budget Pressures
- Savings Plans/Building the Future
- The outcome of public consultation
- The Strategic Policing Requirement
- Collaboration with other Forces to address gaps in the provision for Protective Services and other regional and sub-regional initiatives, to improve resilience and to achieve savings
- Collaboration with other PCCs as a means of achieving budget savings and extending partnership activity as a means of maintaining capacity and capability
- Working jointly with the unitary authorities and other public sector bodies, such as the Humberside Fire and Rescue Service, to deliver better outcomes for local taxpayers
- The Capital Programme, including the Estates Strategy, and asset rationalisation in Force and with partner organisations
- Treasury Management policies and strategy together with Prudential Indicators
- The policy on the retention and use of Reserves

- The Police Funding Formula and other Government initiatives to assess the impact on projections of the level of General Grant and other changes to the allocations of specific grants affecting crime and community safety issues
- The offer of grants to support freezes in the level of Council Tax
- Announcements on referendum principles and information on the trigger limits
- Local partnership initiatives including of the use of commissioning, community safety funding, crime reduction grants, total place and community budgets
- Commissioning and the award of grants in connection with Victims' Services which transferred to PCCs from 1 October 2014
- The continuing and increased emphasis on efficiency, productivity and value for money in policing
- Changes to Police Officer and Police Staff terms and conditions and to public sector pension arrangements

7 Financial Environment

- 7.1 There is considerable uncertainty about the health of the global economy and the collapse in the oil price towards the end of 2014 is a mixed blessing as although it will help to suppress inflationary pressures it is also a reflection that there has been a dip in demand for non-US oil in the strengthening US economy. The US economy seems to be experiencing an increase in its pace of recovery, and general confidence, helped by the recent slump in gasoline prices.
- 7.2 In the UK there are signs that the recovery may struggle to maintain growth at previous levels.
- 7.3 Meanwhile, the EZ economy shows no signs of generating any meaningful recovery and the fall in oil prices does little to alleviate deflationary concerns. In the Far East, China looks set to miss its growth targets whilst Japan has failed to cope with the increase in the Sales Tax and economic performance continues to disappoint.
- 7.4 In the UK the economy could be supported by the substantial recent fall in inflation and also some growth in real incomes, though it will take a significant time for household budgets to regain pre-financial crisis levels. Consequently, economists believe that the recovery in household spending and overall GDP growth are likely to be resilient but not spectacular going forward.
- 7.5 Second estimates of Q3 GDP confirmed an expansion of 0.7% quarter on quarter whilst the November composite PMI points to a strengthening in Q4, with both manufacturing and services surveys improving, particularly the latter. Business investment contracted by 0.7% in Q3, which is not promising for future growth, but this is only a partial reversal of the 3.3% gain in Q2, and investment intentions remain strong which is a positive sign that decline is temporary.
- 7.6 Improved real wages will help to underpin consumer activity and have assisted in reversing the weather-related weakness of September's retail sales, with a 0.8% expansion in October, with all sectors, bar non-store retailing, posting gains. Consumer confidence continues to be upbeat. The housing market, though, continued to cool, with October mortgage approvals at a sixteen month low, with a fall in new buyer enquiries reflecting weak demand, which could lead to a further easing of price increases.
- 7.7 The trade deficit expanded both in September and over the last quarter, which means that net trade will be a drag on Q3 growth. Exporter expectations are a touch downbeat with the strength of sterling impacting - forcing them to cut sterling prices to remain competitive. However there are limits to how far margins can be trimmed. Despite the challenges, surveys

still point to annual export growth, though a little more softly than previously hoped. Growth improvement in trading partners will help exports over time.

- 7.8 Employment re-gathered momentum in Q3 and this has continued. However there is still slack in the labour market with a high percentage of part time workers looking to work longer hours, while workers continue to arrive from the EU. The taking up of this slack has also been a factor in helping to lift real wages, with surveys indicating further strengthening.
- 7.9 CPI edged a touch higher, to 1.3% in October, but with oil prices crashing that should not be sustained. Indeed, petrol prices could have fallen month on month, pulling CPI down, whilst frozen and reducing energy bill prices could also contribute towards weak inflation numbers in the months ahead. Sterling strength should, in addition, keep consumer goods import inflation on a downward curve and producer output prices indicate core goods CPI inflation may fall sharply. Nevertheless, inflation in the services sector could pick up as earnings continue to improve. Economists are still looking for inflation to remain below 1% before a slow bounce back towards the 2% target, but there are concerns that a lengthy period of low inflation could dent inflation expectations permanently, which could see consumers delay spending.
- 7.10 Interest rate expectations have seen the timing of the first hike pushed back, with some analysts now suggesting that it may not occur until later than originally envisaged in 2015 or even further to early 2016. This has helped to pull gilt yields lower but sterling has barely weakened, remaining stronger than levels implied by interest rate differentials with the US and EZ, with the latter driven by the ECB's recent announcement on Quantitative Easing (QE).
- 7.11 In the US the economic growth remains strong and is being, and will continue to be, supported by the slump in national retail gasoline prices to a near four year low.
- 7.12 Domestic energy production has expanded massively, to the point that only Saudi Arabia and Russia now have greater output levels for crude oil, while natural gas production has also surged. That said, the impact of energy production on GDP has been modest as mining only accounts for less than 3% of nominal value added output and about 2% in real terms. Positively, mining output expansion has been driven by growth in industrial production, but gains in utilities and manufacturing have been less impressive.
- 7.13 Real consumption growth is forecast to have accelerated in Q4 after a disappointing Q3, with retail sales growth strong in October. Retail employment growth underlines the confidence that retailers have in sales growth over the Thanksgiving/Christmas seasons, despite some slowing in real income growth, which economists expect to be reversed in coming months. Job growth remains strong, while plunging gasoline prices will boost real incomes and equity price gains have boosted household wealth. On the back of this, consumer confidence has pushed higher and points to strong consumption growth. The easing of banks' lending criteria has helped and so everything seems set for consumption to expand through Q4 and into 2015.
- 7.14 Business investment has been inconsistent, with non-defence capital goods increasing but business equipment production slowing. Surveys are turning more upbeat and indicating a bounce in capital expenditure intentions. Construction on offices and commercial building has continued its upward trend but remains well below pre-recession levels. Residential construction, though, continues to edge higher and September building permits hit a six year high.
- 7.15 The non-oil trade deficit has continued to grow, although the overall deficit is little changed. The September trade deficit increased on surging cell phone imports, linked to the new iPhone 6. The collapse in crude oil will cut the price of imports, while the amount imported has fallen dramatically due to growth in domestic production, but imports remain significant and the decline in price per barrel of oil should help to reduce the overall trade deficit.
- 7.16 The labour market continues to improve with the 214,000 increase in October non-farm payrolls the ninth consecutive 200k+ monthly gain. Meanwhile, initial jobless claims have remained below 300,000, so payroll growth is likely to remain robust. The unemployment rate has continued to decline, down to 5.8% in October, but the number of involuntary part time workers remains elevated, evidence of ongoing slack. Average hours worked has now

returned to pre-recession levels but although slack in the labour market has declined it has not resulted in a surge in average hourly earnings growth.

- 7.17 The Chinese economy has maintained its softer tone, with analysts still expecting growth to struggle to meet the 7.5% target set for the year, with around 7.3% forecast. That is likely to remain tolerable given the aim of rebalancing the economy. Exports have fared relatively well this year and are expected to be supported by an improvement in the general global health in 2015. The markets are, now, not so concerned about performance in 2014 as much as the targets that will be agreed at the Economic Work Conference, where the government outlines its priorities for the coming year. These priorities will not be publicly announced until the National People's Congress in March, but speculation is that "about 7.5%" GDP growth will be continued but with economists suggesting that growth may slow further, to around 7%, there is scope for the authorities to ease their growth target in the face of a continued determination to increase the domestic contribution to expansion.
- 7.18 In Japan the impact of the Sales Tax hike has proved longer lasting and more damaging than had been expected. As a consequence the follow up increase in 2015 has been cancelled. Prime Minister Abe was re-elected in a snap General Election in December, in an unexpected move designed to get endorsement of his policies but turnout was at a record post-war low.
- 7.19 The markets have determined that the prospects of a UK interest rate hike in the early part of 2015 are unlikely and are increasingly suggesting that the second half of next year could pass without a rise. Consensus seems to be edging toward January 2016 as the likely date for the first Bank of England increase.
- 7.20 Accordingly, all of the markets have reacted to the change of view. Sterling has weakened against the US\$ with the Fed now the favourite to be the first central bank of the industrialised nations to raise rates. There was a more muted reaction against the €uro where weakening is restrained by the ECB's decision on QE action to support the ailing EZ economy.
- 7.21 Investors have continued to buy gilts on the back of the UK's safe haven status, pushing yields considerably lower in Q4 of 2014 after falls earlier in the year which left yields at a 15 month low at the end of Q3. Yields have continued to fall in the early part of 2015. The prospect of lower UK rates, coupled with European investors looking to switch from €uro denominated bonds to enhance returns, seem set to ensure that yields continue their downward trend. If this happens it will lead to further falls in the rates on offer for loans to local authorities from the PWLB.
- 7.22 Equities have regained the levels seen before the sharp October decline but the FTSE is still underperforming bourses in other developed markets. As previously noted, much of the underperformance is down to the reduction in sterling value of overseas profits earned by UK companies, due to sterling's increased strength. With some of that value being eroded by lower interest rate expectations, this should help to boost sterling value of overseas incomes, thus supporting the equity market.

8 The Current Financial Position

- 8.1 The action taken to modernise systems and processes, to implement plans for savings and to build up and preserve the level of reserves and balances in anticipation of impending reductions in grant funding means the PCC continues to be in a position where he has options on how to address the financial challenges ahead in a managed way. However these are becoming increasingly limited as more fundamental changes are required. Simple salami slicing of budgets can no longer provide the answer.
- 8.2 Whilst savings targets have been delivered in the past and the calls on reserves have been lower than expected it is unlikely that this will continue, particularly in view of the risks associated with the implementation of the new business operating model from 2015/16.
- 8.3 Budget monitoring has continued on a monthly basis and a mid-year budget review has been carried out to analyse current spending to identify permanent and temporary fluctuations in the base budget.

- 8.4 The MTRS incorporates assumptions from the budget monitoring report for Period 8 (to 30 November 2014), which will be adjusted to reflect the most recent information from Period 9. The projected outturn is expected to be within 1% of the approved budget. Any adjustments will be made through reserves.

9 Funding

- 9.1 In the 2013 Budget the Chancellor announced a further 1.1% cut to the Home Office Departmental Expenditure Limit (DEL) in 2015/16. The Home Office were considering whether they would be able to absorb that cut within the department rather than pass the cut on to the police service. Because of this, the police service did not receive indicative information for 2015/16 when the 2014/15 settlement was announced.
- 9.2 The Provisional Police Grant Settlement for 2015/16 was issued as a consultation document on 17 December 2014. Consultation ended on 23 January 2015. The Final Settlement is likely to be announced in early February 2015.
- 9.3 It is unusual based on past experience for there to be any material changes between the Provisional and Final Settlements and so the amounts of Government Grant estimated for the purpose of the MTRS reflect the Provisional Settlement. If there are changes, these are likely to be minor and will be dealt with by adjusting the use of reserves.
- 9.4 Yet again, it is unfortunate that there is no information for future years as this would significantly aid financial planning. However this is perhaps more understandable this year given the fact that the next CSR has been pushed back beyond the General Election in May 2015.
- 9.5 At the time of the 2013 Spending Round the police were expecting cuts of 3.2% in 2015/16 in cash terms; which at the time equated to 4.9% in real terms. The Home Office have updated their calculations now so that whilst the real-terms cut is the same at 4.9%, the cash cut is now 3.4%. This means that the Home Office have passed on some of the 1.1% DEL cut but not all of it.
- 9.6 Home Office Police Grant has been cut by 6% in total; for individual PCCs, excluding the Metropolitan Police and Welsh forces, the cut is 6.12% compared to 2014-15 allocations. As in recent years the Home Office has applied a flat rate reduction to all PCCs.
- 9.7 Formula funding for English forces (formerly Formula Grant from DCLG) has been cut by an average of 3.56%. However, the reduction for individual PCCs varies from -2.62% to -4.55%. The Humberside reduction is 3.61%.
- 9.8 Taking these factors into account, the reduction in general grant to Humberside is 5.11%, in line with other PCCs, and 4.72% after the impact of legacy grants is included.
- 9.9 In the autumn of 2012 the Home Office announced its intention to commission a fundamental review of the way in which police forces in England and Wales are funded. Representations have been made which recognised the potentially contentious issues that any change would generate ahead of an election but stressed the growing weight of expectation amongst the whole of the police family that the longstanding problems with the current formula will finally be properly and comprehensively addressed through the review. Unfortunately, the review has not progressed to a conclusion with the Home Office still "in listening mode". The 2015/16 settlement made no reference to progress with this Police Formula Review.

9.10 The detailed analysis of the provisional settlement compared with 2014/15 is set out below:

2014/15 £	Grant Settlement	2015/16 £
48,591,238	CLG/Home Office Funding	46,836,457
72,040,138	Police Formula Grant	67,631,165
120,631,376	Total Formula Grant	114,467,622
	Legacy Grants	
8,341,108	Localisation of Council Tax	8,341,108
500,390	Council Tax Compensation Grant	500,390
1,199,447	Council Tax Freeze Grant	1,199,447
130,672,321	TOTAL	124,508,567

9.11 On 18 December 2014 the Government set out details of the referendum principles for 2015/16. The Local Government Minister indicated that all councils should be freezing Council Tax in 2015/16 and helping people with their cost of living and that additional funding equivalent to a 1% increase in Council Tax would be available to authorities that freeze the Council Tax next year. He said that any authority choosing to increase should have the courage to put their case to local people and confirmed that an increase of 2% or more will require a referendum and that that this would apply to PCCs.

9.12 All police authorities qualified for the Council Tax freeze grant in 2011/12 and the PCC accepted the grant in 2013/14. Funding to English PCCs in respect of 2011/12, 2013/14 and 2014/15 will be paid to eligible authorities in 2015/16. The PCC will receive £1,199,477 in respect of 2011/12 and £500,390 in connection with 2013/14.

9.13 The PCC will also receive a further "legacy grant" of £8,341,108 to compensate for the loss of Council Tax income as a result of the reduction in the tax base due to changes arising from the way in which Council Tax Benefit (CTB) is administered.

9.14 The billing authorities have provided the following information in respect of their calculations of the 2015/16 tax base:

Tax base 2014/15 (Band D properties)	Unitary Authority	Tax base 2015/16 (Band D properties)
107,540.77	East Riding of Yorkshire Council	109,047.51
53,416.00	Kingston upon Hull City Council	54,756.00
39,324.50	North East Lincolnshire Council	40,153.00
44,447.60	North Lincolnshire Council	45,103.10
244,728.87	TOTAL	249,059.61

9.15 The increase in the number of Band D properties is welcome and will generate additional Council Tax revenues which will offset the loss of grant.

9.16 The PCC has been informed that the estimated Collection Fund surpluses at the end of 2014/15 total £874k. Surpluses are only assumed when it is clear that they are likely to be achieved. Any deficits on Collection Funds would have to be made up by taking them into account in the decision on Council Tax/Precept in the following year.

The "and Crime" agenda

9.17 The PCC has once again earmarked resources for partnerships in 2015/16 within the base budget and he has access to his Partnership Reserve.

- 9.18 In 2015/16, the Commissioner has maintained the same base budget of £2.3m to support for partnership activities. Discussions are underway with partners to provide assurances to them in respect of longer term support for substance misuse interventions linked to their commissioning timetable, tender profiles and to share in service efficiencies. Work is also ongoing to determine the arrangements for making maximum beneficial use of the remaining budget in continuing to support the YOTs, CSPs and in ongoing provision for youth interventions.
- 9.19 The Commissioner received details of funding allocations for victim support in 2014/15 and 2015/16 last year. This included funding for Victims' Services and an un-ringfenced allocation for Restorative Justice. The indicative allocation from the MoJ for 2015/16 of £989k has still to be confirmed. In 2014/15 the PCC used the allocation to create a Victims' Fund and c£260k was allocated to groups applying for funding. Coordinated Action Against Domestic Abuse (CAADA) were engaged to undertake a review of victims' services provision with the Force area to inform funding allocations and commissioning decisions in the future as well as discussions with key partners. Again, as indicated above, Remedi were commissioned to deliver Restorative Justice as part of a contract worth around £210k in 2015/16. The PCC will have to ensure that an effective referral mechanism is in place and this will be the first call on funding for 2015/16.
- 9.20 In 2014/15 the PCC was successful with a "Competed Fund" bid to the MoJ to provide Young People's Independent Sexual Violence Advisers on the north and south banks of the Humber. This funding was £137k with a full year effect in 2015/16 of £173k.

10 Medium Term Budget Pressures

- 10.1 The options set out in this document continue to provide for amounts previously agreed that have ongoing revenue implications. Police officers and staff have received their first pay increases in three years, 1% from September 2013 and police officers will receive 1% from 1 September 2014. The pay award for police staff has yet to be settled. The trade unions balloted successfully for strike action following a 1% offer from employers. Planned industrial action on 22 December 2014 and 23 January 2015 has been called off following an updated offer from the employers on 19 January.
- 10.2 Budget provision has been made for known price increases but there is no general contingency for inflation and any growth will have to be met by additional savings.
- 10.3 The projections include provision for both the capital financing and revenue consequences of capital spending.
- 10.4 No provision has been made for the cost of PCC elections in May 2016 as it is assumed at this stage that these costs will be met by Government.

Protective Services/Regional and Sub-Regional Working

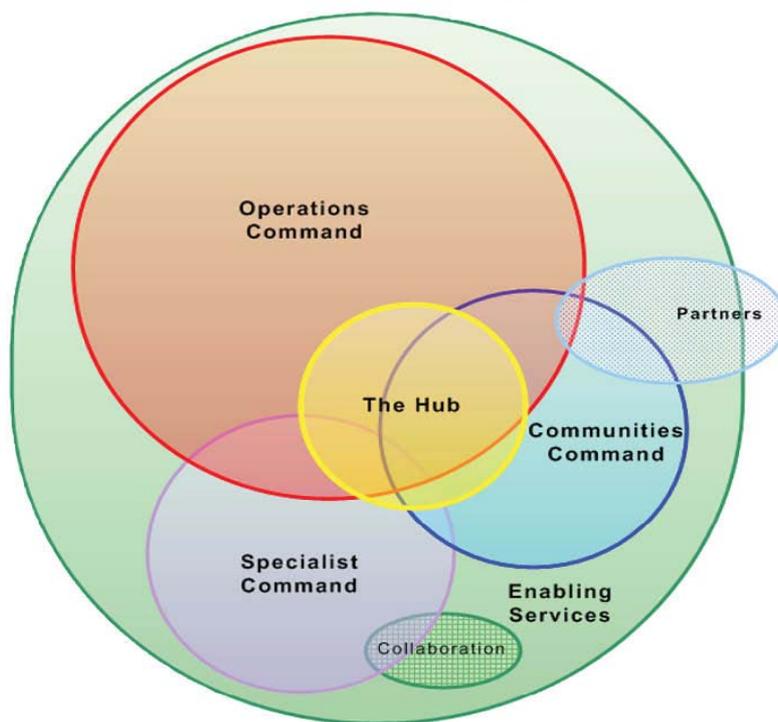
- 10.5 The MTRS incorporates the costs and savings arising from the Force and the PCC's involvement in Regional Working with North Yorkshire, South Yorkshire and West Yorkshire on a four force basis and with South Yorkshire on a two force basis.
- 10.6 The four force Yorkshire and the Humber Region is now a lead force arrangement with Humberside having the lead for underwater search and public order.
- 10.7 The two force collaboration with South Yorkshire Police which started with Human Resources and IT/IS is continuing to gather pace. Joint investment in mobile IT supported by Home Office funding from the Innovation Fund and other initiatives such as the introduction of a shared Enterprise Resource Planning (ERP) system in connection with back office systems and processes is driving this agenda alongside the need for the identification of savings and efficiencies whilst seeking service improvements when possible.

- 10.8 Working with his counterparty at South Yorkshire PCC, the PCC has been successful in bids to the Home Office for support from a "Pre-Cursor Fund" in 2013/14 and in the bidding round for the main fund in 2014/15. £1m was secured in 2013/14 with amounts of £1.812m in 2014/15 and £1.358m in 2015/16 being approved in mid-2014. The grant will be shared equally between the two PCCs. A further joint bid has been submitted in respect of the 2015/16 Innovation Fund for support to transform the way in which the police handle calls from the public to put victims, witnesses and other customers at the heart of what the Force does so that they feel that they can make a difference and become engaged in a bigger team to help the fight against crime. The total cost of the scheme is £6.8m, £3.4m in 2015/16 and £3.4m in 2016/17 of which £4.1m would be met from grants if the application is approved.
- 10.9 Further opportunities for collaboration with South Yorkshire on a wide range of activities are currently being explored which could lead to the formation of a strategic alliance at some stage in the future.

Building the Future/Savings Plans

- 10.10 The Chief Constable has carried out a comprehensive review of all aspects of Force activity with the Building the Future programme. The new operating model described below will be implemented from April 2015, with the Hub element which is such a key component being introduced in March 2015.

New Operating Model



The Hub

Resolve it, if you can't - resource it*

Single centre combining IHU, PSC, CSCC, CMU functions, demand / duties management, Ops Planning and tasking and coordination, Deals with today, plans for tomorrow.

Acts as Force silver, authority to command right resource to attend.

Manages Force appointments system.

Operations

Provides emergency response capability.

By only putting out the response cars we need (match demand curve), huge potential for large, fluid teams.

Deals with all straightforward crimes/incidents, cradle to grave (60% of demand).

Considerable use of alternative to arrest Outcomes.

Communities

Crime Reduction and Crime Investigation where problem solving is required (Victim / Offender / Location).

Proactive response to crime and offender patterns.

Builds on foundation of Neighbourhood Policing.

Heavy focus on areas of greatest need.

Multi-agency, co-located teams for high demand areas. Resourced according to type of demand.

Specialist

High cost, highly skilled resources.

High impact or complex incidents / crimes.

Contains CMB and Specialist Operations as well as collaborative opportunities.

Enabling Services

Finance and Business support

HR ISB

Legal PSB

- 10.11 Budget reductions in previous years have been successfully driven by the CSR 2015 Savings Plan overseen by a Force Board and monitored by the PCC. Savings from this plan have now been fully delivered and the implementation of the programme has been superseded by Building the Future plan which is designed to make the most significant contributions to closing the budget gap in the years ahead.

- 10.12 The MTRS contains the most up to date and detailed estimates of the realistic costs and savings information on existing savings plans and on the financial projections and staffing assumptions in respect of Building the Future.

Resource Planning

- 10.13 As has been set out at length previously and communicated to the public, a significant part of the budget each year is pay and pay-related. This inevitably means that the savings required mean significant reductions in the numbers of officers and staff. The redesign of the Force operating model is a key part of the response to this challenge, as is the PCC's determination to ensure that police officers and PCSOs are equipped with mobile technology to ensure that they can spend as much time as possible out in their communities.
- 10.14 The savings target for 2014/15 has been achieved and the budget for 2015/16 has been balanced against savings plans currently in implementation with limited use of reserves. Although every effort has been made to make savings in non-pay budget lines, this has in the main been achieved by staff reductions.
- 10.15 Police officers cannot be made redundant and it is now widely acknowledged that the pace at which police officer numbers can be reduced is constrained by the rate of natural turnover and so, for this part of the workforce, planning assumptions are based on predictions of the numbers of officers leaving the organisation through transfer, retirement etc. There is however a further constraint on the number of officers as the Chief Constable must ensure resilience at times of peak activity to satisfy local, regional and national demands on the service.
- 10.16 The rest of the establishment is made up of police staff, which includes PCSOs. The PCC has indicated that he wishes to maintain the number of PCSOs at around 230. Working within these parameters therefore, the balance of budget reductions will fall on police staff.
- 10.17 From the 1 April 2014 baseline establishment of 3,309, 1,650 police officers and 1,659 police staff (including 310 PCSOs), the budget forecasts assume that in the current financial year there will be a reduction of 251. This is made up of 103 police officers and 148 police staff (including 40 PCSOs). The forecasts also reflect the loss of a further 208 posts in 2015/16. This is made up of 53 police officers and 155 police staff (including 14 PCSOs).
- 10.18 More planned reductions have been included in the financial plans between 2016/17 and 2018/19 but these will not balance the budget over the period of the MTRS on their own.
- 10.19 If the assumptions set out in the financial projections prove to be accurate and the primary source of savings remains staff reductions then this would require that additional staff reductions are made over and above those in current plans.

Force Business Management (FBM)

- 10.20 The Force continued to use the simplified FBM process to assist in the delivery of the CSR savings plan as well given its role in making decisions on how best to achieve business change.

11 Capital and Prudential Borrowing

Impact of Capital Programme

11.1 The following table outlines the estimated costs of the current programme over the next five financial years together with details of how it is proposed to be financed.

Capital	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Capital Expenditure					
Estate Strategy	4,212	1,604	1,371	1,820	0
IT Equipment	5,258	2,288	3,810	754	899
Vehicle/ Equipment	870	1,326	882	1,042	704
TOTAL	10,340	5,218	6,063	3,616	1,603
Financing					
Grant*	1,700	1,700	1,700	1,700	1,603
Loan	8,640	3,518	4,363	1,916	0
Capital Receipts**	0	0	0	0	0
TOTAL	10,340	5,218	6,063	3,616	1,603

Note:- * Details of the capital grant for 2015/16 have yet to be received

** Funding from capital receipts will only be assumed when there is certainty about the timing and amounts involved.

11.2 The capital programme will continue to assist in the delivery of front line policing services. The Melton building discussed in last year's MTFS has been completed and this has enabled staff to be decanted from other buildings including the Queens Gardens and Tower Grange Police Station where the OPCC is currently based.

11.3 The Melton building incorporates a joint vehicle workshop with the Force working alongside the Humberside Fire and Rescue Service. It also houses various specialist services. The consolidation of services at Melton, at Clough Road and elsewhere is allowing overcrowded accommodation to be addressed and leased accommodation across the Force area to be vacated.

11.4 The Estates Board provides the platform for regular updates and discussion on the progress of property-related Capital Schemes. The DPCC and the Deputy Chief Executive / Treasurer represent the PCC on the Estates Board.

11.5 Capital allocations nationally have once again been top sliced for resources to be made available to the National Police Air Service (NPAS). Whilst the PCC and the Chief Constable are supportive of the NPAS arrangement, the PCC has agreed that Humberside Police will stay out of the national scheme for the time being. This is due to exceptional local circumstances, including the fact that the Force's helicopter is leased. The position will be reviewed when the lease expires in 2016. In the meantime, NPAS and Humberside Police have arrangements in place to provide mutual support to one another when necessary.

11.6 The Force and the PCC will continue to examine the possibility of alternative sources of finance such as leasing of equipment, vehicles and IT and to compare these with prudential borrowing to identify the most cost efficient option for funding the capital programme.

- 11.7 The main source of funding for capital will continue to be prudential borrowing. Innovation Fund grant and the general Capital Grant will be used to finance capital expenditure. Available capital receipts from the disposals of surplus properties, with the exception of the proceeds from the sale of Pacific Exchange, will be used to finance expenditure or for debt redemption as and when they are received. Details of the amount of capital grant for 2015/16 has yet to be confirmed and the decision on the Innovation Fund application is expected in late March 2015.
- 11.8 Pacific Exchange was sold to Hull City Council in August 2014 and the proceeds have been used to provide funding for projects of a capital nature that help reduce crime as part of the Commissioner's Crime Reduction Fund initiative.
- 11.9 The PCC has again been actively promoting asset rationalisation, joint working and co-location of services with other public and voluntary sector partners.
- 11.10 Meetings have continued to be held with partners across the Force area to identify opportunities for joint working on property issues that are mutually beneficial in terms of reducing costs and generating capital receipts whilst maintaining and if possible improving services and access to them.

Impact of Prudential Borrowing on the Budget Position

- 11.11 The PCC will, as indicated above, predominantly utilise prudential borrowing as the means of funding the capital programme. Taking account of anticipated slippage to be carried forward from 2014/15, the estimated capital budget requirement for 2015/16 is shown at £10.340m
- 11.12 The Treasury Management Strategy Statement (TMSS) approved by the PCC in March 2014 provided information on current borrowing levels and set out Prudential Indicators which were agreed. The TMSS explained that day to day cash balances have been and in the short term continue to be used as a cost-effective way to finance capital spending. It also confirmed that the PCC retains the capacity to borrow to fund capital expenditure as and when necessary to replace the cash that has been temporarily used to finance capital in this way. Cash balances are continuing to be invested in the money markets. External borrowing of £6.5m has been taken from the Public Works Loans Board (PWLB), the principal lender to local authorities. The PCC and the Joint Independent Audit Committee (JIAC) members have access to information on a monthly basis on treasury management activity produced by external advisers, Capita Treasury Solutions. The JIAC reviews treasury management reports prior to consideration by the PCC.
- 11.13 Cashflow forecasting at a detailed level has continued. The MTRS information is supported by high-level projections of the PCC's cash flows. Assumptions of interest payable and interest receivable included within the MTRS are based on these cashflow forecasts. Detailed cashflow information is essential as the basis for determining when the PCC will have to borrow and the cash position is reviewed at monthly Investment Review Meetings chaired by the Deputy Chief Executive / Treasurer.
- 11.14 The PCC's approved TMSS incorporated the investment strategy and the policy in respect of the Minimum Revenue Provision (MRP), the amount to be set aside each year for debt repayment. The MTRS reflects updated calculations of the MRP required in respect of past and proposed capital spending.

12 Reserves, Provisions and Contingency Fund

Reserves Policy

- 12.1 Billing and precepting authorities in England and Wales are to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. In establishing reserves, the PCC must also comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

- 12.2 The Chief Constable and the PCC are required to review the reserves policy and the holding of contingencies on an annual basis as part of the budget process. This is reflected in medium term financial planning and the annual budget setting process. It is important that the use and retention of the PCC's reserves is visible and that consideration of their use is placed at the forefront of the decision making process. Revenue reserves are balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be used once, and should not be part of the base budget.
- 12.3 The PCC holds these balances for two main purposes:
- a) A contingency to cushion the impact of unexpected events or emergencies.
 - b) A means of building up funds to meet known or predicted liabilities or to smooth expenditure requirements – known as earmarked reserves (this includes for example Risk Management and Partnership Reserves).
- 12.4 The PCC has maintained a simplified approach to holding reserves for the benefit of all stakeholders. The General Reserve is intended to meet the purposes under a) above, with the main aim of the PIR being used to pump prime spend to save initiatives, to support the revenue budget and to assist business change.
- 12.5 The balance in the Partnership Reserve is estimated to be £337k at 1 April 2015 following additional support being provided to community safety partners in 2014/15 and taking into account the ongoing commitments. Funding within the Reserve can continue to be used to support partnership projects that can help to deliver the outcomes in the PCC's Police and Crime Plan and will be used as the vehicle to carry forward funding identified for the CCRF that remains unspent at the year end.
- 12.6 Access to the Partnership Reserve and monies set aside to fund the CCRF will need to be strictly controlled. As this is a reserve, then the risks associated with committing the PCC to long term support must be recognised. It should also not be used as a simple substitute for existing funding that is being withdrawn as a result of budget cuts elsewhere.
- 12.7 Temporary funding of this nature however can be a powerful driver to encourage partnership working. Sustaining infrastructure that has been and will continue to support the progress in reducing crime is an important consideration along with seeking out opportunities for improving performance. It also enables new and innovative initiatives to be progressed, piloted and evaluated. As a result, the PCC may, at some stage, want to make additional transfers from the PIR to the Partnership Reserve to carry on this work if it proves successful.
- 12.8 The Risk Management Reserve (RMR) is retained for specified issues.
- 12.9 There is no statutory guidance on the right level of reserves. Guidance from the Chartered Institute of Public Finance and Accountancy confirms that PCCs should, on the advice of their Chief Finance Officers, make their own judgements on such matters, taking into account relevant local circumstances and an assessment of risk. Generally figures for general reserves of between 2% and 5% of net revenue spending have been the norm. Networking around the Police Service has shown that a General Reserve equivalent to 3% of its net revenue budget is widely regarded as appropriate. This takes into account the fact that when the Home Office provides support for major incidents via a special grant, forces are routinely expected to be able to meet up to 1% of the Net Revenue Budget from their own resources. It may be significant here that in the 2015/16 Police Grant Settlement for the first time the Home Office have top sliced £15m for this Special Grant.
- 12.10 The PCC's policy on reserves as reflected in the MTRS principles is as follows:
- To hold a General Reserve of a minimum of 3% of the Net Revenue Budget in any financial year to cover any major unforeseen expenditure

- To maintain earmarked reserves for specific purposes which are consistent with best practice
 - To review the level of reserves at least annually
- 12.11 The PCC must retain adequate reserves so that unexpected demand-led pressures on budgets and known areas where financial implications are uncertain, such as is currently the case with major incidents, regional and sub-regional collaborative working and more widely in respect of risks associated with assumptions of external support and income from Council Tax increases, can be met without adverse impact on the achievement of the outcomes and objectives set out in the Police and Crime Plan.
- 12.12 The policy for reserves and balances has to be based on a thorough understanding of needs and risks. Part of this process is to give clearer explanation of the existing and proposed use of reserves and this is addressed in the paragraphs below.
- 12.13 **A key objective of previous years' medium term financial plans has been to seek to ensure that over the medium term the PCC's base level of spending is capable of being contained within the likely level of available resources in terms of grant funding and reasonable assumptions of income from Council Tax without relying on reserves.**
- 12.14 As a result of the actions taken in previous years the PCC continues to have a level of reserves that can cushion against the severity of reductions in Government grants. The biggest issue now remains the prospect of further cuts due to the commitment to eliminate the UK's deficit in the public finances in the Charter for Budget Responsibility and proposals to run a surplus in later years, continued restrictions on increases in Council Tax/Precepts and the potential at some stage in having to deal with the consequences of any change in the funding formula for police.

Provisions

- 12.15 A provision is an amount set aside from revenue funds to provide for a liability which is likely to be incurred but the exact amount and date on which it will arise is uncertain. The PCC retains a number of provisions as detailed below.

Compensatory Grant Provision

- 12.16 This provision is maintained to allow the Force and PCC to meet obligations under Police Regulations to reimburse income tax paid on rent allowances by that minority of officers who are still in receipt of this allowance. The provision is reviewed annually in April each year after payments in arrears have been made. At 31 March 2014 this provision was £126k.

Contingency Funds

- 12.17 The Chief Constable also has access to one contingency, the Force Performance Fund. Underspends are transferred into this fund as the year progresses.
- 12.18 Each year, as part of the Annual Accounts closedown procedure, the Contingency Fund is cleared to zero with any surplus funding being transferred to the PIR.

Budgeted Reserves Position for 2015/16 and future years

12.19 The reserves held are as follows:

Reserve	Estimated Balance at 1 April 2015 £'000
Performance Improvement Reserve	22,477
General Reserve	5,340
Risk Management Reserve	1,800
Partnership Reserve	337
TOTAL (£'000s)	29,954

12.20 If the 2014 pay award for police staff is not settled before 31 March 2015 the funding will need to be carried forward via the PIR.

12.21 The PCC has emphasised the need for strong partnership working, including with criminal justice, community safety and health partners to ensure the best outcomes for communities in terms of reducing crime and improving community safety. The balance in the Partnership Reserve will be available to support joint working.

12.22 The General Reserve will be maintained at 3% of the Net Revenue Budget. The level of reserves will continue to be reviewed as the year progresses.

13 Indicative Budget Forecasts 2015/16 to 2019/20

13.1 The PCC has once again received a series of presentations during the year and discussions have resulted in two alternative scenarios being identified for exemplification within the MTRS. The first option shows the impact of a Council Tax freeze in 2015/16 accepting the 1% grant offer for one year and assuming 2% increases in Council Tax in future years. The second option assumes that the Council Tax is increased by 2% in 2015/16, rejecting the freeze grant, with increases in precept of 2% from 2016/17 onwards.

14 Funding Gap and Financial Strategy

14.1 Budget forecasts based on the above assumptions are set out in the attached Appendices. These identify the gap between spending and income from grants and Council Tax as follows after taking account of savings already identified. The illustrations assume that reserves will be used to meet the difference between the gap in any given year and the level of savings planned to be achieved in that year whilst providing a balanced budget at the end of the MTRS period.

14.2 Appendix 1, Option 1, is based upon a Council Tax freeze in 2015/16, accepting the compensatory grant offer in the year equivalent to a 1% increase in Council Tax with 2% increases in later years.

Council Tax freeze in 2015/16 and 2% in future years					
	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Budget Gap	14,530	13,623	10,065	7,341	2,922
Use of Reserves	2,996	5,882	2,624	345	0
Savings Requirement	11,534	7,741	7,441	6,996	2,922
TOTAL	14,530	13,623	10,065	7,341	2,922

- 14.3 Appendix 2, Option 2, is based on an increase in Council Tax of 2% in 2015/16, rejecting the compensatory grant and assumes 2% increases in future years.

Council Tax increase of 2% in 2015/16, rejecting the Governments grant offer and with 2% increases in future years					
	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Budget Gap	14,140	12,669	9,865	7,601	2,994
Use of Reserves	2,606	5,717	2,886	429	0
Savings Requirement	11,534	6,952	6,979	7,172	2,994
TOTAL	14,140	12,669	9,865	7,601	2,994

- 14.5 A comparison of the above shows that in Option 1, the level of savings required to be achieved by 2019/20 is £36.634m compared with £35.631m for Option 2.

- 14.6 The permanent gap can only be closed by examining the following:

- Additional savings and efficiencies including wider local, sub-regional and regional collaboration
- Precept increases
- Reassessment of priorities
- Further use of reserves
- External funding / increases in income
- Refinancing /re-phasing of the Capital Programme.

Savings and Efficiencies

- 14.7 The Force has consistently responded to the challenging efficiency targets that have been set in previous years and has processes in place to actively monitor progress and activity to ensure that they have been delivered.
- 14.8 Whilst savings targets have been achieved to date, it continues to be increasingly difficult to generate further savings. This has resulted in the Chief Constable proposing a complete redesign of the Force operating model which will come into effect in April 2015. Savings totalling £18.265m on top of those already made already been identified and there are plans for further budget reductions of £5.447m which allow the budget for 2015/16 to be balanced with limited use of reserves. The savings requirements for future years will be reviewed when details of the next CSR are known after the General Election.
- 14.9 The PCC continues to be in a difficult position in relation to dealing with budget reductions that are likely to be required in the wider field of community safety. Having decided that, for 2014/15, funding for main partners would remain at a similar level to that for 2013/14 when funding was also passported at the same level as the previous year the PCC is now examining ways to achieve the maximum benefit from this investment.
- 14.10 As indicated above, discussions are taking place with key partners on how to establish arrangements to establish a basis for allocating funding for 2015/16 and if possible for a longer term. The PCC recognises the difficulties that uncertainty causes in terms of planning and the concerns of staff whose jobs rely on this funding. It is important however given the pressures on all parties to find savings that a collaborative approach is taken so that decisions on funding for community safety spending as a whole are open and transparent.

Council Tax/Precept

- 14.11 At this stage the PCC's preferred option is to increase the Council tax in 2015/16 by 1.99% and not to take advantage of the freeze grant on offer, payable for one year equivalent to a 1% increase. This would be within the limit that if breached even by 1p would require a referendum.
- 14.12 His preferred proposal is in line with the level of increase set out in the public consultation exercise. The proposal once again received substantial support with 74% of respondents indicating that they would be prepared to pay an extra 7p per week for a Band D property.
- 14.13 The provisions of the Localism Act 2011 require Ministers to prescribe, in advance, the level of increase which they will regard as excessive. If any PCC suggests an increase in Council Tax above this level then he/she would need to make arrangements for the billing authorities to hold a referendum. The PCC would have to pay for this. In the event that the vote was in favour, the budget would stand. If the electorate rejected the proposals then a substitute budget assuming the maximum increase would be implemented. In these circumstances, the PCC would also then be responsible for the significant cost of re-billing, which could be in excess of £1 million.

The implications for the Council Taxpayer for each of the options set out above would be as follows:

BAND	Option 1 (no Change)	Option 2	Increase £
A	117.71	120.05	2.34
B	137.33	140.06	2.73
C	156.95	160.07	3.12
D	176.57	180.08	3.51
E	215.81	220.10	4.29
F	255.05	260.12	5.07
G	294.28	300.13	5.85
H	353.14	360.16	7.02

Use of Reserves

- 14.14 The PCC has reviewed the Reserves Strategy and will continue to do so as part of future revisions of the MTRS and the budget setting process. The basic principle remains i.e. that using reserves to support permanent spending within the base budget is not sustainable in the medium to long term and therefore reliance on the use of reserves to support the base level of spending should be reduced.
- 14.15 The principle of the PIR supporting "spend to save" initiatives and to underpin and support performance is well established. This has been particularly important given that significant staffing changes take time to implement and carry with them substantial additional one-off costs. Reserves will continue to be used to support the changes needed as the Force Building the Future plan are implemented. In developing the options set out in the MTRS, the PCC intends to mitigate the impact of additional savings by meeting a proportion of the saving requirement each year and providing for one off costs of change whilst maintaining the requirement to arrive at a balanced position over the term of the MTRS.
- 14.16 Applying this to each of the options would leave estimated balances of £0.645m for Option 1 and £1.549m for Option 2 in the PIR at the end of 2019/20. Consideration needs to be given to the level of contingency required to enable any further budget reductions in future years arising from assumptions not contained within the MTRS to continue to be addressed in a planned and carefully managed way whilst taking account of the impact on performance and service implications for the public. The Partnership Reserve is discussed above and it is suggested that the balance in this reserve should be used in a similar way as it has been

previously, i.e. to support partners in contributing to delivering the outcomes set out in the Police and Crime Plan.

14.17 The Risk Management Reserve is assumed to be retained at its current level and the balance will be kept under review as the year progresses.

Priorities

14.18 The outcomes and supporting objectives set out in the Police and Crime Plan. These are detailed below:-

OUTCOMES		
Reduce Crime	Protect the Public and Improve Safety	Improve the Quality of Victims Services
SUPPORTING OBJECTIVES		
<ul style="list-style-type: none"> • Reduce Violent Crime • Target Resources at Drugs, Alcohol and Mental Health • Target Offenders and Places (such as crime and ASB hotspots) • Increase Visibility, Availability and Accessibility of Police and other services 	<ul style="list-style-type: none"> • Manage Dangerous Offenders • Meet Obligations to National Threats • Protect, Children, Youth and Vulnerable Adults • Empower and Enable Local Communities to work together with the police & other agencies to solve problems locally 	<ul style="list-style-type: none"> • Reduce Repeat Victimisation • Support Victim Recovery • Expand Restorative Justice and Community Payback so that offenders are seen to pay for their crimes in local communities • Ensure a Prompt and Effective response from the police and other services to calls for service.

14.19 As part of the Building the Future programme, the Chief Constable has developed a Service Delivery Plan designed to deliver the outcomes and objectives set out in the Police and Crime Plan.

14.20 The Police and Crime Plan has been reviewed but it has not been considered necessary to change it significantly and so the above outcomes and supporting objectives remain in place. The position will be formally reviewed as part of the arrangements for preparing the annual report for 2014/15 which will be completed and submitted to the PCP for consideration later this year.

External Funding

14.21 The PCC will continue to seek to explore opportunities to obtain general and specific external funding in line with the principles set out in this strategy. This is evidenced by the successful bids for monies from the Innovation Fund and MoJ Competed Fund. However, against the background of widespread reductions in the public sector budgets it will inevitably be more difficult to obtain additional or even maintain current levels of external funding.

- 14.22 The Commissioner once again has recognised that as deepening public sector cuts take effect and with increasing demands for service that close partnership working will be essential if the outcomes set out in the Police and Crime Plan are to be achieved.
- 14.23 He has sought to maintain relationships with the Local Strategic Partnerships (LSPs) and Community Safety Partnerships (CSPs) and local authorities.
- 14.24 The PCC will continue to seek to maximise the benefits of Regional and Sub-Regional working.

Income Generation

- 14.25 The Force will continue to maximise opportunities to generate extra income and the PCC will work with partners to maximise the resources available to address crime and community safety issues and to help deliver the Police and Crime Plan.

15 Risk Assessment

- 15.1 The MTRS contains the most up to date information at the time of drafting but the financial position of the Force and the PCC is dynamic and made more difficult by the Commissioner having wider responsibilities involving a significant number of partners who are also facing similar challenges. The risks are exacerbated by the uncertainty created by the impending General Election and the different finance strategies being promoted by the major political parties in addition to their different policy stances on the future of the current governance regime in policing.
- 15.2 There are risks involved with the implementation of the operating model. This will continue to be tested throughout the year both in terms of its effectiveness and the delivery of the anticipated savings.
- 15.3 There is a risk that the unidentified gap in savings will not be capable of being closed. The position will be monitored as the year progresses together with the need to review the pace of use of reserves to balance in individual financial years.
- 15.4 Information has been provided this year on the referendum limits and the PCC's preferred precept proposal would not require a public vote which could give rise to a veto. With this proposal there is no risk therefore of him having to fund a vote and the potential costs of re-billing which could be in excess of £1m based on information from those authorities that have had to re-bill recently.
- 15.5 Significant work has continued with colleagues within the Region and Sub-Region and with local partners to identify opportunities for further collaboration and to deliver budget savings. The MTRS will need to continue to be revised as the year progresses to reflect the financial implications of this activity.
- 15.6 It should be noted that although the PCC faces a number of significant financial uncertainties he continues to be in a relatively strong position to respond to the challenges ahead.

General Balances

- 15.7 There is a risk that the General Reserve is not sufficient. This is mitigated by:
- The policy governing the level of General Reserve held by the PCC is to maintain this at a minimum of 3% of net revenue spending. As previously stated, if it is considered prudent to reduce the level of General Reserve below this level then this will be considered as the year progresses but at the present time this is highly unlikely
 - The Force and the PCC will continue to strengthen financial controls to ensure that revenue outturn is kept within approved budgets. The challenge remains to ensure that the maximum amount of financial resources is made available to drive operational and

business performance, to help to meet the costs of organisational change and to support the delivery of the Police and Crime Plan

Pay and Pay Increases

- 15.8 Financial projections reflect the latest information on agreed pay awards with what are regarded as realistic suggestions for future years that are comparable with the assumptions being used across the sector based on peer reviews.
- 15.9 Provision has been made for the impact of the single state pension and corresponding loss of contracted out status which will increase employer National Insurance contributions by an estimated £3.3m from 2016/17. Despite intense lobbying this will not come back to forces and PCCs.
- 15.10 The financial projections also include provision for the employers' superannuation contributions following the Local Government Pension Scheme triennial review at March 2013 which became effective from 2014/15.
- 15.11 No increase in employers' contributions in respect of Police Officers beyond the 24.2% applied in 2013/14 has been assumed as the Home Office has indicated that although a periodic actuarial review was undertaken showing the need for a contribution of 21.3% the benefit will be retained by Central Government.

Price Increases

- 15.12 At this stage no general provision has been made for non pay inflation other than for known increases in costs already identified. This is mitigated by:
- the non pay elements of the MTRS having been reviewed and increased in previous years
 - incorporating details of increased charges passed on by the College of Policing and estimates of charges for national IT systems
 - maintaining centralised pay budgets coupled with the devolution of controllable budgets which acts as an incentive to achieve savings at a local level with planned under spends and any over spends contained within devolved budgets. This promotes proactive local budget management and allows for some flexibility of operation

Capital Financing

- 15.13 The risk is that capital financing charges will be greater than forecast. This is mitigated by:
- the MTRS providing for the best estimate of the cost of borrowing
 - making every effort to ensure that borrowing decisions are made at the most advantageous terms through regular monitoring of market rates and advice from the PCC's treasury management consultants and other sources.
 - changes in the variable rate having minimal effect initially as all current debt is at fixed rates and the rates of interest on money invested are very low
 - new borrowing being reviewed as part of a proactive approach to Treasury Management
 - examining the possibility of seeking to gain financial advantages through re-financing of existing debt and debt redemption, if appropriate, in line with the approved Treasury Management Strategy

Financial Planning

- 15.14 The risk is that a major liability or commitment is currently known but has not been taken into account in the financial planning of the Force and PCC. This is mitigated by:
- Growth identified by the Chief Constable which will be managed in FBM and within existing budgets
 - Improved links between financial and workforce planning
 - Regular liaison by senior officers of the Force and the PCC, the existence of the Chief Officer Group (COG) and the Force Leadership Team
 - Arrangements to ensure that Chief Officers, Commanders and Branch Heads are aware of and are carrying out their duties to discharge their obligations in terms of budget monitoring and control
 - Using the Deputy Chief Constable's Delivering Success Conference to enhance the overall internal control environment to better understand the landscape and to target resources
 - Oversight of the implementation of business change and savings by a Project Board including representation from the OPCC and PCC involvement in the FBM process
 - The Corporate Governance Group arrangements involving senior Force and OPCC officers
 - The involvement of the PCC and Chief Constable in issues at a national level within the APCC and ACPO
 - The involvement of senior officers in national working groups such as APACCE, PaCCTs and the ACPO Finance and Resources Business Area (FBRA).

National Funding

- 15.15 The MTRS incorporates the information contained within the Police Grant Settlement announcement and information on other Government support. Details of the support for Counter Terrorism remains outstanding but this generally has a nil net effect as income matches expenditure. The Settlement includes continued use of a damping mechanism that has resulted in all PCCs receiving a cash reduction in main grant of 5.11% in 2015/16 when compared with the current financial year. There is uncertainty beyond 2015/16 as the Home Office has once again limited the settlement to a single year.
- 15.16 Whilst the Home Secretary commissioned a review of the funding formula some time ago and some work has been undertaken, the formula review has been delayed and it now seems unlikely that any new proposals would be capable of being implemented before 2016/17 at the earliest.
- 15.17 The Force will need to continue to consider changes at a national level affecting the Service such as the College of Policing, the National Crime Agency, NPAS, ESMCP and the financial implications for the Force that flow from them.
- 15.18 The PCC will also have to carefully consider the crime and community safety implications of the cutbacks being made by other public sector partners in response to their funding challenges and the impact of ongoing changes on welfare reform.

Capital Programme Implications

- 15.19 The risk is that the capital programme may be understated, funding will not be available as planned, or that over spending may occur. This is mitigated by the fact that

- The Estate Strategy has been regularly reviewed and is based on professional advice
- IS/IT strategies are reviewed and are centred around developing information systems and data solutions for the Force. Work to harmonise long term strategies with South Yorkshire Police and at a Regional level is continuing
- Work on capital funding sources and affordability underpins capital programme planning
- Clear decisions are made about the level of prudential borrowing
- Regular consideration is given to cash flow and the use of internal capital resources when considering the PCC's borrowing and reserves strategies
- Monthly capital monitoring reports with reports being routinely considered as part of the FBM process and in PCC briefings
- The PCC is represented on the Force's Estates Programme Board and other Force Boards
- The Prudential Borrowing regime provides added flexibility in terms of financing the capital programme
- Professional judgments are made on affordability and appropriate control measures as detailed in prudential indicators set annually to be adhered to underpin financing of the capital programme
- The revenue consequences of the capital programme, including the costs of borrowing, have been included in the MTRS

Risk Assessment

15.20 There is a danger that all risks have not been identified in the MTRS and that major financial consequences may result. This is mitigated by:

- internal risk management arrangements within the Force and the PCC
- comprehensive self and external insurance arrangements being in place
- having a Partnership Reserve available to support working with external agencies involved in crime and community safety activities

15.21 Officers will use local, regional and national working groups to seek to ensure that the potential implications of future levels of funding, interest rates and inflation can be fed into the MTRS as the position becomes clearer.

16 Impact Assessment

16.1 The FBM process includes separate impact assessments on demand for and supply of resources. These assessments are then reconciled and recommendations made on the basis of the findings before any management decisions are taken.

17 Robustness of Estimates and Adequacy of Reserves

17.1 Following the Police Reform and Social Responsibility Act 2011 both the Deputy Chief Executive / Treasurer and the Assistant Chief Officer (Support) have responsibilities under s 151 of the Local Government Act 1972. As such, both are required to report on the robustness of the budget and on the adequacy of reserves which the PCC must have regard to when making his decision on the budget and the precept. They can confirm that the

budgets set out in both of the options contained within the MTRS are robust and that the level of reserves in each case is adequate.

18 Conclusions

18.1 The following conclusions can reasonably be drawn:-

- The PCC and the Force remain in a stable but increasingly challenging financial position, a similar situation to all of those involved in policing
- The Force's and the PCC's financial management processes remain fundamentally sound
- The MTRS remains a key tool for the PCC in planning budgets within a medium term financial context
- All PCCs will receive a reduction of 5.11% in general Government Grant funding next year when compared with 2014/15
- It is of significant benefit that this year the PCC can consider his precept proposal with knowledge of the referendum principles which was not the case for 2014/15
- For 2015/16 and later years the PCC has the challenge of balancing the need to provide support for the "and Crime" agenda at the same time as the Force and all partners are facing extreme budget pressures
- As expected all PCCs and Forces are having to make substantial savings and, in most cases, having to use reserves to support this process
- There is continuing and increased uncertainty over future funding in view of the General Election with no information available beyond 2015/16 on Home Office allocations and although the economic climate has improved, austerity measures are set to continue to 2018/19 and beyond with the present Government's commitment to run a budget surplus and the requirement set out in the Charter for Budget Responsibility
- Considerable assurance can be taken from the achievements of the Force in making savings to date with over £35m of savings estimated to be made by 31 March 2015 since 2010
- The Force have established tried and tested business processes that have generated savings in response to previous targets
- The Force has made significant progress in meeting the savings challenge of the last CSR without there being an adverse effect on performance
- The Force has developed a new operating model in response to the constraints on resources which will be implemented in April 2015
- The PCC has undertaken a public consultation exercise to test support for a proposal to increase the precept which shows that the overwhelming majority of those who responded indicated that they would be prepared to pay 2% more for policing
- There are options available for setting the budget and precept for 2015/16 and two have been presented within the MTRS, a freeze and an increase of 1.99%
- The PCC's preferred proposal is to increase the precept by 1.99%

POLICE & CRIME COMMISSIONER FOR HUMBERSIDE
REVENUE BUDGET FORECAST 2015/16 TO 2019/20 - OPTION 1 (PRECEPT FREEZE IN 2015/16)

		2015/16	2016/17	2017/18	2018/19	2019/20
BUDGET REQUIREMENT	notes	£k	£k	£k	£k	£k
Previous Year's Budget Requirement		179,998	172,858	170,495	164,593	159,818
Pay & Pensions						
	Pay & Pensions	954	3,669	472	1,193	1,021
Other Pressures						
	Other Pressures	2,852	1,377	1,118	1,016	66
Regional Savings/Costs						
	Regional Savings/Costs	588	332	(51)	12	24
GAP						
	GAP	(14,530)	(13,623)	(10,065)	(7,341)	(2,922)
GAP funded from Reserves						
	GAP funded from Reserves	2,996	5,882	2,624	345	
TOTAL BUDGET REQUIREMENT		172,858	170,495	164,593	159,818	158,007

		2015/16	2016/17	2017/18	2018/19	2019/20
FUNDING POSITION	notes	£k	£k	£k	£k	£k
Police Revenue Grant						
	Police Revenue Grant	67,631	65,972	63,762	61,626	60,086
DCLG Formula Funding						
	DCLG Formula Funding	46,836	45,267	43,751	42,285	41,228
Council Tax Grant						
	Council Tax Grant	8,341	8,341	8,341	8,341	8,341
Council Tax						
	Council Tax	44,852	45,033	46,115	47,221	48,352
Council Tax Freeze Grant						
	Council Tax Freeze Grant	2,202				
TOTAL PERMANENT FUNDING		169,862	164,613	161,969	159,473	158,007
Base Funded From Reserves						
	Base Funded From Reserves	2,996	5,882	2,624	345	
TOTAL TEMPORARY FUNDING		2,996	5,882	2,624	345	
TOTAL FUNDING		172,858	170,495	164,593	159,818	158,007

		2015/16	2016/17	2017/18	2018/19	2019/20
SAVINGS PLAN SUMMARY	notes	£k	£k	£k	£k	£k
GAP						
	GAP	(14,530)	(13,623)	(10,065)	(7,341)	(2,922)
SAVINGS PLAN		11,534	7,741	7,441	6,996	2,922
Base Funded From Reserves						
	Base Funded From Reserves	2,996	5,882	2,624	345	
TOTAL FUNDING SURPLUS/(DEFICIT)						

Total
£k
36,634
11,847

POLICE & CRIME COMMISSIONER FOR HUMBERSIDE
REVENUE BUDGET FORECAST 2015/16 TO 2019/20 - OPTION 2 (2% PRECEPT INCREASE IN 2015/16)

		2015/16	2016/17	2017/18	2018/19	2019/20
BUDGET REQUIREMENT	notes	£k	£k	£k	£k	£k
Previous Year's Budget Requirement		179,998	172,842	171,228	165,774	160,842
Pay & Pensions						
	Pay & Pensions	954	3,637	484	1,208	1,029
Other Pressures						
	Other Pressures	2,836	1,369	1,092	1,020	70
Regional Savings/Costs						
	Regional Savings/Costs	588	332	(51)	12	24
GAP						
	GAP	(14,140)	(12,669)	(9,865)	(7,601)	(2,994)
GAP funded from Reserves						
	GAP funded from Reserves	2,606	5,717	2,886	429	
TOTAL BUDGET REQUIREMENT		172,842	171,228	165,774	160,842	158,971

		2015/16	2016/17	2017/18	2018/19	2019/20
FUNDING POSITION	notes	£k	£k	£k	£k	£k
Police Revenue Grant						
	Police Revenue Grant	67,631	65,972	63,762	61,626	60,086
DCLG Formula Funding						
	DCLG Formula Funding	46,836	45,267	43,751	42,285	41,228
Council Tax Grant						
	Council Tax Grant	8,341	8,341	8,341	8,341	8,341
Council Tax						
	Council Tax	45,728	45,931	47,034	48,161	49,316
Council Tax Freeze Grant						
	Council Tax Freeze Grant	1,700				
TOTAL PERMANENT FUNDING		170,236	165,511	162,888	160,413	158,971
Base Funded From Reserves						
	Base Funded From Reserves	2,606	5,717	2,886	429	
TOTAL TEMPORARY FUNDING		2,606	5,717	2,886	429	
TOTAL FUNDING		172,842	171,228	165,774	160,842	158,971

		2015/16	2016/17	2017/18	2018/19	2019/20
SAVINGS PLAN SUMMARY	notes	£k	£k	£k	£k	£k
GAP						
	GAP	(14,140)	(12,669)	(9,865)	(7,601)	(2,994)
SAVINGS PLAN		11,534	6,952	6,979	7,172	2,994
Base Funded From Reserves						
	Base Funded From Reserves	2,606	5,717	2,886	429	
TOTAL FUNDING SURPLUS/(DEFICIT)						

Total
£k
35,631
11,638