

# POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE & CRIME PANEL

Report of	<b>POLICE &amp; CRIME COMMISSIONER</b>
Date	<b>MONDAY 5 DECEMBER 2016</b>
Subject	<b>MEDIUM TERM FINANCIAL STRATEGY AND PROPOSED PRECEPT 2017/18 UPDATE</b>
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## **Purpose of the Report**

1. This report is to provide high level information for the Police and Crime Panel in respect of the Medium Term Financial Strategy (MTFS), an update on the Precept Considerations and timescales for the 2017/18 budget and precept process.
2. This report is being prepared prior to the 2016 Autumn Statement on 23<sup>rd</sup> November 2016 and the Police Funding Settlements currently anticipated either on the week of the 5<sup>th</sup> or 12<sup>th</sup> December 2016.

## **Recommendation**

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

## **Background**

4. At its meeting on the 2<sup>nd</sup> February 2016, the Panel considered the previous PCC's budget and proposed precept for 2016/17, and supported the proposed 1.99% precept increase on Band D Council Tax to £183.5770 for a Band D property.
5. The MTFS was included within the report based on a number of assumptions. These assumptions have been regularly reviewed throughout the year and the MTFS amended as appropriate. The assumptions and the MTFS have been the subject of regular discussions with the PCC and the Chief Constable throughout the year.
6. As the panel are aware from the September meeting, work continues on collaboration proposals, particularly in respect of tri-force activities. Work remains at an early stage and it is unlikely that costs and savings from these proposals will be available in time for inclusion in the 2017/18 budget and precept.

### **Medium Term Financial Strategy (MTFS)**

7. The MTFS was last updated in September 2016. The table below summarises the savings anticipated at key stages in the MTFS reviews:

<b>Savings Required</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
The MTFS prior to the 2015 settlement	10.7	14.8	18.3	22.7
June 2016 Funding Gap at 1% Grant Reduction	1.1	2.8	3.0	4.6
September 2016 Forecast (pre-2017/18 budget preparation)	0.8	3.3	3.7	4.9

8. As discussed in February 2016, whilst the Police Finance Settlement for 2016/17 was better than previously anticipated, shortfalls were and are still expected for the period of the Spending Review.
9. The MTFS is being updated as the 2017/18 Budget preparation, Autumn Statement and provisional Police Funding Settlement become clearer. Early indications are that some budget pressures are higher than originally envisaged in the previous MTFS.
10. The impact of these pressures are being evaluated, but for information, some of these pressures include:
- potential employers superannuation increases above those previously anticipated
  - the impact of pensions auto-enrolment
  - first year transition costs of HAY job evaluation
  - Emergency Services Network
  - Apprenticeship Levy
  - Rates Revaluations
  - Impact of Capital Programme and Estates Strategy
11. The MTFS is currently being prepared on the assumption that the Precept will be increased by 1.99% each year of the PCC. Should this assumption change, this would affect the shortfall each year.

### **Autumn Statement 2016**

12. At the time of writing the report, the Autumn Statement had not been released and it is therefore not possible to indicate the impact on the Police Settlement for 2017/18 and future years at this stage. Should information be available following the Statement, the Panel will be updated at the meeting.
13. In line with previous years, we are unlikely to receive details on the impact for Leicestershire until after the provisional Police Funding Settlement in December 2016.
14. Whilst the 2015 Spending Review (SR2015) did advise that “police force budgets will be maintained at current cash levels”, this relates to the total amount for Police Spending, before reallocations (top slices) are applied, before the vote on Brexit and before other economic considerations. Therefore, grant reductions are anticipated and discussions between Police and Crime Commissioner Treasurers Society (PACCTS) members have quoted between 1% and 3% per annum.

### Precept Consultation

15. For the past three years, there has been consultation on the precept with local residents and stakeholders.
16. The PCC has recently undertaken extensive public consultation on his Police and Crime Plan proposals during the month of September which included consultation on the precept for 2017/18 and future years.
17. Out of the survey of 3,026 residents, 2,924 respondents expressed an opinion as to whether they supported an increase in the precept of 1.99% per year for 4 years. This survey was undertaken using two separate methodologies:
  - A web-based survey that was promoted throughout the Force area (circulated to internal personnel, to members of the public, and key stakeholders such as councillors, stakeholders (Councillors, MPs etc).
  - A telephone based survey based on a sample aimed to be representative of the population.
18. The methodology applied to the telephone based survey was consistent with that applied in 2015/16 and 2016/17 which is as follows:
  - It is often impractical to collect the opinions of every single person in a population. However, it is possible to assess opinion by gaining the views of a representative sample of the population and hence gaining an understanding of what overall opinion is likely to be.
  - This is done by use of statistical sampling whereby one can calculate (by comparing the size of the total population to the size of the sample), and obtain confidence that the opinions of the sample are reflective of the opinions of the whole population. The greater the proportion of people surveyed, the greater the confidence received that the collective view of those surveyed is reflective of the population as a whole.
  - This level of assurance is expressed in terms of the confidence that the true result is within a certain latitude of an actual numeric average of what the sample shows.
19. In respect of the precept, the survey outlined the challenges faced by Leicestershire Police in the past and highlighted challenges likely in the future. Included in the consultation was a specific question in relation to the Precept as follows:
 

***“Would you be prepared to pay an extra 7 pence each year as part of your Council Tax to minimise the savings that Leicestershire Police will need to make and which will also be used to enhance policing and deliver the priorities the Commissioner sets in his Police and Crime Plan.”***
20. Whilst representative in terms of Age and Gender, in respect of ethnicity, the persons of Asian ethnicity were underrepresented and persons of white ethnicity over represented.

21. In Council boundaries, due to lower levels of responses, confidence levels varied, but in all instances, the majority of respondents supported a 1.99% increase as follows:

Authority	% Support	C.I.+/-%
City Council	85.6	2.4
Charnwood	88.2	4.4
Melton	82.9	8.5
Rutland	86.7	7.3
NW Leicestershire	91.2	5.9
Blaby	86.3	5.3
Harborough	84.7	6.1
Hinckley & Bosworth	85.9	6.0
Oadby & Wigston	92.8	5.2
Leicestershire County Council	87.3	2.2

Note: C.I. confidence level

22. **The results of the survey reflect support to increase precept year on year over the period of the Police and Crime Plan by 83.3%.** This support compares favourably to the 70.7% level for 2016/17 and 56.1% for 2015/16.
23. Support to increase the precept is summarised as follows: Telephone 89%, Web based external 80%, web based internal 78.2%.
24. The PCC is appreciative of the time taken by respondents to complete the survey. Their views will be critical in informing his proposed precept decision for 2017/18.

### **Funding Formula Consultation**

25. In September 2016, Brandon Lewis MP the Minister of State for Policing and the Fire Service wrote to all Police and Crime Commissioners and Chief Constables outlining his intention to take forward a review of the Police Core Grant Distribution Formula. He acknowledged challenges previously and advised of his commitment to work openly and constructively to progress towards implementing a fairer, up to date, transparent formula.
26. Two groups have been set up to assist in this work as follows:
- A Senior Sector Group chaired by Paul Lincoln (Director General – Crime, Policing and Fire Group) to set direction, provide strategic oversight and consider policy issues on the formula.
  - A Technical Reference Group to advise on technical elements, including the most appropriate data sources, the suitability of indicators and weighting techniques.
27. In October 2016, the Minister updated Commissioners on the early work from these groups which outlined the Principles, Policy Objectives and proposed building blocks. **The building blocks state “a new formula, regardless of its structure, needs to take into account factors that represent relative expected risk and demands for policing services.”** The Minister also sought feedback from Commissioners on exceptional generic factors to be considered in the process.

28. The PCC responded to the Minister (together with feedback provided from the previous formula review and information submitted to the Home Affairs Select Committee in Autumn 2015) and extended an invitation to the Minister to meet and visit to Leicester, Leicestershire and Rutland, for which a reply is awaited.
29. Additionally, the PCC and Chief Constable are looking to extend an invitation to meet with local Members of Parliament in the near future.
30. Work of the review teams continues with East Midlands Representation for both groups.
31. The Minister has advised that he is committed to further public consultation on any proposals and it is anticipated that initial proposals will be available in February to enable discussion and hopefully consultation to take place.

### **2017/18 Budget Requirement & Budget Preparation Process**

32. The 2017/18 Budget preparation process is underway, being progressed by the Force Finance Team (FFT) who work closely with the OPCC Chief Finance Officer.
33. A robust timetable has been developed which incorporates key meetings and considerations. Key dates for the Panel to note are as follows:

September 2016	Public consultation on the Police and Crime Plan and Precept
23 November 2016	Autumn Statement 2016 announcement
W/c 5 or 12 December 2016	Anticipated Provisional Police Finance Settlement
10 January 2017	Strategic Assurance Board
January 2017	Finalisation of local Council Taxbase and Council Tax Surplus information
20 January 2017	Finalisation of the Budget requirement and proposed precept level (council tax proposal)
3 February 2017	Police and Crime Panel

### **Conclusion**

34. This report outlines the current assumptions and uncertainties surrounding the MTFs and the budget setting timetable for 2017/18. The detailed provisional Police funding settlement will not become known until the middle of December 2016 and this, together with the Public Consultation and the Police and Crime Plan priorities will inform the 2016/17 Budget and Precept considerations which will be considered in February 2017.

**Implications**

Financial:	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 2016/17

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