



DORSET

**POLICE & CRIME
COMMISSIONER**

POLICE AND CRIME PANEL: 4 FEBRUARY 2016

AGENDA NO: 7

PROPOSED PRECEPT FOR 2016-17

REPORT BY TREASURER TO THE POLICE AND CRIME COMMISSIONER

PURPOSE OF THE REPORT

This report sets out the proposed 2016-17 precept for the Police and Crime Commissioner for Dorset for consideration by the Police and Crime Panel.

1. INTRODUCTION

- 1.1 The Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012 require the PCC to notify the panel of their proposed precept for 2016-17 by the 1st February 2016. This then needs to be considered by the Police and Crime Panel who can either approve the proposed precept or veto it. A two thirds majority of the Police and Crime Panel is required to veto any precept proposal.

2. BACKGROUND

- 2.1 The Comprehensive Spending Review (CSR) in 2010 resulted in cuts in government support for the Police Service of 20% over the period 2011-12 to 2014-15. In addition to this, there was also a 4.9% real terms cut in 2015-16 (3.2% cash reduction).
- 2.2 Similar levels of cuts were expected in the new CSR period, and the MTFP for Dorset Police assumed a 3.5% cash reduction each year.
- 2.3 The long awaited review of the police funding formula took place during 2015-16. From the initial results of the review, it appeared that many of Dorset's issues with the previous arrangements would be addressed. It appeared that Dorset could benefit by around £1.8m, phased in over a period of time. However, lack of detail meant it was difficult to properly analyse the proposals. When details were finally published, errors were found in the data sets used and this eventually led to the postponement of implementation of the review. It is now anticipated that a further review will take place in 2016-17 but the details of this are not yet known.
- 2.4 In the lead up to the Spending Review, significant concerns were being raised by Chief Constables and PCCs about the impact which further cuts in government funding could have. These concerns were further exacerbated by the terrorist attacks in Paris. This therefore changed the context in which future Police funding was being considered.

3. SPENDING REVIEW

3.1 On 25 November 2015 the Chancellor of the Exchequer, George Osborne MP, announced the outcome of the Spending Review 2015. The Spending Review (SR2015) details spending settlements for each government department over the next four years (2016-17 to 2019-20).

3.2 In his speech, 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."

3.3 The headline statements were that overall police spending had been protected in real terms over the Spending Review period, representing an increase of £900m in cash terms. This calculation was however based on the assumption that council tax would be raised each year. This was confirmed in the letter from the Home Secretary Theresa May to Chief Constables and PCCs on the day of the spending review which stated:-

“ Total central Government resource funding to policing, including funding for counter terrorism, will be reduced by 1.3% in real terms over four years. Taking into account the scope that you have to raise local council tax, this means a flat real settlement for policing as a whole.”

3.4 Whilst the announcement confirmed that policing budgets would be maintained at current levels, it was also confirmed that there would be a number of reallocations Force budget to fund additional national schemes. However, exact details on how this would affect settlements would not be clear until the provisional police funding settlement for 2016-17 was received.

3.5 The table below shows the Home Office revenue and capital spending totals. Unlike previous years the Home Office spending totals contained in the Spending Review do not separate police funding. It is therefore not possible to set out the profile of the year on year changes for the police.

Home Office			£ billion					Real growth
			2015-16	2016-17	2017-18	2018-19	2019-20	
Resource depreciation)	DEL	(exc	10.3	10.7	10.6	10.6	10.6	-4.80%
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	

4. PROVISIONAL SETTLEMENT FOR 2016-17

4.1 The provisional Police Finance Settlement, was received on 17 December 2015. The final settlement is not expected until the 3rd February 2016, after the notification to the Panel of the PCC's proposed precept, however there is no indication that the funding position will change.

4.2 The provisional police funding settlement is for a single year only. The Police Main Grant has been largely protected, with a cash reduction in grant of around 0.6% for 2016-17. For Dorset, this means a reduction of £0.336m from £58.904m to £58.568m.

- 4.3 The Council Tax legacy freeze grants as well as the council tax support grant are within these figures, although separately identifiable within the settlement. They do also include allocations made for 2015-16 Freeze Grant which was potentially at risk for future settlements when it was taken last year.

Counter Terrorism

- 4.4 The Spending Review also announced an additional £500m of funding (by the end of this parliament) for the Home Office, including a “real terms increase to the CT Policing Grant”.
- 4.5 In 2015-16 Police Counter Terrorism Grant allocations were worth £564m, this years’ statement increases that funding to £640m with a further £30m to allocate in capital funding. This represents an increase of 13%.
- 4.6 Notification of individual force allocations were expected early in the New Year but have still not been received. It is anticipated that London will see a very significant increase and allocations outside of London could be significantly reduced.

Top-Slicing / Re-allocations

- 4.7 The Minister’s statement said that in 2016-17 the Home Office would only be making reallocations of £218m (see table below). This compares with £177m of reallocations made in 2015-16.

	2015-16	2016-17
	<i>£m</i>	<i>£m</i>
College of Policing	4.6	4.6
Emergency Services Network	-	80.0
Police Knowledge Fund	5.0	-
HMIC (Peel) / NICC	12.2	Now permanent
IPCC	30.0	32.0
Innovation Fund	70.0	55.0
Major Projects (including Home Office Biometrics and National Police Data Programme)	40.0	21.8
Police Special Grant {Contingency fund which will support forces facing unplanned or unexpected additional pressures which place them at financial risk}	15.0	25.0
TOTAL	176.8	218.4

- 4.8 It appears that last year’s £5m top-slice for the Police Knowledge fund has not been repeated in 2016-17.

5. CAPITAL FUNDING

- 5.1 Police Capital Grant has reduced nationally from £120m (with £10m going to NPAS) in 2015-16 to £82m (with £16.5m going to NPAS) in 2016-17. A reduction in non-NPAS Capital of 41%.
- 5.2 Individual force allocations have not yet been made, but based upon the 41% reduction, this would see the allocation for Dorset reduced by £329,700 from £804,100 to £474,400.
- 5.3 It is anticipated that the actual allocations will form part of the final settlement on 3rd February.

6. COUNCIL TAX

- 6.1 The referendum limit for 2016-17 council tax increases has again been set at 2%. The only exception is for the 10 lowest precepting force areas which are allowed to increase their band D council tax by £5. This does not apply to Dorset as our precept is around the average of the 43 forces.
- 6.2 Unlike the previous 5 years, there is no freeze grant available for 2016-17. This therefore means that there is no compensation received if council tax is frozen.

7. TAXBASE

- 7.1 Each year, the taxbase upon which the council tax is collected increased as the number of properties within Dorset increases. Assumptions of taxbase growth within the MTFP have been increased over the year due to recent experience which has shown higher annual growth than historic trends would suggest. The current MTFP assumed an increase of 1%.
- 7.2 Confirmation was received in mid-January from the billing authorities that taxbase growth for 2016-17 will be 1.02%, the largest rises being within Bournemouth and Poole. This is therefore in line with our MTFP assumptions.
- 7.3 Additionally, the difference between the assumed and actual council tax receipts for 2015-16 are returned to the precepting authorities the following year. The total collection fund surplus relating to Dorset Police for 2016-17 is £1.443m, which is £1.143m greater than originally budgeted. It must however be remembered that this is only one-off funding.

8. COST PRESSURES

- 8.1 National Insurance. A significant additional cost pressure arises in 2016-17 due to the introduction of the Single State Pension. Current discounts in National Insurance rates applied to occupational pension schemes will be removed which will add around £2.1m to National Insurance costs from 2016-17 onwards.
- 8.2 Pay and Prices. Negotiations for 2016-17 and 2017-18 are on-going. Recently, an offer to Local Government staff of 2.4% was made which took account of the introduction of the National Living Wage at the lowest end of the pay scales and a 1% increase each year on all other spinal column points. It is likely that a similar offer may be made to Police Staff shortly. The total additional budget allocation for pay and increments for 2016-17 totals £2.4m.

8.3 Additional Charges. Additional costs will be borne by Forces rather than nationally for the national Emergency Services Mobile Communication Project (ESMCP) system, which will replace and enhance the current Airwave system, various ICT projects and some officer training courses.

9. FUNDING ALLOCATION

9.1 All policing related funding comes initially to the PCC for them to commission services as appropriate. This includes:-

- Police Revenue Grant (including Council Tax Legacy Grants)
- Policing Precept
- Specific Grants

9.2 A small element of the Police Revenue Grant / Precept is used to fund the Office of the Police and Crime Commissioner and to directly commission some services.

9.3 The Community Safety Fund was received as a specific grant until 2014-15 but was then rolled into the Police Revenue Grant. Additionally, the funding for a number of other similar services originally commissioned within Dorset Police were transferred to the PCC in 2014-15 so that all community related expenditure can be prioritised and monitored in one place. These funds are now allocated under the umbrella of the Safer Dorset Fund.

9.4 The establishment of a local innovation fund was part of the precept proposals for 2014-15 which was used initially for the purchase of body worn cameras and mobile devices. This sum was allocated to other projects in 2015-16, including partly funding the new Victims Bureau and continuing some projects initially funded from the Victims Competed Fund. This will continue in 2016-17 with a smaller allocation to the Victims Bureau and the balance used to pump prime new initiatives.

9.5 The total allocation for the OPCC, incorporating the commissioned services and the local innovation fund will remain at £2.034m for 2016-17.

9.6 Specific grants have been received by the PCC since 2014-15 from the Ministry of Justice (MoJ) for the commissioning of Victim services and Restorative Justice services. These are ring-fenced and will again be spent directly by the PCC. The largest area of expenditure in the Victim Support contract which was previously commissioned directly by the MoJ. Allocations for 2016-17 were confirmed on 22 January. The same national total has been allocated but split on an updated population basis. The total allocation for Dorset reduces by £1,852 to £835,751.

9.7 All of the remaining Police Revenue Grant / Precept and the other specific grants will be passed to the Chief Constable for the commissioning of police services.

9.8 A summary of the funding of the budget requirement for 2016-17 is shown below:-

	2015-16	2016-17
Police Revenue Grant	£58.904m	£58.568m
Council Tax Legacy Grants	£7.340m	£7.919m

	2015-16 Freeze Grant	£0.579m	Incl above
	Policing Precept*	£51.567m	£53.119m
	Collection Fund Surplus	£0.383m	£1.443m
	TOTAL BUDGET REQUIREMENT	£118.773m	£121.049m
Net Budgets:-	<u>OPCC</u>	£2.034m	£2.034m
	<u>CHIEF CONSTABLE</u>	£116.739m	£119.015m

* Assumed proposed increase of 1.97% is agreed

10. SAVINGS GENERATED

- 10.1 The total savings required to balance the 2016-17 budget is around £6.3m.
- 10.2 The Strategic Alliance will deliver a significant proportion of these savings, with the balance delivered through the usual cost challenge processes and efficiency savings. More details are set out in the report attached at Appendix 2.

11. FUTURE OUTLOOK

- 11.1 The Comprehensive Spending Review only delivered a single year detailed settlement for Policing. The statements from the Policing minister imply that future settlements will protect police funding but only on the assumption that Council Tax is raised each year.
- 11.2 Adding further uncertainty, the new police funding formula, which determines the way in which government funding for the Police Service is split between forces, was supposed to be implemented for 2016-17. A further review will now be carried out and we do not know what effect that will have on future funding levels or when it will be implemented.
- 11.3 There is currently no indication on council tax arrangements for Police beyond 2016-17. The multi year settlement for the rest of local government assumes that the 2% cap will continue so this has been used for planning purposes. It is also assumed that no further freeze grant will be available in future.
- 11.4 Therefore there is still significant uncertainty over future levels of funding both in terms of what support will be given nationally through government grants and what will be achievable locally through council tax.

12. PRECEPT OPTIONS FOR 2016-17

- 12.1 On 17 December 2015, details of the referendum principles were announced alongside the provisional settlement. It was confirmed that the threshold for triggering a council tax referendum will be 2% and above for all police areas, except the 10 with the lowest precepts which can raise by £5.
- 12.2 On this assumption, the basic options for 2016-17 are:-
- To freeze council tax. No freeze grant is available for 2016-17 to compensate for loss of precept.

- To raise council tax by up to 2%. This would add £520k ongoing funding to the base budget for each 1% increase. A 2% increase would therefore add £1.04m into the base budget for 2016-17 and beyond.
- To raise council tax by over 2%. This however would be deemed “excessive” and would require a referendum to be held in Dorset. The cost of such a referendum is estimated to be in the region of £1m.

13. OVERALL POSITION

- 13.1 Although police grant has been cut by 0.6%, the severity of the cut was less than had been anticipated.
- 13.2 The expected introduction of a new formula which would have significantly benefited Dorset Police has not been implemented. It is not now known what the future proposed changes to the formula will be or when they will be implemented.
- 13.3 Dorset Police do face significant cost pressures for 2016-17 as set out in Section 8 above. The most significant unfunded pressure arises from the knock on effects of the introduction of the Single State Pension and will be an additional on-going cost of around £2m per annum.
- 13.4 Dorset Police will continue to look for savings and efficiencies throughout all budget areas. The on-going review of the property estate will reduce estate running costs and also provide capital receipts which will help to fund the capital programme.
- 13.5 The main areas for savings will be delivered through the Strategic Alliance with Devon and Cornwall Police. This is expected to save £15m over the next 3 years, of which £5.2m will be attributable to Dorset.
- 13.6 This therefore leaves a position whereby the current status quo in terms of policing could be more or less maintained with a freeze in council tax.
- 13.7 However, very significant reductions have been made over the past 5 years. This therefore means that there is an opportunity to put back some of what has been lost, particularly those things valued most by the public, if council tax for 2016-17 was increased.
- 13.8 These 2 options were therefore put to the public via the consultation described below.

14. PUBLIC CONSULTATION

- 14.1 Public consultation is done throughout the year via the Community Safety Survey. In the quarter 3 (2015-16) survey, the public were asked to indicate the annual level of Council Tax increase for Policing, if any, would you support for 2016/17. 22% of respondents supported a Freeze, 11% wanted an increase of £2 per annum (1.05%). 9% wanted an increase of £4 (2.1%) and 58% a larger increase, although this would of course trigger a referendum.
- 14.2 A further public consultation was commenced on 4 January 2016 on the 2016-17 precept proposals via the website to seek views on 2 options:-
- A freeze in Council Tax which would largely maintain a status quo position regarding police services

- A 2% increase which would generate £1.04 m. Full details of how this additional funding would be used and the likely staffing implications are given in section 1.6 to 1.19 of Appendix 2. In summary, it would be invested in:-
 - Protecting Vulnerable People, particularly around:-
 - Child Sexual Exploitation
 - Domestic Abuse
 - Fraud Against the Vulnerable
 - Missing Persons
 - Mental Health
 - Adults at Risk and Wider PVP Strands, ie Human Trafficking, Harassment and Stalking
 - Emerging Threats such as Cyber Crime; and,
 - Making Contact easier for the public through:-
 - Improved web based access
 - Improvements to 101 service
 - Better mobile technology

14.3 The precept consultation generated over 4,000 responses. The results were over 80% in favour of the option of increasing Council Tax by 2% and using the additional revenue for the priorities as set out above.

15. THE PREFERRED OPTION – PRECEPT PROPOSAL FOR 2016-17

15.1 Reflecting the wishes of the Chief Constable and with a clear public mandate, the PCC's preferred option is to increase Council Tax for 2016-17 by 1.97%. This will generate additional precept income of around £1.04m.

15.2 This will be used for policing priorities as set out above.

15.3 The detailed implications of the proposed precept are set out in the Budget Requirement paper attached to this report at Appendix 2.

16. STATUTORY DECLARATIONS

Robustness of the estimates

16.1 The Local Government Act 2003 (Section 25) requires all Financial Officers with 'Section 151' responsibilities to make a statement with regard to the robustness of estimates and the adequacy of reserves at the time the budget is set. The Police and Crime Commissioner has a statutory duty to "have regard to the report when making decisions about the calculations".

16.2 There are also a range of other safeguards aimed at ensuring local authorities do not over-commit themselves financially. These include:

- the Chief Financial Officer's powers under section 114 of the Local Government Act 1988, which require a report to the Authority if there is or is likely to be unlawful expenditure or an unbalanced budget;
- the Local Government Finance Act 1992 which requires a local authority to calculate its budget requirement for each financial year, including the revenue costs which

flow from capital financing decisions. The Act also requires an authority to budget to meet its expenditure after taking into account other sources of income. This is known as the 'balanced budget requirement'; and

- the Prudential Code, introduced under the Local Government Act 2003, which applies to capital financing and treasury management decisions from 2004/05 onwards.
- 16.3 Whilst budgets are based on realistic assumptions, some budgets are subject to a degree of estimating error as actual expenditure can be determined by factors outside the Police and Crime Commissioners' control, for example major inquiries. The Police and Crime Commissioner has well developed arrangements for the monitoring and reporting of budgets during the year.
- 16.4 The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management. Under the scheme of Cost Centre Management, overspendings on delegated budgets have to be offset by underspendings elsewhere in the budget or carried forward to the following year.
- 16.5 In preparing the estimates, detailed risk assessments of both bids and budget reductions were carried out. More general risks relating to the strategy are set out in the attached budget requirement paper.
- 16.6 With regard to capital finance, the Panel are asked to note that a separate report dealing with the Prudential Indicators, including a section on the risk assessment associated with treasury management decisions, together with a revised Treasury Management Strategy, will be presented to the Joint Independent Audit Committee in March.

Reserves and Balances

- 16.7 The Police and Crime Commissioner's medium term policy is that the level of General Balances should be 3% of the total budget. Uncommitted General Balances as at 31 March 2016 are anticipated to be near to this level at around £3.5m.
- 16.8 Earmarked reserves (i.e. everything except the General Balance) are intended to be used for specific purposes over a period of time of more than a single financial year. These earmarked reserves protect the PCC against specific financial risks, as in the case of the Insurance Reserve, or are used as a means of funding specific capital projects.
- 16.9 Earmarked reserves are likely to stand at around £7.4m at 31 March 2016. Half of this sum however relates to the Workforce Change Reserve which will be used over the next 3 years in development of the Strategic Alliance.

	31/03/16	31/03/17	31/03/18	31/03/19	31/03/20
	£m's	£m's	£m's	£m's	£m's
Insurance Reserve	1.8	1.8	1.8	1.8	1.8
PFI Reserve	1.0	1.0	0.9	0.9	0.8
Pensions Reserve	0.0	0.0	0.0	0.0	0.0
Major Operations Reserve	1.0	1.0	1.0	1.0	1.0
Workforce Change Reserve	3.6	2.2	0.8	0.0	0.0
	7.4	6.0	4.5	3.7	3.6

General Assurance

- 16.10 In relation to the estimates, I am satisfied that they provide a robust and accurate basis upon which to calculate the police precept.

17. CONCLUSION

- 17.1 Significant reductions in funding have been seen for the Police Service in recent years.
- 17.2 For 2016-17 the Police Finance Settlement has confirmed further cuts to government funding of £336k, equivalent to around 0.6% of the Police Grant.
- 17.3 It is anticipated that the capital grant will also be reduced by around £330k and this will be confirmed in the final settlement.
- 17.4 The public consultation on the precept options showed a very clear majority in favour of the option of increasing Council Tax and using the additional £1.04m to fund various policing priorities.
- 17.5 The option of increasing Council Tax for 2016-17 by 1.97% is therefore supported by the PCC

18. RECOMMENDATIONS

- 18.1 The panel are requested to support an increase in precept for 2016-17 of 1.97%.
- 18.2 For the purposes of issuing a report to the Commissioner on the proposed precept, the Police and Crime Panel is recommended to endorse the council tax requirement and the basic amount of council tax for police purposes in Dorset for 2016-17 as presented in Appendix 1.

RICHARD BATES
TREASURER TO THE POLICE AND CRIME COMMISSIONER
February 2016

Members' Enquiries to: Mr Richard Bates, Treasurer (01305) 228548

Appendix 1: Council Tax Requirement for 2016-17
Appendix 2: Police Budget Requirement 2016-17

Appendix 1

DORSET POLICE

BUDGET SUMMARY

Budget Requirement

	2016-17	£	£	
			121,048,600	+2.41%
To be met from :-	Police Grant	41,235,517Cr		
	Council Tax Legacy Grants	7,918,574Cr		
	Formula Funding	17,332,723Cr	66,486,814Cr	+0.37%
Council Tax payers			54,561,786	
Estimated Surplus on 2015-16 collection funds			1,443,025Cr	
PRECEPT required in 2016-17			53,118,761	

PRECEPTS

District Councils	Tax Base	Estimated Surplus on Collection Funds	Precept	Tax Base	Precept
	2016-17	2015-16 £.p.	2016-17 £.p.	2015-16	2015-16 £.p.
BOURNEMOUTH	60,839.06	787,667.00Cr	11,608,092.65	59,581.82	11,148,354.34
CHRISTCHURCH	19,528.00	79,065.00Cr	3,725,942.40	19,253.00	3,602,428.83
EAST DORSET	36,824.00	141,398.00Cr	7,026,019.20	36,446.00	6,819,411.06
NORTH DORSET	25,687.70	33,491.00	4,901,213.16	26,135.60	4,890,232.12
POOLE	55,415.00	91,258.64Cr	10,573,182.00	54,808.00	10,255,124.88
PURBECK	18,656.44	24,578.61Cr	3,559,648.75	18,452.92	3,452,725.86
WEST DORSET	40,881.80	219,253.00Cr	7,800,247.44	40,531.90	7,583,923.81
WEYMOUTH & PORTLAND	20,567.90	133,296.00Cr	3,924,355.32	20,389.40	3,815,060.63
	278,399.90	1,443,025.25Cr	53,118,700.92	275,598.64	51,567,261.53

COUNCIL TAX

	2016-17	2015-16	
	£190.80	£187.11	+1.97%
(Equivalent to	£3.66	£3.59	per w week)
BAND A	£127.20	£124.74	
BAND B	£148.40	£145.53	
BAND C	£169.60	£166.32	
BAND D	£190.80	£187.11	
BAND E	£233.20	£228.69	
BAND F	£275.60	£270.27	
BAND G	£318.00	£311.85	
BAND H	£381.60	£374.22	