

**STRATEGIC GOVERNANCE BOARD**  
**23 JANUARY 2017**  
**REPORT OF THE CHIEF CONSTABLE**  
**AND CHIEF FINANCE OFFICER FOR THE POLICE AND CRIME**  
**COMMISSIONER**

**10B REVENUE BUDGET AND PRECEPT REPORT 2017/18**

**1. PURPOSE OF THE REPORT**

- 1.1 To provide details of the local government finance settlement for 2017/18, to summarise the proposed revenue budget and to consider the level of precept to be notified to the Police and Crime Panel for 2017/18.

**2. EXECUTIVE SUMMARY**

- 2.1 **Appendix 1** sets out the spending plans for the Police and Crime Commissioner for Derbyshire and Derbyshire Constabulary for 2017/18 and indicative plans up to 2019/20. It provides the detailed rationale to support the revenue budget and precept proposals for 2017/18.
- 2.2 These budget plans will be subject to scrutiny and potential veto by a Police and Crime Panel consisting of local authority and independent representatives.
- 2.3 Beginning in 2010 and in advance of the 2011/12 Comprehensive Spending Review (CSR), planning started to deliver spending reductions to meet the challenge of austerity, which has effectively dominated our thinking between 2009 and 2015. The process has been really difficult as in almost every year there have been big decisions around reductions in officer numbers, job losses and significant restructuring to try and save money to maintain our operational resources to deal with the many challenges we face.
- 2.4 Last year we anticipated that there would be several years of further savings to be made. However, the budget position changed significantly after the government decided not to impose any further large cuts on policing given the

potential impact on neighbourhood policing and the growing crime and terrorist risks to the UK.

- 2.5 Due to the considerable success of the Moving Forward Programmes, balanced budgets have been achieved in each year of austerity without the need to call on reserves. We have also built up reserves through the achievement of savings earlier than expected in order to put us in the best position to manage further austerity cuts.
- 2.6 As a result, the current level of reserves allowed us the opportunity to invest for the future rather than determine huge savings and job losses. Instead we developed a new policing model around two divisions, a smaller number of sections, a response and local policing model and a significant investment around a number of areas of risk and threat including public protection, cyber-crime and the investigation of historic abuse cases. Many of these changes are now in place and whilst we recognise there are many on-going challenges, this still remains the right thing to do in terms of best deploying our reduced resources against threat and risk to best protect the public.
- 2.7 The former Chancellor of the Exchequer in November 2015 announced that when precept increases are taken into account police spending would be 'protected' in real terms over the Spending Review period. The provisional police settlement published on 15th December 2016 showed that the Government only intended to protect overall funding at 2015/16 levels and that they were also reducing their share of funding to take into account growth in precept income. This means that our grant next year of £98.437m will be some £0.9m less than we expected.
- 2.8 To achieve the Government's 'flat cash' position PCC's forces will need to increase their precept in line with government limits (2% for 2017/18).
- 2.9 A great deal of uncertainty still remains around future grant levels: -
- The Home Office has only provided a one year settlement.
  - The Home Office is still committed to completing the much talked about review of the police funding allocation formula.

- 2.10 As a result, any plans going forward will need to be flexible and be kept under review so that the resources available to the Commissioner and the Chief Constable are used in the most effective manner.
- 2.11 The budget proposals made in this report confirm that Derbyshire Police is in a healthy position. We are financially stable and whilst we have spent a significant amount of reserves on ICT improvements and the new headquarters build, we are still in a position, where we are able to invest against risk, build new premises, improve the old ones and maintain the workforce numbers as they are.

### **Performance**

- 2.12 At the same time as we have a strong financial position, our performance remains strong and whilst there have been some increases in crime in a number of areas, crime rates in Derbyshire remain low and significantly less than they were several years ago. There has continued to be many successes in areas such as human trafficking, modern slavery, the on-line exploitation of children and tackling the sharing of paedophile imagery and it is reassuring to know that our focus remains one based upon threat, harm and risk and protecting those who are vulnerable rather than chasing the numbers and targets that were set once upon a time by the government, the police authority and Her Majesty's Inspectorate of Constabulary (HMIC).
- 2.13 HMIC's latest 43 force inspection was around 'legitimacy', which is essentially how good we are at protecting the public, how good we are in terms of our relationship with the communities we serve and how good we are in terms of how we deal with our staff internally. It was really gratifying to know that HMIC graded this force and only one other (the Kent Constabulary) as outstanding. The vast majority of the country was graded as good and several forces, some of them our neighbours, required improvement. To achieve an outstanding grade for such an in depth and complex inspection is an endorsement of the effort of every single person involved with this force.

### **POLICE FUNDING 2017/18**

- 2.14 The government set out their principles on the 4 February 2016, when publishing the final police funding settlement for 2016/17. Direct resource

funding for each PCC, including precept will be protected at flat cash levels compared to 2015/16, assuming that precept income is increased to the maximum amount available in both 2016/17 and 2017/18. This should mean no PCC who chooses to maximise precept in both years will face a reduction in cash funding next year compared to 2015/16. Since February the government have updated their precept forecasts for 2017/18 to reflect actual tax base increases in 2016/17.

- 2.15 The government aims to increase the level of reallocations essential to drive police reform, which includes investing additional funding in police technology. By adjusting precept forecasts has allowed the Home Office to increase of the size of the Police Transformation Fund to £175m in 2017/18, although this effectively took away resources from individual forces. The fund is aimed at allowing the policing sector to invest additional funding in the projects that will improve efficiency, protect vulnerable victims of crime, further improve the leadership and culture of policing and tackle new types of crime such as cybercrime.

#### **Counter terrorism police funding**

- 2.16 The government has continued to allocate and protect specific funding for counter-terrorism policing over the course of the Spending Review period to ensure that the police have the capabilities to deal with the terrorist threats. The indicative Spending Review profile for counter terrorism police funding in 2017/18 is £670m, subject to confirmation. An additional £32m is being provided for armed policing from the Police Transformation Fund in 2017/18.

#### **Legacy Council Tax Grants**

- 2.17 In 2017/18 the government will provide Council Tax Freeze Grants to PCCs in England relating to the 2011/12, 2013/14, 2014/15 and 2015/16 council tax freeze schemes. In addition Local Council Tax Support grant funding will be provided to PCCs in England, which total £507m in 2017/18.

#### **Baseline adjustments and reallocations**

- 2.18 The Home Office have not published the data used in determining the funding allocations for forces. Therefore, a consequence is that it is no longer possible to accurately identify the level of funding that is being withheld from

Derbyshire Police to protect other forces from even larger funding cuts. However, using the criteria for 'damping' that was last published for the 20/13/14 grant settlement the estimated loss of grant for Derbyshire continues to be some £2m per annum and is summarised in the table below: -

<b>Estimated Impact of Damping</b>	<b>%</b>	<b>Before Damping £m</b>	<b>After Damping £m</b>	<b>Estimated Grant Lost £m</b>
<b>Grant Settlement 2013/14</b>		<b>112.270</b>	<b>110.125</b>	<b>(2.145)</b>
Add: Community Safety Fund included in Baseline for 2014/15		0.981	0.981	
<b>Adjusted Baseline for 2014/15</b>		<b>113.251</b>	<b>111.106</b>	
Less: Cash Reduction in Baseline for 2014/15 (exc. top slice)	(3.30%)	(3.737)	(3.666)	
<b>Grant Settlement 2014/15</b>		<b>109.514</b>	<b>107.440</b>	<b>(2.074)</b>
Less: Cash Reduction in Baseline for 2015/16 (exc. top slice)	(3.50%)	(3.833)	(3.761)	
<b>Grant Settlement 2015/16</b>		<b>105.681</b>	<b>103.679</b>	<b>(2.002)</b>
Add: Cash Reduction in Baseline for 2016/17 (exc. top slice)	(0.60%)	(0.634)	( 0.622)	
<b>Grant Settlement 2016/17</b>		<b>105.047</b>	<b>103.057</b>	<b>(1.990)</b>
Add: Cash Reduction in Baseline for 2017/18 (exc. top slice)	(1.40%)	(1.455)	(1.427)	
<b>Grant Settlement 2017/18</b>		<b>103.592</b>	<b>101.630</b>	<b>(1.962)</b>
<b>Total</b>				<b>(10.173)</b>

2.19 Next year, Derbyshire's formula grant will reduce from £99.833m to £98.437m, a reduction of £1.396m. Derbyshire's grant has reduced by some £27.5m since the start of austerity.

Formula Funding	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Police Main Grant	73.186	70.155	65.039	68.940	66.551	62.500	62.122	61.254
Non-Domestic Rates/ Revenue Support Grant	49.096	45.841	43.182	41.185	39.261	37.900	37.711	37.183
Neighbourhood Policing Grant	3.681	3.681	3.681	0	0	0	0	0
Community Safety Fund	0	0	0	0.981	0	0	0	0
<b>Total Formula Funding</b>	<b>125.963</b>	<b>119.677</b>	<b>111.902</b>	<b>111.106</b>	<b>105.812</b>	<b>100.400</b>	<b>99.833</b>	<b>98.437</b>
Reduction in Funding (£)		(6.286)	(7.775)	(0.796)	(5.294)	(5.412)	(0.567)	(1.396)
Reduction in Funding (%)		(5.0%)	(6.5%)	(0.7%)	(4.8%)	(5.1%)	(0.6%)	(1.4%)

2.20 Derbyshire Police stands to lose out an additional £2.387m as a result of the top-slicing applied to the main grant. This is on top of the £5.577m already taken over the last three years' grant settlements, as set out in the table below:-

Expenditure (funded from 'top-slicing' the Police Main Grant)	Estimated Grant Lost by Derbyshire 2014/15 £m	Estimated Grant Lost by Derbyshire 2015/16 £m	Estimated Grant Lost by Derbyshire 2016/17 £m	Estimated Grant Lost by Derbyshire 2017/18 £m	Total £m
Police Innovation Fund	0.755	1.057	0.831	0.831 *	3.474
IPCC	0.272	0.453	0.483	0.568	1.776
HMIC	0.142	0.142	0.139	0.142	0.565
Direct entry schemes	0.045	0.075	0.069	0.076	0.265
National Police Co-ordination Centre	0.030	-	-	-	0.030
Capital City Grant	0.030	0.045	-	-	0.075
Police Knowledge Fund	-	0.076	-	-	0.076
Major Programmes	-	0.604	0.329	0.499	1.432
Gangmasters and Labour Abuse	-	-	-	0.030	0.030
Pre-charge bail initiative	-	-	-	0.226	0.226
Forensic Archive	-	-	-	0.015	0.015
<b>Total</b>	<b>1.274</b>	<b>2.452</b>	<b>1.851</b>	<b>2.387</b>	<b>7.964</b>

*Note: This excludes any loss of funding as a result of floor protection, which means that some £2m of further grant funding is withheld from Derbyshire Police.*

\* For 2017/18 the Police Innovation Fund has been merged into the Transformation Fund.

### OFFICE OF THE POLICE AND CRIME COMMISSIONER

2.21 The table below shows the proposed budget for the Office of Police and Crime Commissioner, which is set out in more detail within **Annex B**: -

Office of the Police and Crime Commissioner	Approved Budget 2016/17 £m	Revised Budget 2016/17 £m	Proposed Budget 2017/18 £m
Commissioner's Office	1.041	1.071	1.072
Crime Prevention Fund	0.250	0.250	0.250
Community Safety Fund	1.266	1.266	1.266
Victim and Witness Services	1.138	1.018	1.133
<b>Sub-Total</b>	<b>3.695</b>	<b>3.605</b>	<b>3.721</b>
Revenue Contributions to Capital	1.500	1.900	1.665
Debt Charges	0.816	0.816	0.772
Interest Receipts	(0.160)	(0.148)	(0.076)
<b>Sub-total</b>	<b>5.851</b>	<b>6.173</b>	<b>6.082</b>
Contribution from Reserves	(0.250)	(0.250)	(0.250)
Contribution to Reserves	0.037	1.199	0.008
Grant from the Ministry of Justice (estimate)	(1.220)	(1.100)	(1.215)
<b>Net Budget Requirement</b>	<b>4.418</b>	<b>6.022</b>	<b>4.625</b>

- 2.22 The budget signals the importance and value of partnership working, to ensure wherever possible all opportunities are explored for co-commissioning services.
- 2.23 The Commissioner's budget also includes a contribution of £1.665m to the capital programme to make the core programme more sustainable. This will ensure that the key on-going capital commitments can be met from capital grant and the revenue budget without increasing borrowing levels. This is explained in more detail within the capital programme report.
- 2.24 The remaining budget controlled by the Police and Crime Commissioner is for financing items as follows:-
- Contributions to Reserves.
  - Debt Charges – this represents the costs of serving the relatively low levels of borrowing taken out in previous years.
  - Interest Receipts – this represents interest earned on reserves. This has been depressed by the ongoing global economic out-turn.

#### **CHIEF CONSTABLES BUDGET**

- 2.25 The table below shows the proposed budget for the Commissioner to allocate to the Chief Constable. This is set out in more detail in **Annex C**: -

<b>Chief Constable</b>	<b>Revised Budget 2016/17</b>	<b>Proposed Budget 2017/18</b>
	<b>£m</b>	<b>£m</b>
Derbyshire Constabulary	147.043	149.497
East Midlands Collaboration	9.539	9.566
BCU Fund	0.313	0.318
Partnerships	0.749	0.562
Contribution to National Policing	0.743	0.755
<b>Sub-total</b>	<b>158.387</b>	<b>160.698</b>
Contributions from Reserves	(1.617)	(1.051)
<b>Net Budget Requirement</b>	<b>156.770</b>	<b>159.647</b>

- 2.26 Last year the budget position changed significantly after the government decided not to impose any further large cuts on policing given the potential decimation of neighbourhood policing and the growing crime and terrorist risks to the UK. To align resources to meet the demands of the ever-increasing risk and threat across the Force a number of significant changes have been introduced, including a new North and South divisional structure that incorporates a smaller number of sections and a response and local policing model. Also, a significant investment was made particularly in public protection, cyber-crime and the investigation of historic abuse case.
- 2.27 Given the level and complexity of the change programme currently underway, it is inevitable there is still more investment needed. This includes extra trainers for a larger in-take of officers and an extra building surveyor to assist with the programme of repairs and maintenance to police buildings. This is in addition to extra resources already allocated for increasing the size of the Police Vetting team and increased requirements for recording and reporting of use of Police Firearms.
- 2.28 Other priority areas included in this budget are: -

- Extending our use of Taser.
- Expanding our digital media communications.
- Expanding our volunteer scheme.

2.32 The Chief Constable's rationale for proposing this budget is set out clearly in the attached report at **Appendix 1**.

### **PUBLIC ENGAGEMENT**

2.33 Throughout the year, the Commissioner maintains on going engagement with the public and receives feedback from many sources on the public's views of policing and the level of police precept.

2.34 During the most recent survey conducted by the Commissioner he received significant support for increasing his precept. 44.1% of respondents stated they would support an increase of 2% on the precept whilst a further 28.9% of respondents supported an increase in excess of 2%. This level of support from the public gives the Commissioner significant assurance regarding his plans.

### **REFERENDUM PRINCIPLES**

2.35 In considering the precept options available to him, the Commissioner will take into account the referendum principles set by the government which limits the maximum increase in council tax which can be set without consulting the public through a referendum. The Secretary of State has set the limit for next year (2017/18) at 2%.

2.36 The table below summarises the overall budget for Derbyshire Police, which will be determined by the Commissioner, which follows the assumptions set out in the police funding settlement.

<b>Precept Option</b>	<b>Precept Increase 1.99% £m</b>
Police and Crime Commissioner	4.625
Chief Constable	159.647
<b>Total Budget for Derbyshire Police</b>	<b>164.272</b>
<b>Funded by: -</b>	
Police Formula Grant	(98.437)
Council Tax Legacy and Freeze Grants	(8.700)
<b>Sub-Total</b>	<b>57.135</b>
Budget (Deficit) to be met from Reserves	(1.024)
<b>Sub-Total</b>	<b>56.111</b>
(Surplus)/Deficit on Collection Accounts	(0.589)
<b>Council Tax Requirement</b>	<b>55.522</b>

2.37 The increase of 1.99% is detailed as follows:-

	<b>Council Tax Government Limit</b>
Net Revenue Budget	£164.272m
Proposed Council Tax Requirement	£55.522m
Police Council Tax (Band D)	£180.60
Police Council Tax Increase (£)	£3.53
Police Council Tax Increase (%)	1.99%
Proposed Contribution from reserves	£1.024m

*Note: For further information see Annex E*

2.38 The provisional precept is based on proposed Council Tax base figures notified to date.

2.39 As stated previously, while considerable uncertainty remains reserves are healthy and can manage the projected deficits as shown in the table below.

Further detail on the use of reserves over this period is shown in **Annex D**: -

Reserve	31/03/2017	31/03/2018	31/03/2019	31/03/2020
	£m	£m	£m	£m
<b>General</b>	<b>4.000</b>	<b>4.000</b>	<b>4.000</b>	<b>4.000</b>
<b>Earmarked – Usable</b>				
Operational Priorities	1.325	1.325	1.325	1.325
Operational Funding and Investment	12.268	6.006	4.484	1.956
Carry Forwards	2.959	2.234	1.509	1.509
Police and Crime Commissioner – Crime Prevention Fund	1.570	1.320	1.070	0.820
Pensions	0.500	0.500	0.500	0.500
<b>Total Earmarked – Usable</b>	<b>18.622</b>	<b>11.385</b>	<b>8.888</b>	<b>6.110</b>
<b>Earmarked – Non-usable</b>	<b>5.370</b>	<b>5.049</b>	<b>4.682</b>	<b>4.283</b>
<b>Total Reserves</b>	<b>27.992</b>	<b>20.434</b>	<b>17.570</b>	<b>14.393</b>

2.40 These projections show that there are sufficient usable reserves to cover the projected deficit up to 2020. Nevertheless it is important that the deficit/funding gap does not widen further. On that basis, it is therefore intended that the Constabulary will commission a further efficiency review during 2017 to identify further savings to close the budget gap.

2.41 While reserves cushion the impact of unforeseen spending and known future commitments. It is important to ensure reserves are maintained at an appropriate level.

2.42 The table below shows the projected movements in reserves during 2017/18.

	Balances at 31/03/17 £m	Proposed Movements from / (to) Revenue £m	Proposed Contribution from / (to) Capital £m	Balances at 31/03/18 £m
<b>GENERAL RESERVES</b>	<b>4.000</b>	-	-	<b>4.000</b>
<b>EARMARKED RESERVES</b>				
<b>Useable:-</b>				
Operational Priorities	1.325	-	-	1.325
Operational Funding	12.268	(1.024)	(5.238)	6.006
Carry-forwards	2.959	(0.725)	-	2.234
PCC Grants & Commissioning	1.570	(0.250)	-	1.320
Pensions	0.500	-	-	0.500
<b>Total Useable</b>	<b>18.622</b>	<b>(1.999)</b>	<b>(5.238)</b>	<b>11.385</b>
<b>Non-useable:-</b>				
PFI - Ilkeston	1.140	(0.038)	-	1.102
PFI - Derby	3.370	(0.284)	-	3.086
Insurance	0.860	0.001	-	0.861
<b>Total Non-Useable</b>	<b>5.370</b>	<b>(0.321)</b>	-	<b>5.049</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>23.992</b>	<b>(2.320)</b>	<b>(5.238)</b>	<b>16.434</b>
<b>TOTAL RESERVES</b>	<b>27.992</b>	<b>(2.320)</b>	<b>(5.238)</b>	<b>20.434</b>

## FINANCIAL RISKS

2.43 The key financial risks are set out in **Appendix 1**; these are around future pay awards, complex and unforeseen policing operations, changes to grant funding and even potential over-spending. Taken together these risks could add as much as £6m to our costs in any one year. Without reserves, this would place an unsustainable burden on our budget. It is therefore appropriate that we hold reserves to manage these potential risks.

## **FUTURE STRATEGY**

- 2.44 The key aim is to enable Derbyshire Constabulary and the Commissioner to achieve stable and sustainable finances that are directed at meeting the policing risks within the county as set out within the Police and Crime Plan. This aim is made all the more difficult because of the ongoing uncertainty over the economic climate. Over recent years the long term view has been to focus on building up reserves to cushion the effects of the reductions in grant funding and the freeze on Council Tax increases. Now last year's settlement was better than expected we are focusing on investing in assets and IT systems and supporting the new policing model.
- 2.45 The responsible use of reserves now plays a key role to ensure that we are able to manage through the continued uncertainty, whilst dealing with the demands on the service which continue to grow.

## **3. EXPLAINING THE PROCESS**

- 3.1 Once the Commissioner has scrutinised and challenged the budget proposals made by the Chief Constable, together with considering his own plans for his office and commissioning activities in 2017/18, the entirety of the budget proposal (including capital, prudential indicators and treasury management) are discussed at the Strategic Governance Board (SGB). If the recommendations of the relevant papers are agreed by the Commissioner, he will make a decision in principle on the level of precept to set for 2017/18, which is taken to the Police & Crime Panel.
- 3.2 The Police & Crime Panel then meet to discuss and debate the Commissioner's precept proposal before providing a formal response to the Commissioner. If that response confirms support, the Commissioner will then formally sign-off on the precept level for 2017/18 and that decision will be noted at the March 2017 SGB.
- 3.3 In the event that the Police & Crime Panel chooses to veto the Commissioner's proposed precept level, the Commissioner will then revisit his

proposal and confirm the final decision. At that point, the Commissioner will formally sign-off on the precept level for 2017/18 and that decision will be noted at the March 2017 SGB.

#### **4. RECOMMENDATIONS**

##### 4.1 In respect of the revenue budget for 2017/18

- i. To note the information and analysis as set out in this report and **Appendix 1**.
- ii. To agree the proposed adjustments to the 2017/18 budget as detailed in **Annex A**.
- iii. To note the assumptions as set out in **Annex A**.
- iv. To maintain a revenue contribution to capital of at least £1.665m into the base revenue budget.
- v. To approve the revenue budget for 2017/18.

In respect of the council tax requirement, the associated police precept and provisional contributions to/(from) reserves

- vi. Consider the increase to council tax, and having received a final council tax assurance statement from the Chief Finance Officer, to notify the Police and Crime Panel accordingly
- vii. To agree to continue with the use of reserves to bridge the budget gap in 2017/18 and to provide investment in key risk areas in accordance with the approved budget strategy.
- viii. To authorise the movement of reserves during 2017/18 as shown in paragraph 2.42.
- ix. To note the associated financial projection for 2017/21.

## 5. IMPLICATIONS

	LOW	MEDIUM	HIGH
Crime & Disorder			X
Environmental	X		
Equality & Diversity	X		
Financial			X
Health & Safety	X		
Human Rights	X		
Legal		X	
Personnel		X	

<b>Contact details in the event of enquiries</b>	<p><b>Name: Chief Superintendent Steve Wilson</b>  <b>External telephone number: 0300 122 4140</b>  <b>Email address: <a href="mailto:sgb@derbyshire.pnn.police.uk">sgb@derbyshire.pnn.police.uk</a></b></p> <p><b>Name: Andrew Dale</b>  <b>External telephone number: 0300 122 6005</b>  <b>Email          address: <a href="mailto:andrew.dale.16973@derbyshire.pnn.police.uk">andrew.dale.16973@derbyshire.pnn.police.uk</a></b></p>
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### BACKGROUND PAPERS

### ATTACHMENTS

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