

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE & CRIME PANEL

PAPER MARKED

Report of **POLICE & CRIME COMMISSIONER**

Date **16th DECEMBER 2015**

Subject **BUDGET AND PROPOSED PRECEPT 2016/17 UPDATE**

Author : **CHIEF FINANCE OFFICER**

Purpose of the Report

1. This report is to provide high level information for the Police and Crime Panel in respect of an update on the Spending Review 2015 (SR2015) , Medium Term Financial Strategy (MTFS) and timescales for the 2016/17 budget and precept process.

Recommendation

2. The Police and Crime Panel are asked to consider and discuss the report.

Background

3. At its meeting on the 29 January 2015, the Panel considered the 2015/16 budget requirement of £171.573M (before use of reserves), council tax requirement of £53.216M, and resultant 1.99% increase on Band D Council tax for Police purposes to £179.9951.
4. The MTFS was included within the report based on a number of assumptions. These assumptions have been regularly reviewed, the MTFS amended as appropriate and tabled at the Panel for update and discussion on 25 June 2015 and 16 September 2015.
5. Work is underway, as part of the scoping work for a proof of concept for a tri-force Strategic Alliance, to update and align the key assumptions between Northamptonshire, Nottinghamshire and Leicestershire and to include these in an updated MTFS, together with latest information once the settlement is known on the 17 December 2015.
6. The September 2015 MTFS assumed a grant reduction of 5% per annum as follows:

| Savings Required | Year | | | | |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2016/17 £m | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m |
| At a 5% Grant Reduction pa | 5.8 | 10.7 | 14.8 | 18.3 | 22.7 |

7. Furthermore, the report highlighted uncertainties surrounding the potential changes from the Funding Formula Consultation and the Comprehensive Spending Review 2015 (SR2015).

8. Following two rounds of consultation, a number of issues and concerns were highlighted nationally in respect of the proposed Funding Formula. Recognising these issues, the Home Office have announced that any Funding Formula changes will be postponed to 2017/18. Further engagement is anticipated on the Formula in due course.

Spending Review 2015

9. On 25 November 2015 the Chancellor of the Exchequer, announced the outcome of the Comprehensive Spending Review 2015. The SR2015 details the spending settlements for each government department over the next four years (2016/17 to 2019/20).
10. Despite PCCs and forces modelling for reductions of between 25% and 40% over the period of the spending review, the Chancellor addressed police funding and said: *"now is not the time for further police cuts, now is the time to back our police and give them the tools to do the job."*
11. The SR2015 document added that police force budgets will be maintained at current cash levels.
12. The Chartered Institute of Public Finance and Accountancy (CIPFA) have advised that for the whole of the Police Settlement, *"assuming all PCCs take the maximum increase in precept of up to 2% (or £5 for the ten PCCs in historically low precept areas), then this should give protection against inflation."*
13. However, the Police and Crime Commissioners' Treasurer's Society (PACCTS) Technical Team have undertaken an initial analysis of the SR2015 for PCCs and advised that overall police funding, including funding for Counter Terrorism, has been cut by 1.3% in real terms over four years. Furthermore, a number of reallocations (previously called "top slices") are expected to fund additional schemes from the overall policing settlement.
14. Whilst reports nationally have varied between "no" reductions and 18.4% for police funding over the four years, PACCTS have advised *"how this will affect individual settlements will not become clear until the provisional police funding settlement for 2016-17."*
15. Key messages received from PACCTS are as follows:

"The Home Office revenue and capital spending totals are detailed below. Unlike previous years the Home Office spending totals contained in the Spending Review do not separate police funding. At this stage it is therefore not possible to set out the profile of the year on year changes."

| | £billion | | | | | |
|--|-----------------|----------------|----------------|----------------|----------------|--------------------|
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Real Growth |
| Resource DEL* (excluding depreciation) | 10.3 | 10.7 | 10.6 | 10.6 | 10.6 | -4.8% |
| Capital DEL | 0.4 | 0.5 | 0.5 | 0.4 | 0.4 | |
| Total Managed Expenditure | 10.7 | 11.2 | 11.1 | 11.0 | 11.0 | |

*DEL – Departmental Expenditure Limit

16. Specific references in the SR2015 pertaining to police funding are as follows:
- £1bn will be invested in new mobile digital technology through the Emergency Services Mobile Communications Programme.

- Police efficiency will be improved by taking steps to drive down the cost of police procurement by up to £350 million and encouraging greater collaboration between police forces and with other public and emergency services.
- Additional transformational funding will be allocated to forces which have “strong proposals to support efficiency and reform and to help transition to new funding arrangements in future”. This funding will also allow forces to train more firearms officers to ensure the country extends its capability to protect its citizens from terrorist threats.
- The Home Office administration budget will be reduced by 30%.
- The National Crime Agency’s budget will be protected.
- Over £200 million of capital investment to fund new digital and investigative capabilities for the National Crime Agency.
- Counter terrorism funding will be increased by £500 million, equivalent to a 30% rise.
- The number of police armed response vehicles available to respond rapidly to critical incidents will be increased by up to 50% and new funding made available to increase the number of specialist counter terrorism fire arms officers and to train existing officers.
- In England it is the intention that the overall referendum limit for police precept will be maintained at 2% over the Spending Review period.
- Additional flexibility will be made available for the ten PCCs in England with the lowest precept levels each year (lower quartile), so that they can raise their precept by up to £5 per year over the Spending Review period.
- All other PCCs can expect to be subject to the usual 2% referendum limit (this applies to Leicestershire).

17. Adding to the uncertainty, the Ministry of Justice (MoJ), from whom Leicestershire were anticipating £1.145M in 2016/17 for Victims and Witness grant funding, received 15% real terms cuts in the SR2015. It is anticipated that some if not all will be applied to the ongoing V&W grants.

2016/17 Budget Requirement & Budget Preparation Process

- 18. The 2016/17 Budget preparation process is underway, being progressed by the Force Finance Team (FFT) who work closely with the OPCC Chief Finance Officer.
- 19. A robust timetable has been developed which incorporates key meetings and considerations. Key dates for the Panel to note are as follows:

| | |
|------------------|--|
| 25 November 2015 | Spending Review 2015 announcement |
| December 2015 | Local Public Consultation Process Underway for Precept options |
| 17 December 2015 | |
| 11 January 2016 | Responses received and analysed from Public Consultation Process |
| 11 January 2016 | Strategic Assurance Board |
| 20 January 2015 | Finalisation of the Budget requirement and proposed precept level (council tax proposal) |
| 2 February 2016 | Police and Crime Panel |

Precept options & impacts

20. The September MTFs and the SR2015 announcement both assume a 2% precept increase each year. However, as the PCC and the Force work through the budget setting process, a range of options will be considered, which will include analysis of the budget requirement, the precept options and use of the Budget Equalisation Reserve (BER).
21. Although any increase in precept would provide additional revenue to the PCC, the challenge to the PCC is to ensure that all inefficiencies are driven out first and foremost, whilst the force is maintaining and enhancing an effective service.
22. In line with previous years, the PCC will seek the views of the residents of Leicester, Leicestershire and Rutland on the precept considerations for 2016/17. The consultation is based on achieving a statistically relevant sample size of households and will comprise a combination of telephone and online surveys on the website throughout December 2015.
23. The PCC will carefully consider the responses from the survey, together with other key information on the funding settlement and the Council Tax Base and will take these into account in his decision making for the 2016/17 precept proposal.
24. The format of the precept report to the Panel in February 2016 will include the consultation and precept details, ensuring these essential elements are covered within it.

Conclusion

25. This report outlines the current assumptions and uncertainties surrounding the MTFs and the budget setting timetable for 2016/17, which will not become known until 17 December 2015 and which, together with the Public Consultation, will affect the 2016/17 Budget and Precept considerations.

Implications

| | |
|-------------------------------|---|
| Financial – | This report is an update for the Police and Crime Panel to note the financial position, uncertainties and timescales. |
| Legal - | There are no legal implications identified. |
| Equality - Impact Assessment | There are no equality issues identified. |
| Risks and -Impact | No risks have been identified from this report. |
| Link to Police and Crime Plan | The report provides an update on the strategic financial priority contained within the Police and Crime Plan. |

List of Appendices

None

Background Papers

Police and Crime Panel Budget and Precept Report 2015/16

Person to Contact

Mrs H King, Chief Finance Officer – Tel 0116 229 8702
Email: helen.king@leics.pcc.pnn.gov.uk