



AGENDA NO: 6

POLICE AND CRIME PANEL - 1 FEBRUARY 2018

PRECEPT 2018/19, BUDGET 2018/19 AND MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2022/23

REPORT TO THE POLICE AND CRIME PANEL BY PCC CHIEF FINANCE OFFICER

PURPOSE OF THE REPORT

This report sets out the proposed precept for 2018/19 for the Police and Crime Commissioner for Dorset for consideration by the Police and Crime Panel.

[The Police and Crime Panels \(Precepts and Chief Constable Appointments\) Regulations 2012](#) require the PCC to notify the panel of the proposed precept for 2018/19 by the 1st February 2018, which it must review by 8th February. The Police and Crime Panel 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. In the event of a veto the PCC must present a revised precept by 15th February, which the Panel must review and report on by 22nd February, which the PCC must respond to by 1st March, at the latest. To facilitate this process a reserve date for a second meeting of the Panel has been set at 19th February.

1. BACKGROUND

- 1.1 The PCC within each force area has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the police to account on behalf of the public. The PCC is the recipient of funding relating to policing and crime reduction, including government grant and precept and other sources of income. How this money is allocated is a matter for the PCC in consultation with the Chief Constable, or in accordance with any grant terms.
- 1.2 In accordance with the provisions of Section 32 of the Local Government Finance Act 1992 the PCC is required to set a balanced budget. In addition, Section 26 of the Police Reform and Social Responsibility Act 2011 establishes the PCC as a precepting authority for the purposes of the 1992 Act.

2. POLICE AND CRIME PLAN

- 2.1 The proposed budget is designed to support the priorities of the Police and Crime Plan 2017 – 2021 which takes into account the strategic priorities of key local partners and is

underpinned by a number of more specific and detailed commitments made by the Police and Crime Commissioner.

- 2.2 The [Police and Crime Plan](#) is a statement of strategic intent for policing in Dorset, set around four key themes. These are:



- 2.3 A number of more detailed commitments underpin the Police and Crime Plan, these include aspirations to protect the Police Budget as follows:

- Maintain Dorset Police as a debt free organisation.
- Uphold the position of prudence – adequate reserves and a balanced budget.
- Continue to fight for Dorset to receive a fair share of the Police Funding Formula allocation in the future.
- Look to share budgets with other agencies, especially Local Authorities to deliver a shared service.

3. PROVISIONAL SETTLEMENT FOR 2018-19

- 3.1 The provisional Police Finance Settlement was received on 19 December 2017. As in previous years the final settlement may not be received until after the notification to the Panel of the PCC's proposed precept, however there is no indication that the funding position will change (and there would need to be a substantial change to impact on the precept proposals).

- 3.2 In the Provisional Settlement [Written Statement](#), there is recognition of a shift in the pattern of demand on police time and resources. Demand on the police from crimes reported to them has grown and shifted to more complex and resource intensive work such as investigating child sexual exploitation and modern slavery. At the same time the terrorist threat has changed.

- 3.3 The key elements for 2018/19 are:

- The same amount of Core Government Grant funding in 2018/19 as in 2017/18
- The same amount of Capital Grant in 2018/19 as in 2017/18
- PCCs to retain the full benefit of any local growth in Council Tax base
- Precept referendum limits increased to £12 p.a. for Band D council tax

- £50m additional Government funding for counter- terrorism policing (bringing the total to £757m including £29m for an uplift in armed policing from the Police Transformation Fund).
 - £130m increased investment in national priorities
 - It is now intended that the funding formula will be revisited at the next Spending Review (2020)
- 3.4 In addition, the Government intends to maintain the protection of a broadly flat police grant in 2019/20 and repeat the same flexibility of the precept i.e. allow PCCs to increase their Band D precept by a further up to £12 in 2019/20
- 3.5 The increase in 2018/19 funding to PCCs must be matched by a serious commitment from PCCs and chief constables to reform by improving productivity and efficiency to deliver a better, more transparent service to the public, with three clear priorities:
- i) To seek and deliver further cost efficiencies, particularly in the areas of procurement, driving down back office costs and making best use of estates.
 - ii) A modern digitally enabled workforce that allows frontline officers to spend less time dealing with bureaucracy and more time preventing and fighting crime and protecting the public.
 - iii) Greater transparency in how public money is used locally; improving transparency around reserves through enhanced guidance and through national publication of comparable reserves data, and HMICFRS are also consulting on plans for Force Management Statements, which could make more information on police forces available to the public

Progress against all of these areas is well advanced, with more specific information provided in Appendix 2.

- 3.6 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 funding are still separately identifiable in 2018/19 and have remained the same in cash terms as for 2017/18.

Top-Slicing / Re-allocations

- 3.7 In 2018/19 the top-slices/reallocations total £945m, £133m higher than 2017/18 (£812m).

Police Funding	2017/18 (£m)	2018/19 (£m)
Reallocations and adjustments	812	945
PFI	73	73
Police technology programmes	417	495
Arm's length bodies	54	63
Strengthening the response to Organised Crime	28	42
Police transformation fund	175	175
Special Grant	50	93
Pre-charge bail	15	4

3.8 The Police Technology Programmes reallocation has increased by £78m; primarily to meet additional costs associated with ESN.

4. SETTING THE PRECEPT

4.1 The precept decision for 2018/19 needs to consider both the immediate and the medium term resourcing requirements to enable the delivery of the Police and Crime Plan in the context of the changing and increasing demands on policing.

4.2 In recognition of this, the Government has provided additional flexibilities in lifting the referendum cap for police council tax precepts in the [Provisional Settlement](#) by up to £12 per annum in 2018/19, and has indicated that the same flexibilities will be available for 2019/20 if clear and substantial progress is made against agreed milestones on productivity and efficiency.

4.3 The Dorset Police and Crime Commissioner precept for 2017/18 is £194.58 per annum (£16.22 per month) for a Band D average. This comprises between 10% and 12% of total Council Tax bills.

2017/18 Band D Council Tax						
Authority	PCC	Fire	Local Council	Unitary/ County	Total	PCC % of total
Bournemouth	£194.58	£70.59		£1,357.65	£1,622.82	12%
Christchurch	£194.58	£70.59	£194.99	£1,326.87	£1,787.03	11%
East Dorset	£194.58	£70.59	£212.32	£1,326.87	£1,804.36	11%
North Dorset	£194.58	£70.59	£121.96	£1,326.87	£1,714.00	11%
Poole	£194.58	£70.59		£1,320.57	£1,585.74	12%
Purbeck	£194.58	£70.59	£182.42	£1,326.87	£1,774.46	11%
West Dorset	£194.58	£70.59	£139.75	£1,326.87	£1,731.79	11%
Weymouth and Portland	£194.58	£70.59	£295.12	£1,326.87	£1,887.16	10%

- 4.4 The referendum threshold for Local Government core council tax increases for 2018/19 has been set in line with inflation at 3% (from 2%).
- 4.5 The council tax base is forecast to increase by 1.4% in 2018/19 and the Medium Term Financial Strategy assumes that growth will continue at a rate of 1% p.a. The details of the tax base assumptions are provided at Appendix 1.
- 4.6 The total Collection Fund surplus, representing the difference between budgeted and actual amounts of council tax collected by councils, is currently estimated at £841k although not all councils have confirmed their final estimates yet. The assumptions used for the budget are provided at Appendix 1. To the extent that final figures vary from the budgeted assumptions this will initially be managed through the General Balances reserve, with consideration in year as to any revisions to the budget if the variation is significant.
- 4.7 The Government calculations for maintaining funding for Police services rely on the maximum increases to the precept being adopted, and consequently, an increase of £12 to the average Band D precept is being proposed, which is deemed necessary to meet the budget requirements. This produces a Band D Council Tax of £206.58 per year.
- 4.8 Sensitivity analysis shows that relatively small changes in council tax can have a material impact on funding for the service. Each £1 of council tax per year will provide £286k of council tax income. This is less than 2 pence per week / 8 pence per month. Over the 4 year medium term strategy period £1 per year of council tax would provide almost £1.2m.
- 4.9 Similarly, 1% of council tax increase will provide £554k of council tax income. This is less than 4 pence per week / 16 pence per month. Over the 4 year medium term strategy period 1% per year of council tax would provide almost £2.3m.

5. FUNDING

- 5.1 All policing related funding comes initially to the PCC for him to commission services as appropriate. This includes:
- Police Allocation Formula grant which includes Police grant, redistributed business rates, and legacy council tax freeze grants
 - Specific Grants
 - Policing Precept

Office of the Police and Crime Commissioner

- 5.2 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.
- 5.3 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.
- 5.4 A local innovation fund was established in 2014/15 to smooth the cessation of the Community Fund, and to allow for the pump-priming of local innovation and technology initiatives; initially including the purchase of body worn cameras and mobile devices. In 2015/16 this sum was allocated to other projects, 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. In 2017/18 the decision was taken to maintain the balance of the fund pending the OPCC internal review of the commissioning process, and the planned shift away from grant giving (see Agenda item 8d for further information), ready for a launch of commissioned services in 2018/19.
- 5.5 The total allocation for the OPCC, incorporating the commissioned services and the local innovation fund will be £2.271m for 2018/19.
- 5.6 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. Notification has been received that allocations for 2018/19 will be £897,135.
- 5.7 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.
- 5.8 A summary of the funding assumptions for the budget requirement for 2018/19 is shown overleaf:

Funding & Budget Requirement	2017/18	2018/19
	£m	£m
Police Allocation Formula grant	65.668	65.668
Policing precept	54.819	59.006
Collection Fund surplus	0.770	0.841
Total BUDGET REQUIREMENT	121.257	125.515
OPCC – net expenditure budget	2.271	2.277
CHIEF CONSTABLE- net expenditure budget	118.986	123.238

6. NET EXPENDITURE BUDGET REQUIREMENT

- 6.1 A report setting out more detail on the budget requirements for 2018/19 and Medium Term Financial Strategy is provided at Appendix 2. This provides the underlying assumptions and the forecast net costs for both the revenue and capital budgets, including how the requirements for reform by improving productivity and efficiency to deliver a better, more transparent service to the public will be achieved.

It should be noted that there is still a forecast Deficit in years 3 and 4 of the plan.

- 6.2 The capital programme that is presented will be reflected in the cash flow forecasts, prudential indicators and Treasury Management Strategy, which will be reported to the Independent Audit Committee at its meeting on 13th March. The Prudential Code has been adopted, which requires all capital financing decisions to be affordable, prudent and sustainable.

7. RESERVES AND RISKS

- 7.1 The Minister's written statement to the provisional settlement reflected an increased focus on Reserves and Balances, viz:

“Greater transparency in how public money is used locally. It is necessary for police to hold financial reserves, including primarily for contingencies, emergencies and major change costs. As at March 2017 police forces held usable resource reserves of over £1.6bn. This compares to £1.4bn in 2011. Current reserves held represent 15% of annual police funding to PCCs. There are wide variations between forces with Gwent for example holding 42% and Northumbria holding 6%. This is public money and the public are entitled to more information around police plans for reserves and how those plans will support more effective policing. So we will be improving transparency around reserves in the new year through enhanced guidance and through national publication of comparable reserves data.”

- 7.2 This is further evidence of the challenges to PCCs to ensure that reserves levels are not excessive (also see Appendix 3). Clearly, amongst PCCs, there is a wide variety of circumstances and reserves positions.

- 7.3 In preparation for the 2018/19 Budget and Medium Term Financial Strategy the Reserves Policy has been reviewed and is provided at Appendix 4. This includes a risk assessment to ensure that the general balances and specific reserves are adequate.
- 7.4 The forecast reserves positions are provided at Appendix 2 – Appendix G.

8. USE OF THE 2017/18 PRECEPT INCREASE

- 8.1 4,485 responses were received to last year's public consultation, with 80% supporting a rise of £3.80 for the year based on a band D household. This reduced the impact of further cuts in central funding and provided the flexibility to enable Dorset Police to invest in protecting adults at risk of harm, improving volume crime capability and embracing new technology.
- 8.2 The increase of 2% in the policing element of council tax generated an extra £1.04m which offset the reductions in grant from the Home Office. Savings in other areas allowed investment 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.

9. PUBLIC CONSULTATION

- 9.1 On 20 December 2017, the Office of the Police & Crime Commissioner launched a public consultation on the policing precept proposals for 2018/19. Local people were asked whether they agreed that policing in Dorset requires more investment and whether they would be prepared to pay an additional £1.00 per month to support policing in Dorset.
- 9.2 Online and face-to-face consultation is being carried out across the county up to 28 January 2018. At the time of writing this report 78% of respondents have expressed a willingness to pay an additional £1.00 per month to support local policing. An even higher proportion of respondents – 90% - agreed that policing in Dorset requires more investment. The final results of the consultation will be provided to the Panel in due course.

10. ROBUSTNESS OF THE ESTIMATES

- 10.1 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.

- 10.2 There are also a range of other safeguards aimed at ensuring 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.
- 10.3 Whilst the budget assumptions are considered achievable, some budgets are subject to a higher degree of estimation as actual expenditure can only be determined by factors outside the Police and Crime Commissioners' control, for example major inquiries. In addition the most significant risks are identified in the medium term financial strategy (s10, Appendix 2).
- 10.4 There is evidence in the current year monitoring that budgets are likely to be overspent this year, resulting in additional call on reserves at the year end. The budget for next year relies on the continued delivery of savings particularly in relation to the Strategic Alliance, workforce management and the "budget challenge" to reduce supplies and services costs by a further £850k next year.
- 10.5 As detailed in the latest financial monitoring report (elsewhere on this agenda) enhanced budget monitoring procedures have been agreed, and their implementation will support the effectiveness of the financial control systems which are vital to support the robustness of the budget, and ensure the delivery of the savings assumed.
- 10.6 Reserves are discussed above, and the Reserves Policy for 2018/19 and the associated risk assessment are provided at Appendix 4. The forecast reserves are considered to be adequate.
- 10.7 Within the context of the overall budget and reserve levels, the Chief Finance Officer is able to provide assurance on the robustness of the estimates made for the purposes of the budget calculation for next year.

11. RECOMMENDATIONS

- 11.1 The Panel are invited to support an increase in precept for 2017/18 of £12 per annum.
- 11.2 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 2018/19 as presented in Appendix 1.

Alexis Garlick

CHIEF FINANCE OFFICER FOR THE POLICE AND CRIME COMMISSIONER

18 January 2017

Members' Enquiries to: Alexis Garlick, CFO Dorset OPCC (01202) 229096

Appendices

Appendix 1: Council Tax Requirement for 2018-19

Appendix 2: Police Budget Requirement 2018-19

Appendix 3: Reserves – APCC letter

Appendix 4: Reserves Policy 2018/19 including budget risk assessment

DORSET POLICE AND CRIME COMMISSIONER - COUNCIL TAX REQUIREMENT

Appendix 1

2017/18	BUDGET SUMMARY	2018/19	2018/19
£		£	£
121,257,300	Budget Requirement		125,515,257
	<u>Police Allocation Formula (PAF)</u>		
40,659,454	Police Grant (Home Office)	40,659,454	
17,089,676	Redistributed business rates (DCLG)	17,089,676	
7,918,574	Legacy Council Tax Grants	7,918,574	
65,667,704	Total funding		65,667,704
55,589,596	To be met by Council Tax payers		59,847,553
(770,243)	Less: estimated surplus on Collection Fund		(841,176)
54,819,353	PRECEPT REQUIREMENT		59,006,377

PRECEPTS						
Authority	2017/18		increase in tax base %	2018/19		Estimated Surplus on Collection Fund
	Tax Base	PCC Precept		Tax Base	PCC Precept	
Bournemouth	61,759.22	£12,017,109	1.7	62,781.20	£12,969,340	£82,216.00
Christchurch	19,624.00	£3,818,438	1.7	19,948.00	£4,120,858	£38,081.00
East Dorset	37,043.00	£7,207,827	1.8	37,708.00	£7,789,719	£62,741.00
North Dorset	25,910.10	£5,041,587	0.6	26,057.10	£5,382,876	£74,895.00
Poole	56,366.00	£10,967,696	1.4	57,181.00	£11,812,451	£154,108.75
Purbeck	19,052.10	£3,707,158	0.7	19,182.31	£3,962,681	£14,014.00
West Dorset	41,255.60	£8,027,515	1.3	41,782.20	£8,631,367	£226,884.00
Weymouth and Portland	20,721.30	£4,031,950	1.3	20,994.70	£4,337,085	£188,236.00
Total	281,731.32	£54,819,280	1.4	285,634.51	£59,006,377	£841,175.75

COUNCIL TAX								
Band	A	B	C	D	E	F	G	H
2017/18	£129.72	£151.34	£172.96	£194.58	£237.82	£281.06	£324.30	£389.16
<i>Increase (6.17%)</i>	<i>£8.00</i>	<i>£9.33</i>	<i>£10.67</i>	<i>£12.00</i>	<i>£14.67</i>	<i>£17.33</i>	<i>£20.00</i>	<i>£24.00</i>
2018/19	£137.72	£160.67	£183.63	£206.58	£252.49	£298.39	£344.30	£413.16
<i>Per month</i>	<i>£11.48</i>	<i>£13.39</i>	<i>£15.30</i>	<i>£17.22</i>	<i>£21.04</i>	<i>£24.87</i>	<i>£28.69</i>	<i>£34.43</i>