

## Police and Crime Panel

Meeting to be held on 22 January 2018

### Police and Crime Commissioner's Budget 2018/19 (Appendix A refers)

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#### **EXECUTIVE SUMMARY**

This report sets out the latest financial position for the Police and Crime budgets in Lancashire for 2018/19 and the proposals in relation to the council tax precept.

#### **RECOMMENDATION**

The Police and Crime Panel is asked to;

- Note the details of the 2018/19 provisional police finance settlement and the overall impact on Lancashire's budget;
- Note the report on the public consultation undertaken in respect of the proposed precept level;
- Consider the Commissioner's proposal to increase the council tax precept for a Band 'D' property by £12 in 2018/19;
- Make arrangements to ensure that a formal written response to the proposals is sent to the Commissioner by 8 February 2018.
- Note the capital investment programme;
- Note the proposed use of the Commissioner's reserves in 2018/19 and future years

## 1. Introduction

- 1.1 The Police and Crime Commissioner has a statutory requirement to set an annual Police and Crime budget and, as part of that process, to consult with the Police and Crime Panel regarding any proposals in relation to the council tax precept. This report sets out the latest financial position for the Police and Crime budgets in Lancashire for 2018/19 and the proposals in relation to the precept.
- 1.2 Included in the report is the current financial position that reflects the changes in the level of resources, additional cost pressures, reductions in the cost base and the identification of additional savings agreed by the Commissioner since setting the budget for 2017/18. The report sets out;
  - The Medium Term Financial Strategy (MTFS) that covers the 4 year period from 2018/19 – 2021/22
  - The revenue budget for 2018/19
  - The council tax proposal for 2018/19
  - The current capital investment programme, and
  - The Commissioner's reserves strategy
- 1.3 In addition the report sets out the advice of the Commissioner's Chief Finance Officer on the robustness of the budget and the adequacy of the level of reserves as required by section 25 of the Local Government Act 2003.

## 2. Funding Position

- 2.1 The Police and Crime Commissioner's Medium Term Financial Strategy (MTFS) for the period 2018/19 to 2021/22 is framed in the context of the provisional financial settlement for Lancashire published on 19<sup>th</sup> December 2017.
- 2.2 The provisional settlement announced an unchanged core grant for policing in Lancashire at £190.024m, however it should be noted that in the period 2010/11 to 2018/19 core government funding for Lancashire has fallen by £52.6m (23%) in total.
- 2.3 The government also announced that Police and Crime Commissioners could increase the council tax precept by £12 for a band D property. This will meet the costs incurred by the service due to the pay award provided by the Home Office for Police Officers and a potential similar increase for staff and the cost pressure arising from the impact of inflation on non-staff costs in 2018/19.
- 2.4 It should be noted that the funding position reported is provisional and could be subject to change in the final settlement that will be announced in early February.

## 3. Budget Process

### *Medium Term Financial Strategy*

- 3.1 Over recent years the Commissioner, in consultation with the Chief Constable, has continued to develop the Medium Term Financial Strategy (MTFS). The MTFS is based on information provided from central government regarding future funding, together with assumptions on cost pressures including inflation and demand for services. From this, the level of savings required to deliver a balanced budget has

been identified and the Commissioner and the Chief Constable are working together to develop options to drive out further efficiencies and deliver more savings in future years.

- 3.2 Within his provisional settlement statement the Minister indicated that the grant level provided in 2018/19 would be repeated in 2019/20. He also indicated that the ability to increase council tax precept by £12 for a band D property would be available to Police and Crime Commissioners in 2019/20.
- 3.3 The Commissioner and the Chief Constable have considered the Minister's stated intention to 'protect' the grant for each Commissioner in the 2019/20 settlement and have agreed to the assumption for the MTFS that government funding will continue at its current level in 2019/20 and then will reduce by 0.9% each year thereafter (in line with the prevailing trajectory for grant funding)
- 3.4 In the 2017/18 budget report approved by the Commissioner on 10 February 2017 it was identified that further savings of £13.4m up to 2019/20 were required.
- 3.5 The Commissioner and Chief Constable have continued to review the MTFS to 2021/22 and have identified a revised funding gap of £23.4m detailed later in this report.
- 3.6 The Commissioner has approved additional savings of £6.0m in delivering the revised funding gap shown in paragraph 4 which means that the Commissioner and the Constabulary have to date identified a total amount of savings of £84.4m from 2011/12 to 2021/22. To meet the outstanding funding gap a further £23.4m of savings need to be delivered. This means that by 2021/22 total savings of £108m will have been delivered since 2011/12 which is the equivalent of 37% of the 2011/12 original revenue budget.
- 3.7 As is always the case, the additional level of forecast savings required in future years is dependent upon future funding announcements and financial settlements. Therefore the figures quoted above are likely to change.

### ***Developing Savings Options***

- 3.8 In developing options the Commissioner and the Chief Constable look to protect front line services and drive out efficiencies wherever possible whilst maintaining service delivery. This approach together with the overall approach to managing the financial position was recently recognised as good practice by Her Majesty's Inspectorate of Constabulary (HMIC) from which Lancashire Constabulary was again rated as 'good' in the Police Effectiveness Efficiency and Legitimacy "Peel efficiency' inspection.

## 4. Forecast Position

The current forecast for the MTF5 to 2021/22 identifies a funding gap of £23.4m as set out below:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Resources:					
Government Funding	190.024	190.024	188.314	186.619	
Specific grants	4.122	4.122	4.122	4.122	
Council tax	71.376	72.445	73.532	74.635	
<b>Total Resources</b>	<b>265.522</b>	<b>266.591</b>	<b>265.968</b>	<b>265.376</b>	
Base budget requirement brought forward	265.769	265.522	266.591	265.968	
Investment in frontline policing	4.495	-0.459	-0.284	0	<b>3.752</b>
Demand/Volume	1.287	1.311	0.750	0.420	<b>3.768</b>
Pay Award	4.132	4.261	4.237	4.197	<b>16.827</b>
Inflation	1.145	1.137	1.171	1.206	<b>4.659</b>
<b>Budget Requirement</b>	<b>276.828</b>	<b>271.772</b>	<b>272.465</b>	<b>271.791</b>	
<b>Funding gap</b>	<b>11.306</b>	<b>5.181</b>	<b>6.497</b>	<b>6.415</b>	<b>29.399</b>
Savings identified	-4.821	-1.025	-0.179	0	<b>-6.025</b>
<b>Funding gap</b>	<b>6.485</b>	<b>4.156</b>	<b>6.318</b>	<b>6.415</b>	<b>23.374</b>

### Government Funding

- 4.1 The provisional police grant for 2018/19 was announced on 19 December 2017. Lancashire has been allocated £190.024m which is the same as in 2017/18. The Minister also indicated that this level of grant funding would be repeated in 2019/20 but this was not confirmed in the settlement itself and no indication of grant levels in years beyond 2019/20 was provided.
- 4.2 The assumption in the MTF5 is that the government grant in 2019/20 will remain the same as in 2018/19 and then will reduce by 0.9% each year thereafter. This is in line with the previous assumptions made for government grants.
- 4.3 It was also announced that Police and Crime Commissioners could increase the council tax precept for a band D property up to a maximum of £12 in 2018/19. The Minister also indicated that this limit would be applied in 2019/20 but this has not been formally confirmed. The forecast in the table above assumes no increase in the council tax charge.
- 4.4 Specific grants in respect of the delivery of counter terrorism activity have not yet been confirmed. It is assumed that any change in the level of these grants will be matched by a change in expenditure and therefore have no impact of the funding gap position.
- 4.5 The Home Office has previously undertaken a review of the funding formula used to allocate funding to individual PCCs with the stated intention to implement its outcome in 2018/19. This has not taken place and the latest information from the Home Office

has indicated that this will not be revisited until the next Spending Review period, the date of which is not yet known.

- 4.6 At this stage, due to the uncertainty of whether this change will be implemented, there is no impact for this shown in the MTFS forecast. It should be noted however that when the previous review indicated a potential cut to funding of between £8.5m and £25m for Lancashire.

### **Council Tax**

- 4.7 The forecast in the MTFS assumes an increase in the council tax base (i.e. the number of households that pay council tax) of 1.5% in each year to reflect the latest trend information provided by District Councils. The forecast **does not include an increase to the council tax precept** in any year at this stage.
- 4.8 The collection fund surplus/deficit position in respect of council tax for 2017/18 and the final taxbase position for 2018/19 will be confirmed by the Unitary and District Councils on 31 January 2018. The final amount of council tax to be received will therefore be confirmed in the budget report to the Commissioner in February 2018.

### **Investment**

- 4.9 The MTFS shown in 4. above includes investment in key areas of policing activity as follows:

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Implementation and support of Crime and Intelligence system for safeguarding vulnerable victims	1.398	-0.543	-0.204	-	0.651
Contact management	1.471	0.084	-	-	1.555
Digital Media Investigations Unit	1.126	-	-0.080	-	1.046
Emerging issues	0.500	-	-	-	0.500
<b>Total</b>	<b>4.495</b>	<b>-0.459</b>	<b>-0.284</b>	<b>-</b>	<b>3.752</b>

- 4.9.1 **Crime and Intelligence** - A new system has been introduced to replace the current ageing in house systems which do not meet fully statutory management information requirement relating to Police Information . The system will meet these requirements and provide significantly better protection for potential victims of high impact crime.
- 4.9.2 **Contact Management** – As the demand placed upon the constabulary's contact management team continues to increase at a significant rate it has been recognised that a redesign of the way the service is delivered is required. The redesigned service will increase efficiency and productivity but the level of the public's demand for the service requires additional resource to be provided in the team.
- 4.9.3 **Digital Media Investigations Unit** – The level of crime involving digital and media platforms is increasing in both the number of platforms being used and the complexity of analysing the digital media. Additional investment in this service is vital to enable Lancashire to continue to deliver an effective response to this type of crime.
- 4.9.4 **Emerging issues** – A number of issues have been identified that require investment in staff required to support: collaboration opportunities, workforce representation, liaison with CPS to review working practices to expedite rape and serious sexual offences cases.

## Demand/Volume

4.10 The demand and volume pressures are:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Revenue consequences of the capital programme	0.987	1.011	0.750	0.420	3.168
Insurance provision	0.300	0.300	0	0	0.600
<b>Total</b>	<b>1.287</b>	<b>1.311</b>	<b>0.750</b>	<b>0.420</b>	<b>3.768</b>

### **4.10.1 Revenue consequences of the capital programme**

This represents the impact of the changes to the Capital Programme agreed in the 2017/18 budget report upon the revenue budget and reflects changes to the costs of financing the programme in particular the forecast level of borrowing in respect of major accommodation schemes.

### **4.10.2 Insurance provision**

A recent assessment of the combined liability policies has indicated that the value of historic claims combined with estimates of current claims significantly outstrips the value of provision made to meet these liabilities. Therefore it is necessary to increase the amount of resources available to meet these liabilities over the next two years.

## Savings

4.11 A key element of the Commissioner's financial management strategy is the ongoing review of the organisation's activity and the identification of additional savings that can be made. This work is undertaken in conjunction with the Constabulary's 'Futures Team' and has identified further savings that will be delivered in 2018/19 and future years as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Remove contribution to reserves	-1.074	-	-	-	-1.074
Reduced charge for NPAS	-0.190	-	-	-	-0.190
Reduction in non-pay budgets	-1.217	-	-	-	-1.217
Review of Front Counters	-0.926	-	-	-	-0.926
Learning and Development Forensics	-	-0.300	-	-	-0.300
Organisational reviews	-1.414	-0.725	-0.179	-	-2.318
<b>Total</b>	<b>-4.821</b>	<b>-1.215</b>	<b>-0.179</b>	<b>-</b>	<b>-6.025</b>

## **RISKS AND UNCERTAINTIES**

4.12 There are however a number of risks and uncertainties that will impact on the final position that are not reflected in the forecast position shown in this report;

### **4.12.1 Finalisation of the Settlement**

The final settlement is anticipated to be announced in early February 2018 and therefore the current information is based on the provisional figures that were announced on 19 December 2017.

### **4.12.2 Specific Grant allocations**

Final allocations for specific grants such as the Counter Terrorism Grant have not been made and are expected later in the financial year. Should there be any

changes in grant provided for these services this will be offset by corresponding changes in expenditure requirements.

#### **4.12.3 Future levels of top-slicing**

The Commissioner's MTFs includes the impact of previously announced top-slices to the national funding level for police services. No announcements have been made, however, on the level of top-slicing that will take place beyond 2018/19 therefore the estimated impact currently reflected in the forecast could be subject to change when future announcements are made.

#### **4.12.4 Partner Funding for PCSOs**

The Commissioner is committed to ring-fencing police budgets that currently fund PCSOs however the overall funding available will be dependent upon the continuation of partner funding. Some funding for PCSOs is received from partners across Lancashire and is match funded by the Commissioner. Several partners have already removed or reduced their funding for PCSOs in 2017/18 and a number have yet to confirm their commitments for 2018/19, therefore the final PCSO budget available will not be known until all partners have set their budgets.

#### **4.12.5 Emergency Services Network (ESN) - Replacement of Airwave**

The emergency services communications network 'Airwave' is being replaced over the next four years. Lancashire Constabulary was initially amongst the first forces scheduled to transfer to the new network in 2017/18 and as a result will incur considerable capital expenditure in respect of equipment and infrastructure. The timetable for the programme has already 'slipped' by 18 months and it has been made clear by the Home Office that there will be further delay with no specific implementation date provided. This clearly adds considerable uncertainty to the process. It is also not clear how much the transition to the new system will cost and when these costs will begin to be incurred.

#### **4.12.6 Review of the Police Funding Formula**

In 2017/18 the Home Office stated its intent to implement a revised funding formula in 2018/19 which would have a significant impact upon the amount of grant received by the Commissioner for policing in Lancashire.

**The previous attempt to deliver a new formula provided a range of potential outcomes for Lancashire from a loss of funding of £8.5m to a loss of funding of £25m.** Clearly there is a significant risk that there could be a substantial loss of funding for Lancashire as a result of this process. The Home Office has not implemented the revised formula in the provisional settlement for 2018/19 and has indicated that this will not be revisited until the next Spending Review period the date of which is not yet known.

#### **4.12.7 Impact of cuts to Local Government funding**

Local Authorities continue to face significant budget reductions. As services are removed or reduced, particularly in relation to mental health care, adult social care and children safeguarding, the demands faced by policing services increase dramatically. The impact of these changes is extremely difficult to forecast but as information becomes available it will be reflected in future iterations of the MTFs.

#### **4.12.8 Anti-Fracking protests**

During the current financial year the constabulary has incurred significant expenditure associated with the policing of anti-fracking protests. The cost of the operation so far is in excess of £5m and whilst a submission has been made to the Home Office for Special Police grant to assist with this cost, as yet there has been no indication from the Home Office as to whether grant will be made available. The

additional cost will fall in the first instance to existing reserves and it is also likely that significant cost will continue in 2018/19 which will place more pressure on the revenue budget.

## 5. Investing for the future

- 5.1 In order to preserve the operational integrity and ability of the force in future years whilst delivering the savings required to meet the funding gap identified above, the Commissioner must consider a number of proposals that will change how the service operates.
- 5.2 It is recognised that, in order to deliver savings proposals to meet the funding gap faced by the Commissioner in future years, the way the police service is delivered will need to change significantly. It is also recognised that improving the efficiency in which assets are used such as buildings, infrastructure and IT networks and equipment, is crucial if the level of service being provided is to be maintained whilst the way it is delivered changes.
- 5.3 In order to improve the efficiency of the service it has been identified that significant investment is therefore needed in these assets which is recognised in both the ICT and the Asset Management strategies.
- 5.4 These strategies identify a number of projects that will ensure that, as far as is possible, frontline policing is protected and made as efficient as possible in future years. The one-off investment in these projects is provided through the Commissioner's Capital Investment Programme. This investment will help to deliver the permanent savings in the revenue budget that are required in future years to ensure that the Commissioner can provide policing services in Lancashire within the resources he has available.
- 5.5 The Commissioner, as part of his long term financial strategy, considers the investment needed to deliver the capital investment programme and has in recent years set aside specific reserves to provide the funding necessary to deliver these key investments. The following section of this report sets out the proposed investment programme and the funding that has been identified to deliver it.

### Capital Investment Programme

- 5.6 A draft capital programme is currently being developed and will be approved by the Commissioner in his budget report in February 2018. The Commissioner will also identify the funding for the capital programme as part of the decision and will consider the optimum use of the resources available to him in doing so. This will include using some of the strategic reserves that have been set aside under the Commissioner's Medium Term Financial Strategy in recent years.
- 5.7 The current capital programme (approved with the revenue budget for 2017/18) is set out below:

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
IT Strategy	10.889	5.550	5.400	5.050	<b>26.889</b>
Accommodation Strategy	4.733	0.500	0.500	0.500	<b>6.233</b>
Vehicle Replacement Programme	2.600	2.800	2.800	1.800	<b>10.000</b>
Other Schemes	0.200	0.200	0.200	0.200	<b>0.800</b>
<b>Total</b>	<b>18.422</b>	<b>9.050</b>	<b>8.900</b>	<b>7.550</b>	<b>43.922</b>

The key elements of the IT strategy are:

- Replacement of Desktop and mobile equipment (£2m)
- New and replacement key IT systems (£11m)
- New and replacement IT infrastructure including networks and security (£14m)

The main element of the accommodation strategy is the construction of the new divisional headquarters in West Division which is expected to complete in 2018/19.

Paragraph 4.12.5 sets out the risk associated with the implementation of the Emergency Services Network (ESN) to replace the existing network used for communications by the Emergency Services.

At this stage in the process it is unclear what the cost will be for Lancashire so no provision is made within the programme shown above however it is recognised that there is likely to be a significant financial burden for Lancashire once implementation begins.

5.8 The draft investment programme is forecast to be funded as follows:

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Capital Grant/Contributions	1.097	1.097	1.097	1.097	<b>4.388</b>
Capital Receipts	0.150	-	-	-	<b>0.150</b>
Contribution from the Revenue budget	2.519	2.519	2.519	2.519	<b>10.076</b>
Transition Reserves	9.978	4.989	4.839	3.489	<b>23.295</b>
Borrowing	4.678	0.445	0.445	0.445	<b>6.013</b>
<b>Total</b>	<b>18.422</b>	<b>9.050</b>	<b>8.900</b>	<b>7.550</b>	<b>43.922</b>

5.9 Capital grant allocations for 2018/19 have been provisionally confirmed in the provisional settlement announced on the 19<sup>th</sup> December 2017.

5.10 It is clear that a significant amount of the investment being made in future years will be from the Commissioner's reserves reflecting the Commissioner's reserves strategy. The reserves strategy is reviewed each year and will inform the final budget report that will be signed off in February 2018.

## **Reserves**

5.11 The Commissioner holds two types of reserve, general reserves and earmarked reserves.

5.12 General reserves are available to support the revenue budget and provide security should the organisation face an unexpected issue that realises a call on its resources. The forecast level of these general reserves for 1 April 2018 is £11.984m or 4.8% of the 2018/19 revenue budget.

5.13 General reserves at this level are considered appropriate by the Commissioner's Section 151 Officer to ensure the ability of the organisation can remain a going concern should an unexpected issue occur. It is relevant at this point to highlight the impact of the costs associated with anti-fracking protests and refer back to paragraph 4.12.8, this type of event and associated significant cost underpins the necessity to retain reserves at an adequate level.

5.14 There are also a number of earmarked reserves for specific purposes that are forecast to total £20.243m at the beginning of 2018/19 and are detailed in the table below:

Earmarked Reserves	2018/19 £m	
PoCA reserves	0.815	Receipts from the proceeds of crime earmarked for specific grant allocations
Operational Policing reserves	3.697	Held to meet specific operational requirements including costs from major incidents not funded from main police grant
Road Safety Reserve	1.626	Held on behalf of the Lancashire Road Safety Partnership
Reserves to Support Organisational Transformation	14.105	Available to meet costs of transforming the organisation including investment in the Capital programme
<b>Total</b>	<b>20.243</b>	

5.15 The reserves set aside to support the **organisational transformation** of the constabulary are forecast to total **£14.105m** at the start of 2018/19. These reserves are set aside to contribute to the funding of the capital programme.

5.16 Paragraph 5.8 identifies the forecast funding for the capital programme and clearly shows that the reserves set aside for transformational change will have been fully utilised in 2019/20.

5.17 The Commissioner reviews his reserves strategy each year and the use of reserves to fund the capital programme will be considered as part of that review.

5.18 It is clear, however, that if the reserves are used as set out in paragraph 5.8 they are fully committed in support of the capital investment programme and are therefore not available to support the revenue budget during that period.

## 6. Setting the 2018/19 Budget

6.1 The 2018/19 budget requirement is set out in the table below and is based on information set out in the Medium Term Financial Strategy (MTFS) position shown earlier in the report:

	<b>£m</b>
<b>2017/18 Budget</b>	<b>265.769</b>
Investment	4.495
Demand/Volume	1.287
Pay Award	4.132
Inflation	1.145
<b>2018/19 Budget Requirement</b>	<b>276.828</b>
Less Funding Available	265.522
<b>2018/19 Funding Gap</b>	<b>11.306</b>
Savings	4.821

Therefore, once all of the above proposals are taken into account there remains a **funding gap of £6.485m for the 2018/19 revenue budget.**

## 7. Council Tax

- 7.1 As part of the budget setting process the Commissioner is required to consider whether or not to propose any changes to council tax. It has been announced by the Minister for Policing and Fire that Police and Crime Commissioners can increase the Council Tax charge for a band D property by up to £12 without the need for a local referendum.
- 7.2 The minister has stated publically that he expects the 2% pay award set by the Home Office for Police Officers and a similar potential increase for Police staff pay to be met from the additional council tax this increase will raise. The Minister also recognised that general inflation is at its highest for a number of years, he also stated that the extra income raised through a £12 increase to council tax will help to meet the pressure of general inflation.
- 7.3 It is clear that the government recognises that policing needs additional funding in 2018/19. It is also clear that the government expects this to be provided through the local council tax precept. The Commissioner has made it clear that protecting local policing in Lancashire is his main priority. He therefore proposes to increase Council Tax in 2018/19 by £12, giving a council tax charge of £177.45 for a Band D property, providing additional income of £5.177m. This income will enable some protection to policing services in Lancashire at a time when both costs and demand pressures are rising at a significant rate.
- 7.4 The impact this proposed increase in council tax in 2018/19 will have for the MTFs is shown below:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Current Forecast gap before Council Tax increase	6.485	4.156	6.318	6.415	23.374
Impact of £12 (at Band D) Council Tax increase	-5.177	-	-	-	-5.177
<b>Revised Funding Gap</b>	<b>1.308</b>	<b>4.156</b>	<b>6.318</b>	<b>6.415</b>	<b>18.197</b>

The Commissioner will examine the budget proposals above and identify, in conjunction with the Chief Constable, further savings to meet the remaining funding gap of £1.308m identified above for 2018/19. These will be confirmed as part of the decision to approve the final 2018/19 revenue budget in February 2018.

The Constabulary's 'Futures team' are working with the Constabulary's Director of Resources and the Commissioner's Chief Finance Officer to identify further proposals to meet the savings gap in future years. These will be considered by the Commissioner over the next 12 months as part of the ongoing financial planning process.

### Engaging the Public on the Council Tax precept

- 7.1 The Commissioner is undertaking an in-depth survey with the people of Lancashire to ensure their needs are taken into consideration when setting the council tax precept. Early indications of the 1800 completed surveys so far show that almost 80% of residents support paying at least an additional 23p per week (£12 a year for a Band D property) in their council tax precept with just over 20% favouring keeping the reduction to 6p per week. Further details of the consultation and market research will be made available as an appendix to the report at the meeting. The consultation is on-going but will end before the Police and Crime Panel meeting on 22<sup>nd</sup> January 2018.

## **8. Equality and Diversity**

- 8.1 The Commissioner and the Constabulary have set up a Futures Programme to deliver the required savings through a series of reviews of the organisation's processes and operational arrangements. As each review area is progressed an equality impact assessment is carried out to assess the impact of the proposed recommendations on service recipients and is an integral part of the process.

## **9. Robustness of the Budget and the Adequacy of Reserves**

- 9.1 Section 25 of the Local Government Act 2003 requires the Commissioner's Chief Finance Officer to advise the Commissioner as he is making budgetary decisions on the robustness of the assumptions underlying the budget and the adequacy of the Commissioner's reserves in the context of the financial risks to which the organisation is exposed.
- 9.2 The basis of the estimates on which the budget has been prepared, as in previous years, relies on forecasts of demand and other activity prepared by the constabulary. The forecast is kept under review as part of the budget monitoring process and actions identified to identify any financial risks arising from changes in the forecast as they occur. The main risks relate to the pace and scale of increases in cost and demand placed on the service and the ability of the organisation to meet these within the required timeframes.
- 9.3 The resources available to the Commissioner to manage these risks consist of the various reserves held by the Commissioner, principally general funds and the transitional funds. At this stage it is anticipated that general reserves will be maintained at around 4.8% of the Commissioner's budget requirement reflecting the level of financial risk that the combination of significant ongoing spending reductions and resource uncertainties creates. This should allow the Commissioner to respond to any changes that may occur in a planned way which provides stability to services and certainty to communities.
- 9.4 In addition to general reserves, the Commissioner maintains a range of earmarked reserves for specific purposes shown in 5.14 above. The level and appropriateness of earmarked reserves is kept under review to ensure that sums are only held if required, and released when not. At this stage these reserves are regarded as adequate with plans in place to invest the majority of the earmarked reserves on the capital ICT infrastructure and estates strategies that will support the future of the constabulary as it downsizes and strives to deliver high quality services.

## **10. Role of the Police and Crime Panel**

- 10.1 Schedule 5 of the Police Reform and Social Responsibility Act (2011) states that the Commissioner must notify the Police and Crime Panel, by 1 February 2018, of the precept which the Commissioner is proposing to issue for the financial year.
- 10.2 Under the requirements of the Act, Police and Crime Panels must review the proposed precept notified to it and must make a report to the Commissioner on the proposed precept. The report may include recommendations, including recommendations as to the precept that should be issued for the financial year.
- 10.3 The Police and Crime Panel has the power to veto the proposed precept if at least two-thirds of the panel membership (the full membership rather than those present at the meeting) at the time when the decision is made vote in favour of making that decision. If the panel vetoes the proposed precept, the report made to the Commissioner must include a statement that the panel has vetoed it.
- 10.4 The Police and Crime Panel's response to the Commissioner on the precept proposal must be made by 8 February 2018. A Commissioner is unable to set a precept until the end of the scrutiny process is reached and should the Police and Crime Panel veto the proposals, the Commissioner must submit a revised precept for consideration of the panel by the 15 February 2018 to which the Police and Crime Panel must also respond. A further response from the Police and Crime Panel must be received by 22 February 2018 after which the Commissioner must respond formally to the Police and Crime Panel setting out the precept for the forthcoming year.

## **11. Conclusion**

- 11.1 The Panel are asked to consider this report and the recommendations within it.
- 11.2 The Panel are requested to provide their response to these recommendations in line with the responsibilities set out in paragraph 10 of this report.