



# **DORSET**

## **POLICE & CRIME COMMISSIONER**

**POLICE AND CRIME PANEL: 3 FEBRUARY 2017**

**PROPOSED PRECEPT FOR 2017-18**

**REPORT BY TREASURER TO THE POLICE AND CRIME COMMISSIONER**

**PURPOSE OF THE REPORT**

*This report sets out the proposed 2017-18 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 2017-18 by the 1<sup>st</sup> February 2017. 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 On 25 November 2015 the Chancellor of the Exchequer, George Osborne MP, announced the outcome of the Spending Review 2015. The Spending Review (SR2015) detailed spending settlements for each government department over the next four years (2016-17 to 2019-20).
- 2.3 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." 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.”

- 2.4 Whilst the announcement confirmed that the national policing budgets would be maintained at current levels, it also confirmed that there would be a number of reallocations from Force budget to fund additional national schemes. The actual settlement for 2016-17 was a cash reduction of 0.6% but no indication was given for future years.

### 3. PROVISIONAL SETTLEMENT FOR 2017-18

- 3.1 The provisional Police Finance Settlement, was received on 15 December 2016. The final settlement is not expected until around the 2<sup>nd</sup> February 2017, after the notification to the Panel of the PCC’s proposed precept, however there is no indication that the funding position will change.
- 3.2 The provisional police funding settlement is once again for only a single year. The Police Main Grant for 2017-18 has seen a further reduction of 1.4% in cash terms for all Forces. For Dorset, this means a reduction of £0.819m from £58.568m to £57.749m.
- 3.3 The Council Tax Legacy Grants relating to Council Tax Freeze grants from 2011-12, 2013-14, 2014-15 and 2015-16 as well as Local Council Tax Support (LCTS) funding are still separately identifiable in 2017-18 and have remained the same in cash terms as they were for 2016-17.

#### Counter Terrorism

- 3.4 The 2015 Spending Review announced an additional £500m of funding by the end of this parliament for Counter Terrorism. In 2016-17 allocations increased by £96m (up 13% to £640m). There was also £30m capital funding in 2016-17. In 2017-18 the funding has increased by a further £30m to £670m.
- 3.5 No individual Force allocations have yet been notified. Counter Terrorism funding is negotiated separately to the police settlement. So any changes should not impact on the rest of the police settlement.

#### Top-Slicing / Re-allocations

- 3.6 The Minister’s statement confirmed that in 2017-18 the Home Office would be making reallocations of £812m (see table below). This compares with £585m of reallocations made in 2016-17.

<b>Top-Slice</b>	<b>2016-17</b>	<b>2017-18</b>
PFI	£73m	£73m
Police Technology Programmes (including ESN)	£306m	£417m
Arms-length Bodies	£37m	£54m
Strengthening the Response to Organised Crime	£13m	£28m
Police transformation fund	£76m	£175m
Innovation Fund	£55m	-
Special Grant	£25m	£50m
Pre-Charge Bail	-	£15m
<b>Total</b>	<b>£585m</b>	<b>£812m</b>

- 3.7 The largest increase relates to the Emergency Services Network which is being used to fund the replacement of the current Airwave system. PCCs will continue to be liable to pay for Airwave until the transition to ESN has occurred. During the transition, and once it is in place, PCCs will then need to pay local ESN cost, including data and connection charges, devices and installation as well as control room upgrades, supported by specific grants reallocated through the “core costs” top-slice.
- 3.8 The value of the Transformation Fund has also risen from £131.4m to £175m, an increase of 33.2%.

#### **4. CAPITAL FUNDING**

- 4.1 Police Capital Grant has again been reduced nationally from £82m in 2016-17 to £77.2m in 2016-17. The allocation for Dorset has reduced by 15% from £486,052 in 2016-17 to £412,380 in 2017-18.

#### **5. COUNCIL TAX**

- 5.1 The referendum limit for 2017-18 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.
- 5.2 As last year, there is no freeze grant available for 2017-18. This therefore means that there is no compensation received if council tax is frozen.

#### **6. TAXBASE**

- 6.1 Each year, the taxbase upon which the council tax is collected increases 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%.
- 6.2 Estimates from the billing authorities received late in 2016, predicted that taxbase growth for 2017-18 would be 0.99%, the largest rises being within Poole and Purbeck. This was therefore in line with our MTFP assumptions. There was an additional late change from Bournemouth Council, notified in mid-January, whose final taxbase and collection fund surplus have both now increased. This has increased the overall growth in taxbase to 1.2%.

District Council	Tax Base	Change
BOURNEMOUTH	61,759.22	1.51%
CHRISTCHURCH	19,624.00	0.49%
EAST DORSET	37,043.00	0.59%
NORTH DORSET	25,910.10	0.87%
POOLE	56,366.00	1.72%
PURBECK	19,052.10	2.12%
WEST DORSET	41,255.60	0.91%
WEYMOUTH & PORTLAND	20,721.30	0.75%
TOTAL	281,731.32	1.20%

6.3 Additionally, the difference between the assumed and actual council tax receipts for 2016-17 are returned to the precepting authorities the following year. The total collection fund surplus relating to Dorset Police for 2017-18 is £0.77m, which is £0.37m greater than originally budgeted. It must however been remembered that this is only one-off funding.

## 7. COST PRESSURES

7.1 In addition to the reductions in grant, there are also a number of significant cost pressures faced by the Force.

7.2 These include Pension fund contributions, the new Apprenticeship Levy and the funding of national services such as NPAS. Further details are set out in the appendix to this report.

## 8. FUNDING ALLOCATION

8.1 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

8.2 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.

8.3 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.

8.4 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 was continued in 2016-17 with a smaller allocation to the Victims Bureau and the balance used to pump prime new initiatives.

- 8.5 The total allocation for the OPCC, incorporating the commissioned services and the local innovation fund will remain at £2.134m for 2017-18. In addition, the audit and insurance section was transferred to the OPCC in the current financial year and now provides services across the Strategic Alliance. The budget for this service (£137k) has therefore also been transferred to the OPCC to match the costs which increases the OPCC budget to £2.271m.
- 8.6 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 2017-18 were confirmed on 12 January. The same national total has been allocated but split on an updated population basis. The total allocation for Dorset reduces by £468 to £897,544.
- 8.7 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.
- 8.8 A summary of the funding of the budget requirement for 2017-18 is shown below:-

		<b>2016-17</b>	<b>2017-18</b>
	Police Revenue Grant	£58.568m	£57.749m
	Council Tax Legacy Grants	£7.919m	£7.919m
	Policing Precept*	£53.119m	£54.819m
	Collection Fund Surplus	£1.443m	£0.770m
	<b>TOTAL BUDGET REQUIREMENT</b>	<b>£121.049m</b>	<b>£121.257m</b>
<b>Net Budgets:-</b>	<b><u>OPCC</u></b>	£2.134m	£2.271m
	<b><u>CHIEF CONSTABLE</u></b>	£118.915m	£118.986m

\* Assumed proposed increase of 1.98% is agreed

## **9. SAVINGS GENERATED**

- 9.1 The total savings required to balance the 2017-18 budget is around £3.9m.
- 9.2 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 Force's budget report attached at Appendix 2.

## **10. FUTURE OUTLOOK**

- 10.1 The Provisional Settlement has again only delivered a single year of detailed financial allocations 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.

- 10.2 Adding further uncertainty, detailed work is currently underway on the new police funding formula, which will determine the way in which government funding for the Police Service is split between forces. This was originally supposed to be implemented for 2016-17 but that process was abandoned and a new review commenced.

## **11. USE OF THE 2016-17 PRECEPT INCREASE**

- 11.1 Over 4,000 responses were received to last year's consultation, with 82% supporting a rise of £3.74 for the year based on a band D household. This reduced the impact of further cuts in central funding and provided the flexibility to increase resources in three key areas of: protecting vulnerable people, tackling emerging threats and increasing public access to policing. This money was invested in:

- Employing extra investigators dedicated to investigating child abuse and protecting vulnerable children.
- Helping to create a Multi-Agency Safeguarding Hub with partners such as councils and the NHS, to increase joined-up working to protect vulnerable people.
- Increasing the number of officers in the cybercrime intelligence and investigation team, and enhancing the software available to them to identify sexual and violent offenders.
- Recruitment of a dedicated cyber-crime prevention officer to educate businesses and residents on staying safe online.
- Relaunching the Dorset Police website to make it easier to access information, interact with local Neighbourhood Policing Teams and to report crime online.

- 11.2 Without last year's precept rise, the Force would have had to lose 23 operational police officers and seven police staff dedicated to frontline operational support.

## **12. PRECEPT OPTIONS FOR 2017-18**

- 12.1 On 15 December 2016, 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 2017-18 are:-

- To freeze council tax. No freeze grant is available for 2017-18 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 The Police Main Grant has been cut by 1.4% for 2017-18, this is a higher cut than for the current year due to additional top-slicing for national projects.
- 13.2 The expected introduction of a new formula which could 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. New methodologies are now being examined for the formula and these may not be beneficial to Dorset.
- 13.3 Dorset Police do face significant cost pressures for 2017-18 and beyond which will have to be met in addition to meeting the reduction in Police grant.
- 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 £12m in total over 3 years, of which in excess of £4m will be attributable to Dorset.
- 13.6 With an increase in Council Tax, it is anticipated that some of these savings can be used to meet a number of the PCCs manifesto pledges and help to maintain or increase officer numbers.

### **14. PUBLIC CONSULTATION**

- 14.1 A public consultation was commenced on 15 December 2016 on the 2017-18 precept proposals via the website to seek views on whether the public would be prepared to pay an additional £3.80 per year to enable Dorset Police to invest in protecting adults at risk of harm, improving volume crime capability and embracing new technology.
- 14.2 An increase of 2% in in the policing element of council tax would generate an extra £1.04m which would offset the reductions in grant from the Home Office. Whilst this rise in precept would not give us any additional money, we are making savings in other areas and we would look to increase some services with this money. If residents were to vote in favour of a rise, this would be invested in:-
- Protecting adults at risk of harm: Including enhancing our ability to prevent and investigate abuse of older people, which is a trend in Dorset and nationally.
  - Improving our response to common, non-emergency types of crime: Investing in Appointment Cars to visit victims and take details at prearranged times.
  - Continue to embrace new technology: Including further enhancements to Dorset Police's website, such as the ability to make payments online rather than by post.
- 14.3 The precept consultation generated over 4,376 responses by 25 January. The results were over 79.8% 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 2017-18**

- 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 2017-18 by 1.98%. 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 As previously reported to the Police and Crime Panel, a fundamental review of the reserves and balances was undertaken at the end of the last financial year. As a result, a number of specific reserves have now been moved in to general balances. There is therefore now a greater balance held but it now has to covers a much greater range of risks.
- 16.8 The Workforce Change Reserve is held for the purpose of development of the Strategic Alliance will be used over the next 3 years as the changes to business areas are implemented.

	31/03/16 £m's	31/03/17 £m's	31/03/18 £m's	31/03/19 £m's	31/03/20 £m's
General Balances	7.3	7.5	7.5	7.5	7.5
Major Operations Reserve	1.2	0.0	0.0	0.0	0.0
Workforce Change Reserve	2.7	2.7	1.7	0.7	0.0
	<b>11.1</b>	<b>10.2</b>	<b>9.2</b>	<b>8.2</b>	<b>7.5</b>

## General Assurance

- 16.9 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 2017-18 the Police Finance Settlement has confirmed further cuts to government funding of £819k, equivalent to around 1.4% of the Police Main Grant.
- 17.3 The capital grant has also been reduced by around £80k.
- 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 2017-18 by 1.98% is therefore supported by the PCC

## **18. RECOMMENDATIONS**

- 18.1 The panel are requested to support an increase in precept for 2017-18 of 1.98%.
- 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 2017-18 as presented in Appendix 1.

**RICHARD BATES**  
**TREASURER TO THE POLICE AND CRIME COMMISSIONER**  
**February 2017**

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

Appendix 1: Council Tax Requirement for 2017-18

Appendix 2: Police Budget Requirement 2017-18

## Appendix 1

### DORSET POLICE

BUDGET SUMMARY	2017-18	£	£
<b>Budget Requirement</b>			121,257,300
To be met from :-	Police Grant	40,659,454Cr	
	Council Tax Legacy Grants	7,918,574Cr	
	Formula Funding	17,089,676Cr	65,667,704Cr
Council Tax payers			55,589,596
Estimated Surplus on 2016-17 collection funds			770,243Cr
PRECEPT required in 2017-18			54,819,353

### PRECEPTS

District Councils	Tax Base 2017-18	Estimated Surplus on Collection Funds 2016-17 £.p.	Precept 2017-18 £.p.	Tax Base 2016-17	Precept 2016-17 £.p.
	BOURNEMOUTH	61,759.22	105,294.00Cr	12,017,109.03	60,839.06
CHRISTCHURCH	19,624.00	50,061.00Cr	3,818,437.92	19,528.00	3,725,942.40
EAST DORSET	37,043.00	80,288.00Cr	7,207,826.94	36,824.00	7,026,019.20
NORTH DORSET	25,910.10	55,440.00Cr	5,041,587.26	25,687.70	4,901,213.16
POOLE	56,366.00	142,827.83Cr	10,967,696.28	55,415.00	10,573,182.00
PURBECK	19,052.10	65,141.10Cr	3,707,157.62	18,656.44	3,559,648.75
WEST DORSET	41,255.60	173,837.00Cr	8,027,514.65	40,881.80	7,800,247.44
WEYMOUTH & PORTLAND	20,721.30	97,354.00Cr	4,031,950.55	20,567.90	3,924,355.32
	281,731.32	770,242.93Cr	54,819,280.25	278,399.90	53,118,700.92

### COUNCIL TAX

	2017-18	2016-17
	<b>£194.58</b>	£190.80
(Equivalent to	£3.73	£3.66 per week)
BAND A	<b>£129.72</b>	£127.20
BAND B	<b>£151.34</b>	£148.40
BAND C	<b>£172.96</b>	£169.60
<b>BAND D</b>	<b>£194.58</b>	£190.80
BAND E	<b>£237.82</b>	£233.20
BAND F	<b>£281.06</b>	£275.60
BAND G	<b>£324.30</b>	£318.00
BAND H	<b>£389.16</b>	£381.60