



THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR DEVON AND
CORNWALL AND THE ISLES OF SCILLY

Closed FOI Section 22

SAFE, RESILIENT AND CONNECTED COMMUNITIES

Police and Crime Panel Meeting
Friday 3rd February 2017
Report of the Police and Crime Commissioner

Proposed Precept, Budget and Medium Term Financial Strategy (MTFS)
2017/18 - 2020/21

This report considers the future four year financial position for the PCC and Chief Constable and presents the following council tax recommendation for consideration by the Police and Crime Panel:

My proposal is for a 1.99% increase in the police element of the council tax for the 2017/18 financial year.

This report has been produced in full consultation with the Chief Constable.

Executive Summary of this Medium Term Financial Strategy by Alison Hernandez

1.Introduction

- 1.1 This is my first budget since taking office and I have attempted to ensure that it is progressive, modernising, sustainable and financially balanced. As Commissioner I have been determined to maximise the resources available to the Chief Constable to deliver my plan.
- 1.2 My vision for policing is set out in the Police and Crime Plan 2017-2020 'Safe, Resilient and Connected Communities'. This is to ensure that we transform policing in Devon and Cornwall through increasing the number of police

officers and investing in changed working practices to provide better more responsive local services. The Chief Constable has set out his proposals for operational policing, his letter to me dated 19 January 2017 is attached to this report as Appendix 6. I support the operational proposals that the Chief Constable has decided to implement and I am delighted that we have been able to do this through this new approach. Where previously it was planned to reduce police officer numbers over four years by 118 (4%) in Devon & Cornwall we can now fund an increase of 94, which is 2% above current force numbers. These operational proposals from the Chief Constable will see a reduction over time in PCSO numbers, which we plan to achieve through natural turnover. Alongside this an important range of other investments are proposed.

- 1.3 Over the past few months I have commissioned a complete overhaul of our budget processes. Through this process I have been able to ensure that all available funds are used to support local policing. Specifically I am proposing the following actions
 - 1.3.1 To increase the police precept this year by 1.99% and to plan similar increases for the following three years.
 - 1.3.2 To release £11.2m from reserves to fund operational running costs. The opportunity has been taken to use these reserves to fund operations over a sustained period.
 - 1.3.3 To adjust our attitude to risk by providing a realistic set of financial planning assumptions over the next four years.
 - 1.3.4 To reduce our level of revenue reserves down to £16.9m thus ensuring that running costs are not diminished by needing to fund one-off expenditure that can be funded through reserves.
- 1.4 This new Medium Term Financial Strategy will enable the Chief Constable and I to deliver on the important programme of work set out in the Police and Crime Plan. Through the Plan and this Financial Strategy, we will deliver a number of key improvements to the policing service that the public have asked for. We will focus on better connecting policing with the communities it serves – ensuring local policing is accessible, responsive, informative and supportive. We will focus on prevention and on protecting people at risk of abuse. When people do become victims of crime we will ensure that they receive the help and support they need to move forward with their lives. To deliver all of this we must transform and modernise our policing approach – improving our systems and making better use of technology to release policing resources back to front line activities. This Medium Term Financial Strategy provides the platform for this transformation.
- 1.5 In many ways we are fortunate – policing has had a better settlement than some areas of the public sector – allowing us to look more towards investment and improvement than was possible in the first half of this decade. However we still face challenges. We will see a cumulative reduction in central grant

of £4.5m over the next four years and face a rising cost base – as we find funds locally to meet national cost base changes in areas such as pay awards, increments, apprenticeship levy and pension contribution rates.

1.6 I remain focused on achieving savings and the Chief Constable will deliver a further £9.8m of savings by 2020/21. Devon and Cornwall have a strong track record of achieving savings with £54.4m saved since 2009. Significant future savings will be delivered through regional collaboration and the strategic alliance with Dorset which have been reflected in this Medium Term Financial Strategy. However, this budget will provide a cash increase over the next four years of £30.3m.

1.7 I have worked closely with the Chief Constable and the two Chief Financial Officers to construct these budget proposals. The Chief Constable has stated in a letter to the PCC that 'the [force budget] proposal also ensures I deliver my obligations in respect of national policing as detailed within your plan and provides sufficient resources to deliver the force's corporate plan....my budget proposal can be funded by a combination of central grant, a 1.99% increase in the council tax and the use of reserves at the levels previously discussed'

1.8 The following tables show the key financial information relating to the four year budget requirement, the precept increase and the workforce numbers and composition:

Table 1: Executive Financial Summary

Ref	Summary	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
1.1	Grant	179.0	177.9	176.8	176.8
1.2	Council Tax	105.4	107.8	111.1	114.5
1.3	Reserves	0.4	4.5	5.5	0.8
1.4	Funding Available	284.8	290.2	293.4	292.1
1.5	Budget Requirement 2016/17 - Base	282.7	282.7	282.7	282.7
1.6	Unavoidable changes in costs (see Appendix 1)	4.8	9.5	13.1	12.7
1.7	Budget Requirement before Police and Crime Plan Priorities	287.5	292.2	295.8	295.4
1.8	Police and Crime Plan Priorities (development	3.1	4.5	5.8	6.5

	opportunities see Appendix 1)				
1.9	Budget Requirement after Police and Crime Plan Priorities but before Savings	290.6	296.7	301.6	301.9
1.10	Savings	(5.8)	(6.5)	(8.2)	(9.8)
1.11	Total Budget Requirement	284.8	290.2	293.4	292.1

1.9 The effect on the council tax of this proposal is set out in full at Appendix 3, the impact on band D council tax is as follows:

Table 2: Council Tax

The following table shows the increase in the council tax precept proposed in this paper and both the weekly and monthly increase.

Ref	Valuation Band	2016/17	2017/18	Increase	Increase per week	Increase per month
2.1	D	172.84	176.28	1.99%	+ 6.6p	+ 34p

[Note: cost per month is based upon 10 instalments]

1.10 This 1.99% increase coupled with increases in the council tax base, annual savings and the use of reserves provides funding for additional officers by 2020/21. The officer numbers are 151 more than contained in the current 2016/2017 MTFS, and 94 more than the actual number in the force at September 2016. These changes are shown in the following table.

Table 3 Proposed People Numbers –Movement from September 2016 to those proposed in this report.

Ref	People	2016/17	2017/18	2018/19	2019/20	2020/21	Total Change
3.1	Police Officers	30/9/2016	2,944	2,963	2,982	3,000	30/9/2016
		2,906					94
3.2	Police Staff	1,784	1,862	1,816	1,792	1,779	(5)
3.3	PCSOs	339	260	227	186	145	(194)
3.4	Total	5,029	5,066	5,006	4,960	4,924	(105)

1.11 This table shows that there are projected to be 94 additional officers than are currently employed. This staffing distribution has been made possible through the additional funding from precept, reserves and adjusting the priorities within the workforce. Whilst the Chief Constable has proposed reductions in some areas of the workforce this is to supplement the

increased staffing budget made available by the Commissioner to achieve increases in key areas.

Table 4: Proposed People Numbers-Movement in 2020/21 from the previous MTFS.

Ref	People	2020/21 Previous MTFS 1/4/2020	2020/21 Proposal	Change
4.1	Police Officers	2,849	3,000	151
4.2	Police Staff	1,725	1,779	54
4.3	PCSOs	360	145	(215)
4.4	Total	4,934	4,924	(10)

This table shows that this proposal contains 151 more officers than projected one year ago.

- 1.12 These changes are covered in more detail in the Chief Constable's explanation of the workforce composition at appendix 6.

2 National Funding – Overview

- 2.1 The referendum result in June has led to a new Prime Minister and importantly for policing a new Home Secretary. On 23 November 2016 the Chancellor of the Exchequer announced the Autumn Statement. This was the first economic statement given by the Government since the vote to leave the European Union and the key issues for national funding were:

- The Government has abolished its target for public spending to be in budget surplus by 2019/20.
- The Office for Budget Responsibility (OBR) forecast for the public finances has deteriorated since the 2016 budget based upon lower tax revenues and a poorer economic outlook.
- The OBR predicts that the Consumer Price Index (CPI) measure of inflation will rise to 2.3% in 2017/18 and drop back to 2% in 2020/21.

- 2.2 There are a number of areas beyond the level of central government grant in this MTFS (see Section 4) that are cost sensitive to changes in the wider economy. These are:

- The interest earned on the reserves which is linked to the bank base rate.

- Employers pension costs which are reliant upon the performance of pension fund investment and the yields on government gilts.
 - The fall in the value of sterling against the Euro and the dollar has led to some additional inflationary costs. As nearly 80% of the MTFS budget costs are employment related and linked to the governments' public sector pay limitation of 1% until September 2020 these costs are relatively protected from the external influences of the wider economy. The most significant impact is likely to be on fuel and computer products.
- 2.3 All these factors have been assessed when setting the underlying projection assumptions for the MTFS.
- 2.4 The relative stability in Central Government funding is welcome. However significant uncertainty remains over future police funding in terms of the grant allocation formula. The Policing Minister, Brandon Lewis announced in November 2016 that the Home Office is once again reviewing the central government police grant formula. A previously proposed revised formula would have resulted in £15m being removed annually from the Devon and Cornwall police grant, (despite all of the rational arguments to the contrary, not least from my office). These proposals were eventually withdrawn as flawed.
- 2.5 My team are fully engaged with this new national process. We have considerable expertise in Devon and Cornwall and my team is working closely with the Chief Constable's team to feed in ideas and comments to the national technical and steering groups. I am personally involved and have representation on the Home Office's Senior Sector Group. The national work is planned to report towards the end of February 2017 and the impacts are therefore not included within this budget report. The possible negative effects are however considered when reviewing the adequacy of Revenue Reserves.

3. Budget Proposal Overview

- 3.1 Since my election in May I have concentrated upon the development of my Police and Crime Plan for 2017-2020 'Safe, Resilient and Connected Communities'. I was fortunate to inherit healthy reserves and a four year balanced police budget from the previous Commissioner. My budget proposal includes the funding for all policy directions contained within my plan. The budgetary process I instigated this year was designed to rigorously analyse all ongoing policy initiatives to ensure that they are in line with the plan, to challenge budgetary assumptions that were sometimes overly prudent and also to identify those areas where unavoidable increases are necessary to examine how they can be minimised.

The Police and Crime Plan is a requirement of the Police Reform and Social Responsibility Act 2011 (PRSR). The strategy used by the PCC and Chief Constable to produce this MTFS is based upon the delivery of the following key objectives as discussed at the Panel Meeting of 9th December 2016:

- **Connecting our communities and the police – through a new Local Policing Promise to ensure policing in the local area is ‘Accessible, Responsive, Informative and Supportive’**
 - **Preventing and deterring crime – so we can stop people becoming victims of crime and help them move on with their lives**
 - **Protecting people at risk of abuse and those who are vulnerable – safeguarding the vulnerable and keeping them safe from harm**
 - **Providing high quality and timely support to victims of crime to help them recover and to get justice by improving the criminal justice system**
 - **Getting the best out of the police – making best use of our resources, supporting and developing our workforce and working well in partnership with others**
- 3.2 Through the Plan and this Financial Strategy, we will deliver a number of key improvements to our policing service in direct response to what the public have told me they want.
- 3.3 It is my intention to maximise the available resources to policing through a proposed 1.99% increase in council tax, raising an extra £2m in 2017/18 and setting a precept strategy that proposes a similar increase for the following three years.
- 3.4 Significant reserves were accumulated in previous years, This was a conscious decision given that at one time a combination of Treasury forecasts and proposed funding formula changes suggested reductions of £50m were needed; reserves were held to help manage the savings that would be needed as a result. The increase in police funding announced in December 2016 and the rejection of the flawed funding formula changes in 2015 mean I have been able to release significant reserves to the revenue budget since my arrival, as well as to support investment expenditure. Full details of the reserves are contained in Appendix 2.
- 3.5 In return for making an additional £11.2m available from revenue reserves and an increase in council tax to the Chief Constable, I have asked how this money is to be spent on changed priorities and new growth and justified in the delivery of my plan.
- 3.6 In maximising the budget resource to the front line there is further work to achieve at a detailed level and I have therefore focused the detail of this four year budget presentation on the first year, 2017/18 while still setting out my expectations of the necessary savings and other actions in broad terms for the whole four year period. Given the uncertainties of future planning assumptions the final year in each of the detailed financial tables is shown in italics.

- 3.7 In order to limit the amount of detail within this report, the appendices contain more information on, the budget requirement, the proposed savings to be made the reserves and detailed council tax changes within bands.

4. Conclusion and Recommendations to the Police and Crime Panel

- 4.1 This report considers the future four year financial position for the PCC and Chief Constable and presents the following council tax recommendation for consideration by the Police and Crime Panel:
- 4.2 The PCC's proposal is for a 1.99% increase in the police element of the council tax for the 2017/18 financial year.

Detailed Report

5. Government Funding - Detail

- 5.1 Funding for the police service was not mentioned in the 2016 Autumn Statement and departmental budgets were left untouched for 2017/18. The Provisional 2017/-18 Police Finance Settlement was announced by the Minister for Policing Brandon Lewis MP on Thursday 15 December 2016.
- 5.2 The settlement for 2017/18 is based upon the Spending Review of the previous year where the Chancellor announced that the local police budgets would be maintained at "current [2015/-16] cash levels" – assuming that PCCs maximised their potential to raise funding through the precept. In line with departmental totals remaining constant and the police grant formula review underway 2017/18 is again a one year settlement leaving the following two remaining years of the spending review with uncertainty about base funding levels. The maximum increase in council tax for the year without holding a referendum remains at 1.99%.
- 5.3 The Home Office continues to apply the concept of a flat precept and grant cash settlement. This assumes a 1.4% cash reduction in grant on the previous financial year, however the ability to raise council tax by 1.99% is assumed to offset this reduction in overall funding terms.
- 5.4 In arriving at the cash grant figure in 2017/18 further adjustments have been made. It is assumed for 2017/18 that the tax base for each police organisation will have grown by 0.5% and that there will be a 42% increase in the Police Transformation Fund top-slice. The transformation fund is awarded to PCCs on the basis of a bids process. However that grant cannot be used to fund day to day policing activities and is dependent upon ministerial decision making in future years.

- 5.5 This has resulted in additional reduced central grant funding of £0.5m in 2017/18 and in each of the remaining three years of the plan when compared with the current MTFS figures.
- 5.6 It should be emphasised that once again the Home Office have provided a one year settlement with no clear indication of funding in the subsequent years. In terms of 2018/19 and beyond, the Home Office have however indicated that they are considering ways to ensure that any introduction of the new funding formula would maintain the “flat cash” principle (taking into account precept and grant). If this approach were adopted very early indications are that this may increase the level of top-slicing for Devon and Cornwall (removing funds centrally before grant allocations).
- 5.7 The effects of reductions through top slicing at a national and local level in 2017/18 are shown in the following table:

Table 5. Overall changes in the national top-slice and specific effect on Devon & Cornwall

Ref	National Top Slice	2016/17 £m	2017/18 £m	Increase/ (Decrease) £m	% Increase
5.1	PFI	73	73	0	0
5.2	Police Technology Programme	284	417	133	47
5.3	Arm's Length bodies	58	54	(4)	(7)
5.4	Response to organised crime	0	28	28	-
5.5	Transformation fund	132	175	43	33
5.6	Special Grant	25	50	25	100
5.7	Pre charge Bail	0	15	15	-
5.8	Total	572	812	240	42

Ref	Devon and Cornwall Share Of Top Slice	2016/17 £m	2017/18 £m	Increase/ (Decrease) £m	% Increase
5.9	PFI	1.7	1.7	0	0
5.10	Police Technology Programme	6.6	9.7	3.1	47
5.11	Arm's Length bodies	1.4	1.3	(0.1)	(7)
5.12	Response to organised crime	0	0.7	0.7	-
5.13	Transformation fund	3.1	4.1	1.0	33
5.14	Special Grant	0.6	1.2	0.6	100
5.15	Pre charge Bail	0	0.4	0.4	-
5.16	Total	13.4	19.1	5.7	42

5.8 Nationally grants for capital expenditure have reduced from £82m in 2016/-17 to £77.2m for 2017/-18, the reduction for Devon and Cornwall £197,000 from £1.301m in 2016/-17 to £1.104m in 2017/-18.

5.9 Further details at force level are awaited in respect of the central funding for Counter Terrorism.

5.10 The following table shows the net reduction of 1.4% in overall police funding from the current year:

Table 6. One Year Change in Central Grant Funding

Ref	Description	2016/17 £m	2017/18 £m	Change £m	Change %
6.1	Home Office and DCLG funding	165.8	163.5	(2.3)	(1.4)
6.2	Legacy Council Tax Grants and benefit funding	15.5	15.5	0	0
6.3	Total	181.3	179.0	(2.3)	(1.4)

5.11 This is extended to a four-year position in the following table, however there is considerable uncertainty about these funding figures and they are based at this point on the best interpretation of limited figures.

Table 7. The Estimated Four Year Funding Position – Central Grant

Ref	Description	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
7.1	Central Grant Funding £m	179.0	177.9	176.8	176.8
7.2	Cumulative cash reduction in grant funding	(2.3)	(3.4)	(4.5)	(4.5)
7.3	Cumulative % cash reduction in grant funding	(1.4%)	(2.0%)	(2.5%)	(2.5%)

5.12 The figures for 2017/18 are subject to Parliamentary approval in February 2017. No increase in grant reduction is forecast for 2020/21.

5.13 The Government's aim of "real term protection for police funding" is achieved through an assumed increase of the police precept.

5.14 The following table shows the total cash funding position for grant and council tax income over the four-year period of the MTFS.

Table 8. The Estimated Four Year Total Funding Position – Total Funding Before Reserves

Ref	Description	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
8.1	Central Funding	181.3	179.0	177.9	176.8	176.8
8.2	Council tax increase at 1.99%	99.4	103.0	106.3	109.6	113.0
8.3	Estimated surplus on Council Tax Collection	2.1	2.4	1.5	1.5	1.5
8.4	Total Funding	282.8	284.4	285.7	287.9	291.3
8.5	% cash change in funding year on year		0.57%	0.45%	0.77%	1.18%
8.6	Total increase over the period					3.0%

5.15 The table above shows that in total, income will rise in cash terms by £8.5m or 3.0% over the four year period based on the assumption that council tax is increased by 1.99% in 2017/18 and 2% thereafter and that the tax base continues to increase over the period.

6. Detailed Total Budget Requirement

Background to the Budget requirement

- 6.1 The CSR 2010 imposed a 20% reduction in central government funding and between 2010 and 2016 £54.4m of savings were made.
- 6.2 Police Officer numbers have reduced from 3,500 before the CSR to a projected 2,924 at 31 March 2017, a total reduction of 576 officers. The introduction of Police Act provision A19 (forced retirement of officers over 30 years' service) between 2010 and 2012 removed significant numbers of officers, and associated costs, from the base budget. The remainder of reductions have been achieved through natural wastage
- 6.3 Police Staff numbers have also reduced by 522 since 2009.
- 6.4 There have also been significant reductions in vehicle, ICT, equipment and estates costs over that time.
- 6.5 The overall revenue position for 2016/17 indicates a potential underspend of circa £1.9m in the current year. A full review of 2017/18 expenditure has

been undertaken in preparing the budget to ensure that any underlying underspend is fully reflected in future years budget assumptions. The Chief Constable has identified a number of priority areas to reallocate this underspending. In the main this has enabled additional funds to be spent on improved ICT in the command centre and expansion of mobile data devices to support efficiency

Financial Planning Assumptions

6.6 Budget assumptions have been made in the following areas:

- Inflation.
- Pay awards.
- The capital programme and force investment (which affects revenue costs and new borrowing).
- The Council Tax base
- Staff Pension Contributions

Inflation

6.7 The budget requirement assumes that the following levels of inflation are applied to the base budget expenditure levels:

Table 9. Assumed Inflation Rates applied to the MTFS

Ref	Inflation Category	17/18 %	18/19 %	19/20 %	20/21 %
9.1	Pay (effective September each year)	1.0	1.0	1.0	1.0
9.2	Utilities	5.0	5.0	5.0	5.0
9.3	Fuel	5.0	5.0	5.0	5.0
9.4	Council Tax Base	1.2	1.1	1.1	1.1

6.8 This shows that pay is the most significant inflation factor. For budget lines held locally no inflation will be added thus reducing the amounts available. This will result in a real terms cut in the budget concerned and contributes to the overall level of efficiency savings.

Table 10. Assumed Employers Pension Contribution Rates

Ref	Pensions:	2016/17 %	2017/18 %	2018/19 %	2019/20 %
10.1	Police Officers Home Office	24.2%	24.2%	24.2%	24.2%
	Police Staff Local Government Pension Scheme	15.3%	17.5%	17.5%	17.5%

6.9 Police pensions contribution rates are set by central government, and police staff pensions contributions rates are set by the pensions provider (Devon County Council). A triennial pension review was carried out in 2016 for police staff and this has resulted in increased contribution rates from 2017/18 amounting to £1m per annum.

6.10 At the current time the future contribution rate is uncertain as formal actuaries advice has not yet been received. Taking into account a transfer to the pensions scheme of £5m to repay past funding deficits and detailed discussions with the actuaries on their initial projections an estimated 17.5% contribution has been assumed. This represents a significant and higher than expected increase in pensions costs; the combined rate under the previous valuation was 15.3% and it had been expected that this would step up increments of 0.5% per annum to a maximum of 16.8%.

Pay Awards

6.11 The 2015 Spending Review proposed a pay restraint of 1% for both officers and staff for four years commencing in September 2016. This change is applied consistently to police officers, PCSOs and police staff. There may be pressure for increases above 1% in September 2020, however as this would only be a six month increase in this MTFS and is not reflected in the budget at this stage.

Council Tax Base

6.12 The council tax base which consists of the total value of properties by band continues to increase each year in the South West due to inward investment. This is expected to be at an average rate of 1.1% per annum realising an additional £1m each year.

7. The Overall Budget Preparation

7.1 The budget process for 2017/18 reflected the request of the new Commissioner to understand what expenditure items were included in the existing MTFS. This resulted in a base budget review and consideration of the overall budget requirement comprising the following steps:

- Identification of unavoidable changes in costs arising from the budget assumptions and other factors for example the introduction of the apprenticeship levy. These are detailed in Appendix 1.
- Identification of priority spending areas that are essential to delivery of the Police and Crime Plan and to improving the long-term efficiency of the service and these are set out in Appendix 1.
- Consideration of workforce plans in order to determine the workforce mix over the four years to match the resource available. These plans continue to be developed between the PCC and the Chief Constable.

7.2 Table 11 sets out the impact of these changes on the budget requirement.

Table 11. The Budget Requirement 2017/18-2020/21

Ref	Summary	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
11.1	Budget Requirement 2016/17	282.7	282.7	282.7	282.7
11.2	Unavoidable changes in costs (see Appendix 1)	4.8	9.5	13.1	12.7
11.3	Budget Requirement before Police and Crime Plan Priorities	287.5	292.2	295.8	295.4
11.4	Police and Crime Plan Priorities (development opportunities see Appendix 1)	3.1	4.5	5.8	6.5
11.5	Budget Requirement after Police and Crime Plan Priorities but before Savings	290.6	296.7	301.6	301.9
11.6	Savings	(5.8)	(6.5)	(8.2)	(9.8)
11.7	Total Budget Requirement	284.8	290.2	293.4	292.1

Savings Plans

7.3 Over the next four years it is anticipated that expenditure will still need to reduce by £9.8m (3.4%) in order to fill the gap shown in Table 11 above.

These are significant savings, coming as they do on top of the £54m already saved since the start of austerity.

- 7.4 Where possible non-staff savings are maximised in order to protect public services. These include further reductions in vehicle numbers and costs following the introduction of vehicle tracking systems, and the estates rationalisation strategy being led by the OPCC.
- 7.5 The Strategic Alliance continues to be a main driver to identifying the officer and staff reductions that need to be made over the next four years. The risks of successful implementation are high and dependent on the agreement between four corporation soles, technical and legal complexity and ambitious timescales. Reducing cost through design rather than crude halts in recruitment has been a real strength in the savings programme to date.
- 7.6 The PCC has assumed direction and control of the Estates department and the new 10 year capital programme reflects this change. A sum of £5m is allocated to provide funding for commercial schemes on surplus police station sites and will only be used on sites which provide a return on capital greater than 5%.
- 7.7 Key to the overall budget preparation however is the adjusted workforce plan which halts PCSO recruitment and reinvests this money, together with the support from reserves and council tax, which I am supplying, in PRISM, civilian investigators and additional officers. Details are contained in Appendix 1 and Appendix 6.
- 7.8 Table 12 sets out the savings plans and more detail is also given in Appendix 1.

Table 12. Summary of Main Savings Items

Ref	Item	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
12.1	Ongoing Savings Plan				
12.2	Police Staff / PCSO reviews	2.0	3.1	4.3	5.6
12.3	Non Staff Costs	1.0	0.8	1.3	1.2
12.4	One off costs removed	2.8	2.6	2.6	3.0
12.5	Total savings from Savings Plan	5.8	6.5	8.2	9.8

- 7.9 The impact of savings on the overall Budget position is set out in the table 13 below:

Table 13. Overall Budget position

Ref	Item	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
13.1	Funding Available				
13.2	Budget Requirement after Police and Crime Plan Priorities but before Savings	290.6	296.7	301.6	301.9
13.3	Total savings from Savings Plan	(5.8)	(6.5)	(8.2)	(9.8)
13.4	Budget Requirement after savings	284.8	290.2	293.4	292.1
143.5	<i>NB: Funding contribution from Reserves</i>	(0.4)	(4.5)	(5.5)	(0.8)
143.6	<i>Budget requirement net of additional transfer from reserves</i>	284.4	285.7	287.9	291.3

The Main Budget Components

The total budget requirement is built up of three main areas:

- The Chief Constables Budget
- The OPCC Office Budget and Commissioning Budget
- The Capital Budget;

7.10 The Chief Constable's Budget

- (a) The PCC owns the overall budget and the PCC is responsible for all income and sets the overall expenditure envelope. During the financial year the Chief Constable's Budget is under the delegated control of the Chief Constable who monitors and manages its day-to-day spending.

Table 14 .The Chief Constable's Budget

Ref		2016/17 Budget	2017/18	2018/19	2019/20	2020/21
		£m	£m	£m	£m	£m
14.1	Chief Constable's Budget	278.1	279.2	284.3	288.2	287.3

- (b) Delivering the Police and Crime Plan and the force mission relies on longer term planning than a single year. As in previous years the Chief Constable's Budget is presented in the context of the future four-year MTFS to ensure that any potential funding risks can be mitigated by operational savings within the timescale required. The respective Chief Finance Officers have worked together and are in agreement on the inflation and other assumptions built

into the budget proposals. The proposals are based upon the likely funding over the following three years, annual 2% increases in council tax and the risk-based reserves position in section 8 of this report.

- (c) Policing requirements have radically changed. The rise of social media and the internet has meant the public, and indeed criminals, communicate and operate in a way that visible policing in itself does not impact. Public and governmental expectations around child sexual exploitation, cybercrime and historical sex abuse require specialist resources that are not in ready supply; the Peninsula Strategic Assessment highlights these areas along with domestic abuse and alcohol related harm. The savings to date in officer and staff numbers have meant that specialist skills to address these issues are in short supply within the force.
- (d) *An explanation of change in workforce composition to deliver the police and crime plan and address changes in crime demand are included at Appendix 6. The following tables summarise the changes in workforce from the 2016/17 MTFS and the position at September 2016.*

Table 15 Proposed People Numbers –Movement from September 2016 to those proposed in this report.

Ref	People	2016/17	2017/18	2018/19	2019/20	2020/21	Total Change
15.1	Police Officers	30/9/2016	2,944	2,963	2,982	3,000	30/9/2016
		2,906					94
15.2	Police Staff	1,784	1,862	1,816	1,792	1,779	(5)
15.3	PCSOs	339	260	227	186	145	(194)
15.4	Total	5,029	5,066	5,006	4,960	4,924	(105)

This table shows that there are projected to be 94 additional officers than are currently employed.

Table 16: Proposed People Numbers-Movement in 20/21 from the previous MTFS.

Ref	People	2020/21 Previous MTFS 1/4/2021	2020/21 Proposal	Change
16.1	Police Officers	2,849	3,000	151
16.2	Police Staff	1,725	1,779	54
16.3	PCSOs	360	145	(215)
16.4	Total	4,934	4,924	(10)

This table compares the proposals in this report for officer numbers in 2020/21 with the proposals set out in the previous MTFS.

- (e) The change in officer numbers arises due to:
- The Strategic Alliance savings to be achieved through efficiencies in officer numbers.
 - The impact of the new workforce plan, in which the overall mix of new recruits, transferees and police staff investigators results in an effective increase in officer numbers.
- (f) In summary the budget includes as part of the Police and Crime Plan priorities:
- An increase in officers
 - Additional specialist police staff investigation roles
 - Additional specialist skills for PRISM
 - Trials for a new model of neighbourhood policing
 - Continued development of the role of specials and volunteers
 - Reductions in PCSO numbers due to changing demand needs through retirement, re-deployment or leaving.
- (g) The Chief Constable, having worked closely with the PCC to construct these budget proposals has stated: 'My budget proposal can be funded by a contribution of central grant, a 1.99% increase in the Council tax and the use of reserves'

7.11 OPCC Office Budget and Commissioning Budget

- (a) The Office of the Police and Crime Commissioner (OPCC) budget is under the control of the Police and Crime Commissioner in addition to the funds that she controls for commissioning purposes. The changes in these budgets are detailed below.
- (b) The following table shows the forecast for the OPCC office costs budget and the commissioning budget:

Table 17. The OPCC Budget Forecast

Ref		2016/17 Budget £m	2016/17 Forecast Actual £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
17.1	OPCC budget	1.63	1.65	1.6	1.6	1.7	1.7
17.2	% change		0.3%	0%	1%	1%	0%

- (c) The forecast outturn for 2016/17 year shows a minor overspend of £20k. Over the longer term the move to Middlemoor has reduced the base budget. Even after inflation is taken into account.
- (d) The budgeted OPCC costs are expected to reduce *in real terms* by £113k between 2013/14, (the first full year of a PCC), and 2017/18. This represents savings of 7%. These changes reflect a reduction in establishment, the move to Middlemoor and the use of consultants for specialist work only.
- (e) The following table shows the total commissioning budget, which includes the allocation of internal funding in addition to specific grants from MOJ and the Home Office.

Table 18. The Commissioning Budget Forecast

Ref		2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
18.1	Commissioning base budget	2.9	3.1	2.8	2.9	2.7

- (f) The total non-delegated budget under the PCC's control is shown in the following table:

Table 19 The Total OPCC and Commissioning Budget Requirement

Ref		2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
19.1	Total OPCC and Commissioning Budget Requirement	4.5	4.7	4.4	4.6	4.4

[The MOJ funding allocation has not been received at this point.]

7.12 The Capital Budget

- (a) The Joint Management Board have considered the capital programme in September and December 2016 and proposed a new ten year plan. This plan contains fully funded proposals for the construction of a new custody suite at Exeter, a five year repair programme for Middlemoor and specific funding to enable the income from decommissioned sites to be maximised.
- (b) Table 20 provides a summary of the proposed four year capital programme.

Table 20 .The Proposed Capital Programme

Ref		2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's	Total £000's
	Capital Expenditure					
20.1	ICT	4,292	3,441	6,044	6,096	
20.2	Vehicles	1,995	1,936	1,653	2,058	
20.3	Equipment	1,885	200	200	200	
20.4	Estates	3,986	4,255	4,300	1,530	
20.5	Middlemoor Strategy	1,000	1,000	1,000	1,350	
20.6	Exeter Criminal Justice Centre	800	8,200	13,800	2,000	
20.7	Total Spending	13,958	19,032	26,997	13,234	73,221

	Capital Financing					
20.8	Long term borrowing	2,437	9,800	13,320	1,350	
20.9	Capital Grant	1,076	1,076	1,277	1,576	
20.10	Revenue Reserves	4,793	5,001	4,731	6,608	
20.11	Capital Receipts	5,652	3,155	7,669	3,700	
20.12	Total Financing	13,958	19,032	26,997	13,234	73,221

- (c) The most significant capital development is the decision to proceed with a new custody and operational hub for Exeter. This is expected to be partially funded from the partial sale of the surplus land at the Middlemoor site. Additional borrowing will be required to complete this and other projects. It is planned to increase debt financing by £10 m in 2019/20. Any commercial development undertaken could potentially increase this by a further £5m.
- (d) In financing the programme opportunity has been taken to review the financing of the local Government Pension fund deficit. The Commissioner has agreed to repay £5m of this deficit subject to actuarial valuation. This represents a quarter of the past deficit. This is expected to save 4% per annum and will be reflected in lower revenue pension contribution costs.
- (e) The annual revenue costs associated with this programme are contained within the annual budget base expenditure costs. By 2020/21 this will increase financing costs by £788,000 per annum at this point. The level of capital financing costs as a percentage of net revenue expenditure will be 1.3% which compares with the average for all 43 forces. The funding policy of the PCC is to ensure that short life assets are funded by capital receipts or revenue contributions and this plan reflects these later contributions. The financing plan aims to make the maximum use of temporary internal borrowing from revenue reserves until they are used in the budget plan. Movements on reserve are shown at Appendix 2

- (f) For the purposes of clarity, the amounts included within the capital programme, and sources of funding for the Exeter Criminal Justice Centre, and Strategic Policing Hub scheme, are shown below.

Projection		
as at 31/03/2020		
	£000's	
Total Expenditure Projection		24,800
<u>Funded by:</u>		
Borrowing	17,300	
Capital Receipts	<u>7,500</u>	
		24,800

8. Review of Reserves & Risk Assumptions

- 8.1 The main financial risks contained on the joint force/OPCC risk register are as follows:

- There could be insufficient grant and council tax by 2020/21 to fund the Police and Crime plan
- The review of Home Office formula grant funding in February 2017 introduces further annual losses of grant.
- The Chancellor's future economic projections could be affected by the referendum causing lower growth and falling tax receipts causing reduced departmental funding for policing.
- The council tax referendum cap may be reduced to levels below that contained in the MTFS (i.e. 1.99%) for 2018/19 onwards.
- The ever increasing top-slice funding in future years further depletes resources without reciprocal benefit to the revenue budget.
- The allocation of commissioning grant does not provide a worthwhile amount for service delivery.
- That the 1% pay restraint announced in 2015 is relaxed in 2020/21.
- Financial reserves are targeted as part of central financial policy.
- The council tax base does not increase as assumed.

- 8.2 In addition to these wider risks the following areas are kept under review.

- Central funding levels for 2017/18 to 2020/21 are below that included in the Medium Term Financial Strategy
- Increased funding required for the Force change programme
- Revenue savings not delivered on time
- Business planning and financial planning unaligned
- Increases in long term interest rates
- Over reliance on internal borrowing to temporarily fund the capital programme
- Budget uncertainty through assumption changes
- Major incident cost overrun
- Government expectations to include other services such as fire in the PCC remit

- Further cost transfers from the centre (e.g. Emergency Services Network and IT company costs)
- Reductions in local authority funding placing pressure on the police service
- Opening up of old crimes especially around CSE
- Severance costs increased from those planned exceeding budget; and
- Possible impacts of the A19 legal appeal.

8.3 These risks inform the reserves policy.

8.4 At 31st March 2016, Devon and Cornwall Police held reserves, provisions and balances of £70.7m. These are broken down by type in the table below:

Table 21. Total Reserves and Their Use.

Ref	Reserve Type	31/03/2017 £m	31/03/2016 £m	Notes
21.1	Revenue Support Fund	14.5	12.3	Specific use identified
21.2	Other Earmarked Reserves	28.0	45.2	Specific use identified
21.3	Capital Reserves	4.2	4.7	May only be used for capital purposes
21.4	Provisions	1.4	2.3	Fully committed
21.5	General Balances	13.6	6.2	Used to address specific financial needs
21.6	Total	61.7	70.7	

8.5 Earmarked reserves relate to specific projects or liabilities, where the anticipated extent of the liability, and the timescales involved, are estimated. Reserves have been set aside for significant areas and items of expenditure, and will be brought into revenue in the year in which expenditure is incurred.

8.6 The use of capital reserves relates to setting aside unused capital finances that are expected to have been received, but not applied, in any year. It is currently expected that this will relate to unused capital grant and capital receipts. These reserves may only be used for capital purposes.

8.7 Provisions are made for liabilities where there is a reasonable projection of the amount required and the timescale involved. Provisions are accounted for in the year in which the provision is made, and future liabilities funded from this.

- 8.8 General balances cover the general financial risks faced by the Force. This will include unexpected or unavoidable additional costs, such as a major operations, uninsured liabilities, or treasury management risks.

8.9 Restructure Of Risk Between Reserves And Balances

- (a) Earmarked reserves include three specific reserves which are held to cover general risks. The financial liability that the risks present may or may not be realised, and the amounts held are estimates. These reserves are:

Table 22. Earmarked Reserves for a Specific Liability

Ref	Reserve Type	Transferred to	31/03/2016 £m
22.1	Workforce Modernisation Reserve	Revenue Support Fund	3.7
22.2	Police Officer Ill Health Reserve	Revenue Support Fund	1.6
22.3	Major Operations Reserve	General Balances	2.4
22.4	Total		7.7

- (b) As the actual extent of the risks covered by these reserves, and the timing of any call on them, if any, is unknown these reserves have been discontinued as specific reserves, with the risks provided for in the Revenue Support Fund and General Balances. The total funding on these reserves excluding any funding already planned to transfer to revenue for expected liabilities, is £7.7m. This transfer is included in the Revenue Support Fund and the General Balances figures shown at Table 21.
- (c) In addition to these transfers the following adjustments are also made:
- The transfers to/from Balances and the Revenue Support Fund include a £5.0m transfer from the Capital Financing Fund to General Balances to ensure that General Balances are sufficient to meet unexpected events and financial risk factors. The capital funding can be replaced in part by an increase in forecast capital receipts – e.g. the receipt from the part sale of the Middlemoor Site.
 - £3.0m is transferred from the Revenue Support Fund to Earmarked Reserves to provide for a replacement extended ledger system, expected to be procured by in 2020/21

8.10 Planned Use of Reserves

- (a) Earmarked reserves, capital reserves and provisions all have a planned use to cover risks or liabilities. General balances provide a source of funding for more general risks facing the organisation.

- (b) The key risks and liabilities covered by reserves and provisions are shown in the Table 28. In each case, the timing and amount cannot be exactly predicted, but the figures shown reflect the latest assessment of potential cost, and in each case it is currently expected that they will be required by the end of 2020/21.

The following table shows the reserves provision after all transfers have been made

Table 23. Projected Reserve Levels to 31/03/2021

Ref	Reserves	% of net expenditure at 31 March 2017	31 March 2018 £m	31 March 2019 £m	31 March 2020 £m	31 March 2021 £m
23.1	General Balances	4.8%	13.6	13.6	13.6	13.6
23.2	Earmarked Reserves: Revenue Support Fund and Other Reserves	15.0%	35.9	26.2	13.4	3.3
23.3	Sub total Revenue Reserves	19.8%	49.5	39.8	27.0	16.9
23.4	Specific capital reserves	1.5%	1.3	0.4	0.1	9.1
23.5	Provisions	0.8%	2.3	2.3	2.3	2.3
23.6	Total	22.1%	53.1	42.5	29.4	28.3

- (c) Decisions to delay several business cases in the Strategic Alliance means some annual one off shortfalls in the MTFS are inevitable. The Revenue Budget Update Report sets out the appropriations from balances required to balance the Revenue budget over the period of the MTFS these total £11.2m and are set out in Table 24.

Table 24. Contributions to and From Reserves from the Revenue Support Fund

Ref	Summary	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total Net Movement £m
24.1	Total budget requirement from Table 11, line 11.7	282.7	284.8	290.2	293.4	292.1	
24.2	Total Funding from Table 13, line 13.6	282.7	284.4	285.7	287.9	291.3	
24.3	Contribution to() and From Reserves	0	0.4	4.5	5.5	0.8	11.2

8.11 Adequacy of Reserves

- (a) Table 25 provides a historical perspective of reserve holdings over the last 45 years and the forecast position for the current year.

Table 25. Historical Summary of Revenue Reserve Trends

Ref	Type	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
25.1	Earmarked	22.3	32.0	43.8	59.0	50.7	42.5
25.2	General	6.2	6.2	6.2	6.2	6.2	13.6
25.3	Total	28.5	38.2	50.0	65.2	56.9	56.1

Note: The definition of general reserves has changed resulting in a higher figure for general reserves in 2016/17, as explained above in 8.9(b).

- (b) The doubling of reserves between March 2011 and March 2014 is a product of the continuing underspends in these years. It has been a conscious policy, to increase these reserves by underspendings based upon a review of specific financial risks. They have also been increased in order to provide transitional support fund monies thus allowing time for savings that need to be made.
- (c) If Devon and Cornwall is compared with organisations with similar sized budgets, i.e. with gross revenue budgets within the range of £250m-£350m the percentage that total reserves represent in comparison with spending is shown in the following table:

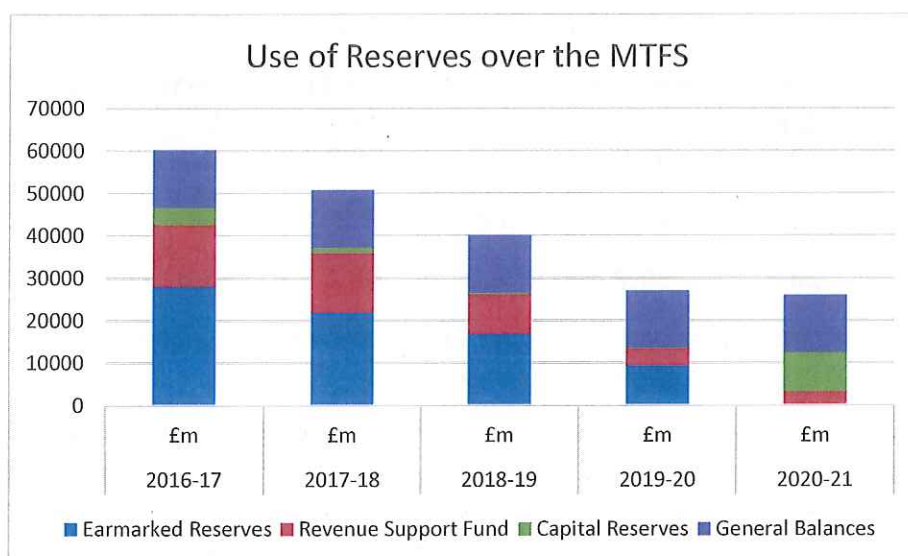
Table 26. Comparison of total reserves as a % of Net Revenue Budgets

Ref	No of PCCs £250m to £350m	Devon and Cornwall	Group	Variance
26.1	11	21.1%	15.8%	5.3%

- (d) Reserves are based upon the risks individual policing organisations face, these do not always correlate to budget size and therefore benchmarking can only be a broad indicator. A significant feature of Devon and Cornwall reserve funding since 2010 is the contributions made into the revenue support fund in order to smooth the effect of budget reductions between years. £14m of this funding is destined in the four years from 2017/18 for use on infrastructure improvements to deliver better services.

- (e) The following table shows how the PCC expects to use resources over the next four years. This assumes increased revenue contributing to capital schemes and keeping a level of funding in the support fund to cover any losses through formula funding.

Table 27. The Use of Reserves



- (f) If the formula funding reductions do not materialise then the support fund will be used to finance capital expenditure or reduce borrowing in years 2017/18-2020/2021. This will be the subject of a full review of reserve usage.

8.12 Assessing Adequacy

- (a) Table 23 shows that current expected use of earmarked reserves would suggest that a significantly reduced balance of £28.3m may be available by the end of 2020/21. This balance relates primarily to the General Balance and the Revenue Support Fund (total £16.9m) and Capital Receipts and Capital Grants Unapplied (total £9.1m).
- (b) The Joint Management Board report in December 2016 recommended that a sum of £5.0m could be paid to the Local Government Pension Scheme in order to reduce the pension fund deficit. This would reduce the balance on the General Balance and the Revenue Support Fund.
- (c) Full information on Earmarked Reserve and General Balances are provided in Appendix 2.
- (d) In addition to the risks covered by earmarked reserves, there are further, unquantified risks and liabilities. The main sources of funding for these risks are the Revenue Support Fund and General Balances.

- (e) The key financial risks are summarised below. For each, an assessment of potential risk is shown, but clearly, in each case the actual risk could be significantly different, and an assessment of these risks will need to be reviewed regularly. Full details of each risk are set out at Appendix 4.

Table 28. The Financial Risks

Ref	Identified Risk	£m's
28.1	Funding Formula Review / Further Funding Cuts	12.0
28.2	Major Operations	2.8
28.3	Uninsured Liabilities	2.0
28.4	Treasury Management	1.5
28.5	Other Unexpected Expenditure / Working Capital	4.0
28.6	Total Financial Liability	22.3

- (f) The actual limit of general risks, such as major operations or uninsured losses, could of course actually be significantly more than the assessment shown. Risks around significant major operations in particular are increasing, with increased reliance on more costly resourcing options such as overtime or mutual aid.
- (g) If such a significant risk were realised, further funding would be sought in the first instance by re-prioritising the use of earmarked reserves.
- (h) The above risks can be mitigated by two key funding allocations. The first is General Balances, which exists to cover the general financial risks faced by the Force, such as major operations, uninsured liabilities, or treasury management risks. The second is the Revenue Support Fund, which was set up specifically to help mitigate the effect of the savings in central funding, and in particular to offset the potentially considerable negative effect of any formula funding review.

Table 29. The Funding Available to Mitigate Risk:

Ref		Revenue Support Fund £m's	General Balances £m	Total £m
29.1	General Balances and Revenue Support Fund – No repayment of the pension fund deficit as this could be offset by borrowing.	3.3	13.6	£16.9 m
29.2	Financial Liability from Table 28			£22.3 m
29.3	% funding of liability			85%
29.4	Underfunding			£5.4m

- (i) The total funding available on General Balances and Revenue Support Fund does not fully meet the assessed risks and liabilities.
- (j) It is highly likely that the Revenue Support Fund will be used in full to either partly mitigate the extent of future funding reductions, or to finance the effect of slippage on Strategic Alliance, or both. General Balances will then stand to offset wider risks to the organisation.
- (k) The above reserves, provisions and balances have been tested against the main identified financial risks. Table 29 shows an underfunding of £5.4m. On the basis of the above, and given that risk calculation is not an exact science, the reserves and balances generally cover known liabilities and commitments and provide adequate cover for unknown liabilities at the assessed level for 2017/18.
- (l) Reserves will continue to be monitored and reviewed regularly throughout the year, with particular scrutiny during the next budget setting process.
- (m) The Treasurer as Section 151 officer confirms that these reserves provide an adequate level for 2017/18 given the identified financial risks in the budget.

9. Setting the Council Tax

9.1 In setting the council tax for 2017/18 the policing minister has given a clear indication in the funding settlement that no PCC will face a cash reduction if they maximise precept income. There is no council tax freeze grant available if a 0% increase in Council Tax is set. The maximum amount that the council tax can be increased by without triggering a referendum is 1.99% in line with government guidelines.

9.2 The budget forecasts contained in this report are based upon the assumption that the council tax will be increased by 1.99% in 2017/18. The following table shows the funding position if the council tax is increased in line with the ministers proposals. The following table shows the net council tax requirement and the tax revenues based upon the assumption that the tax base increases by an average of 1.1% per annum and that the surpluses on collection continue at current levels for the four year period.

Table 30. The Council Tax Requirement

Ref	Item	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
30.1	Total Budget Requirement from Table 11		284.8	290.2	293.4	292.1
30.2	Less					
30.3	Central funding from Table 8		179.0	177.9	176.8	176.8
30.4	Contribution to/ from reserves from Table 24		0.4	4.5	5.5	0.8
30.5	Surplus on the collection fund from Table 8	2.1	2.4	1.5	1.5	1.5
30.6	Total net council tax requirement at 1.99%		103.0	106.3	109.6	113.0

9.3 Devon and Cornwall Police have traditionally set council tax levels at the national average level for all 43 police forces. The following table shows the recent history in council tax rises over the past four financial years have been in line with government policy and have raised taxation levels on average by 6pence per week.

Table 31. Past Trends in Council Tax Increases

Ref		2013/14	2014/15	2015/16	2016/17
31.1	Council Tax Increase	2%	1.99%	1.99%	1.99%

9.4 In comparison with forces that are in a similar group the following table show that Devon and Cornwall 2016/17 precept is currently 11.6% below the average band D council tax level for PCCs in the most similar group and 3.1% below the national average. This shows that even if all forces did not raise their current council tax levels by 1.99% in 2017/18 and D&C did the current comparative position of D&C below both these levels would be maintained.

9.5 Table 33 shows that if the council tax were raised in 2017/18 by a further 1.99% the force would be the second lowest level in the region a position it has held for at least the last four years

Table 32: Comparison with HMIC Most Similar Group (MSG) 2017/18

Ref	Year	Devon and Cornwall Band D*	National Average	MSG Group	Variance from National average	Variance from MSG
32.1	2016/17	£172.84	£178.4	£195.6	3.1% below	11.6% below
32.2	2017/18**	£176.28	£181.75	£199.47	3.0% below	11.6% below

* Based on 1.99% increase

** Devon and Cornwall based on 1.99% increase, national average based on indicative levels

Table 33. Comparison of Precept with Regional Forces

Ref	Regional Comparison	2016/2017 Current £	Proposed Increase £	Expected Comparison 2016/17 £	% Different from Lowest
33.1	Gloucestershire	211.86	1.99	216.08	26.7
33.2	Dorset	190.83	1.99	194.63	14.1
33.3	Avon & Somerset	178.26	1.99	181.80	6.6
33.4	Devon and Cornwall	172.84	1.99	176.28	3.3
33.5	Wiltshire	167.24	1.99	170.57	0

[Not confirmed at time of publication]

This table shows that with a 1.99% increase in 2017/18 Devon and Cornwall will have the second lowest precept in the region.

10. Conclusion and Recommendations to the Police and Crime Panel

- 10.1 In considering the full increase of 1.99% in council tax funding, the PCC has taken into account this year's funding settlement and is aware that funding for the force and OPCC will only keep pace with inflation at current levels if a precept rise of 1.99% per year is applied. Police funding is continuing to fall over this MTFS and the current level is based upon the Chancellor's predictions in the Autumn Statement being fulfilled. These predictions are far from certain especially if the national economic position deteriorate due to the effects of Brexit. In addition to the desire to keep budgets at current levels in real terms there are new and different demands being placed upon policing and resources need to be freed up to address these. If the Council Tax is not increased then further annual savings will have to be made in services to finance these changed priorities. Many of these new areas of policing require investment in new technology which require funding and before any operational savings can be generated. Increases in the council tax now will allow these investments to be made.
- 10.2 The CSR15 has set out a more or less flat lined settlement which was maintained in the 2016 Autumn Statement. Within that total there is considerable uncertainty over the future of the funding formula allocation and this could, at levels of £15m, remove up to 8% of annual funding allocation. In order to address this, reserves will be used to transition to new levels of base expenditure however these transition savings will be less harsh if council tax precept funding levels increase.
- 10.3 The PCC has also consulted the Chief Constable about her proposal to increase the council tax and the Chief Constable has made the following statement:
- 10.4 The Chief Constable has stated in a letter to the PCC that 'the [force budget] proposal also ensures I deliver my obligations in respect of national policing as detailed within your plan and provides sufficient resources to deliver the force's corporate plan....my budget proposal can be funded by a combination of central grant,a 1.99% increase in the council tax and the use of reserves at the levels previously discussed'
- 10.5 In proposing the 1.99% increase in council tax the increases in tax bands are contained in Appendix 3.

11. Recommendation to the Police and Crime Panel

- 11.1 This report considers the future four year financial position for the PCC and Chief Constable and presents the following council tax recommendation for consideration by the Police and Crime Panel:

11.2 The PCC's proposal is for a 1.99% increase in the police element of the council tax for the 2017/18 financial year.

Alison Hernandez
Police and Crime Commissioner
January 2017

Duncan Walton
Treasurer
January 2017

APPENDIX 1

BREAKDOWN OF FOUR YEAR BUDGET PROPOSALS 2017/18 – 2020/21

	2017/18 £m's	2018/19 £m's	2019/20 £m's	2020/21 £m's
2016/17 Budget	282.7	282.7	282.7	282.7
<u>Plus Unavoidable Cost Increases / (Decreases)</u>				
Provision for Pay and Price Increases	2.8	5.6	9.3	12.5
Increments	3.5	6.0	8.5	11.0
Police Officer Turnover	(4.0)	(5.6)	(8.4)	(11.9)
Increases/Decreases in external income and specific grants	(0.6)	(0.1)	0.2	0.2
Increase in LGPS Employer Contribution	0.7	0.9	1.0	1.0
Changes in profile of Strategic Alliance Changes	0.9	1.1	0.2	(0.5)
Other pay changes	0.1	(0.9)	(0.8)	(0.8)
Apprenticeship Levy	0.5	0.5	0.5	0.5
Capital Financing	0.2	0.3	0.5	1.1
Other changes to non staff costs	0.7	0.5	0.2	(0.4)
ESN revenue Costs	0.0	1.2	1.9	0.0
	287.5	292.2	295.8	295.4
<u>Development Opportunities</u>				
Increase to 3,000 Officers over 4 years	0.3	1.2	2.3	2.8
Police Staff Investigators (30 17/18 & 18/19, 50 19/20 onwards)	0.1	0.1	0.7	0.7
ICT Convergence	(0.9)	(0.2)	0.2	0.8
Citizens in Policing	0.5	0.7	0.7	0.7
Sexual Offences Lawyers	0.3	0.3	0.3	0.0
OPCC Commissioning	0.2	0.2	0.2	0.2
Offender Pathways	0.4	0.8	0.0	0.0
Annual allocation to Business Board	0.1	0.1	0.1	0.1
Wellness initiatives	0.1	0.1	0.1	0.1
PRISM / Enhanced Resolution Team	1.4	0.6	0.6	0.5
Recruitment / training uplift	0.5	0.5	0.5	0.5
Support to Prevention Department	0.1	0.1	0.1	0.1
	3.1	4.5	5.8	6.5
<u>Savings</u>				
PCSO recruitment suspended (to 145 PCSOs by 31/03/21)	(2.0)	(3.1)	(4.3)	(5.6)
Forensics 25% price reduction	(0.3)	(0.3)	(0.3)	(0.3)
Non staff savings identified	(0.7)	(0.5)	(1.0)	(0.9)
One off costs in 16/17 removed	(2.8)	(2.6)	(2.6)	(3.0)
	(5.8)	(6.5)	(8.2)	(9.8)
Total Budget Requirement	284.8	290.2	293.4	292.1

4 Year Reserves and Provisions (1 of 2) – Appendix 2

Earmarked Revenue Reserves													
	Programme and Projects Reserve	Estates Development Reserve	Capital Financing Reserve	Strategic Alliance Reserve	Workforce Modernisation Reserve	Remuneration Reserve	Police Officer III Health Reserve	Major Operations Reserve	Budget Management Reserve	Police and Crime Plan Reserve	Earmarked Revenue Reserves Excluding Support Fund	Earmarked Revenue Reserves incl Support Fund	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Closing Balance 31/3/2015	5,477	492	5,326	2,112	10,639	2,876	1,000	2,375	1,266	951	32,514	59,092	
Closing Balance 31/3/2016	4,625	1,259	18,955	9,139	5,111	0	1,930	2,375	774	1,087	45,255	57,523	
2016/17													
Budgeted contributions			750								750	750	
Budgeted applications	(504)			(357)	(1,240)		(370)		(774)	(120)	(3,365)	(3,365)	
Financing capital programme			(4,213)	(369)						(420)	(5,002)	(5,002)	
Transfers to General Reserves			(2,000)		(3,691)		(1,560)	(2,375)			(9,626)	(7,375)	
Closing Balance 31/3/2017	4,121	1,259	13,492	8,413	180	0	0	0	0	547	28,012	42,531	
2017/18													
Budgeted contributions			750								750	750	
Budgeted applications	(643)	(468)		(702)	(180)					(100)	(2,093)	(2,093)	
Support to Revenue Budget													
Formula Funding Changes											(500)	(500)	
Financing capital programme			(3,547)	(1,246)								0	
Closing Balance 31/3/2018	3,478	791	10,695	6,465	0	0	0	0	0	447	21,876	35,895	
2018/19													
Budgeted contributions			750								750	750	
Budgeted applications	(47)	(165)		(554)						(100)	(866)	(866)	
Support to Revenue Budget													
Formula Funding Changes											(4,600)	(4,600)	
Financing capital programme			(4,801)	(200)							(5,001)	(5,001)	
Closing Balance 31/3/2019	3,431	626	6,644	5,711	0	0	0	0	0	347	16,759	26,178	
2019/20													
Budgeted contributions			750								750	750	
Budgeted applications	(2,523)	(463)		(306)						(100)	(3,392)	(3,392)	
Support to Revenue Budget													
Formula Funding Changes											(5,400)	(5,400)	
Financing capital programme			(1,931)	(2,800)								0	
Closing Balance 31/3/2020	908	163	5,463	2,605	0	0	0	0	0	247	9,386	13,405	
2020/21													
Budgeted contributions			750								750	750	
Budgeted applications										(100)	(100)	(100)	
Other applications	(908)	(163)	(605)	(1,605)						(147)	(3,428)	(3,428)	
Support to Revenue Budget											0	(700)	
Financing capital programme			(5,608)	(1,000)							(6,608)	(6,608)	
Closing Balance 31/3/2021	0	0	0	0	0	0	0	0	0	0	3,319	3,319	

Year Reserves and Provisions (2 of 2) – Appendix 2

	Total Earmarked Revenue Reserves	Capital Reserves				Provisions			Total Provisions	General Balances	Total Reserves Balances and Provisions
	£000	Capital Grant	Capital Receipts	Total Capital Reserves	Insurance	Remuneration	Other	£000	£000	£000	£000
Closing Balance 31/3/2015	59,092	742	4,035	4,777	1,244	461	1,052	2,757	6,198	72,824	
2015/16											
Budgeted contributions	2,615									2,615	
Budgeted applications	(3,040)									(3,040)	
Other Spending										0	
Grants and Contributions Received		2,291		2,291						2,291	
Capital receipts				0						0	
Financing Capital Programme	(2,074)	(1,993)	(349)	(2,342)						(4,416)	
Transfers				0						0	
Year End Appropriations	930				202	116	(809)	(491)		439	
Closing Balance 31/3/2016	57,523	1,040	3,686	4,726	1,446	577	243	2,256	6,198	70,713	
2016/17											
Budgeted contributions	750									750	
Budgeted applications	(3,365)							0		(3,365)	
Grants and Contributions Received		1,301		1,301						1,301	
Capital receipts			883	883						883	
Financing capital programme	(5,002)	(2,115)	(604)	(2,720)						(7,722)	
Transfers	(7,375)							(820)		(820)	
Closing Balance 31/3/2017	42,531	225	3,965	4,190	1,446	(577)	(243)	1,446	13,573	61,740	
2017/18											
Budgeted contributions	750									750	
Budgeted applications	(2,593)									(2,593)	
Grants and Contributions Received		1,104		1,104						1,104	
Capital receipts			2,790	2,790						2,790	
Financing capital programme	(4,793)	(1,076)	(5,652)	(6,728)						(11,521)	
Closing Balance 31/3/2018	35,895	253	1,103	1,356	1,446	-	-	1,446	13,573	52,270	
2018/19											
Budgeted contributions	750			0						750	
Budgeted applications	(5,466)			0						(5,466)	
Grants and Contributions Received		1,104		1,104						1,104	
Capital receipts			2,200	2,200						2,200	
Financing capital programme	(5,001)	(1,076)	(3,155)	(4,231)						(9,232)	
Closing Balance 31/3/2019	26,178	281	148	429	1,446	-	-	1,446	13,573	41,626	
2019/20											
Budgeted contributions	750			0						750	
Budgeted applications	(8,792)			0						(8,792)	
Grants and Contributions Received		1,104		1,104						1,104	
Capital receipts			7,550	7,550						7,550	
Financing capital programme	(4,731)	(1,277)	(7,669)	(8,946)						(13,677)	
Closing Balance 31/3/2020	13,405	108	29	137	1,446	-	-	1,446	13,573	28,561	
2019/20											
Budgeted contributions	750			0						750	
Budgeted applications	(4,228)			0						(4,228)	
Grants and Contributions Received		1,468		1,468						1,468	
Capital receipts			10,800	10,800						10,800	
Financing capital programme	(6,608)	-	1,576	(3,276)						(9,884)	
Closing Balance 31/3/2021	3,319	-	9,129	9,129	1,446	-	-	1,446	13,573	27,457	

Council Tax Information and Precept – Appendix 3

Council Tax Information and Precept							
				2017-18	2016-17		
				£	£		
Police Budget to be met from Council Tax				105,381,828	101,420,594		
Less net surplus on council tax collection from previous years				(2,389,244)	(2,077,800)		
Total precept payable by Billing Authorities				102,992,584	99,342,794		
Tax base, collection variations and precepts							
	Tax Base declared by Councils	Total Precept payable by Councils	Surplus (Deficit) on collection	Amount due from Councils	% share payable by Councils		
		£	£	£			
East Devon	57,477.00	10,132,045.56	179,681.20	10,311,726.76	9.80%		
Exeter	36,197.00	6,380,807.16	107,992.00	6,488,799.16	6.16%		
Mid Devon	27,876.12	4,914,002.43	38,956.00	4,952,958.43	4.70%		
North Devon	32,769.43	5,776,595.12	46,946.09	5,823,541.21	5.53%		
Plymouth	70,775.00	12,476,217.00	52,230.00	12,528,447.00	11.89%		
South Hams	37,379.62	6,589,279.41	123,000.00	6,712,279.41	6.37%		
Teignbridge	47,614.00	8,393,395.92	154,737.00	8,548,132.92	8.11%		
Torbay	43,694.50	7,702,466.46	279,000.00	7,981,466.46	7.57%		
Torridge	23,420.22	4,128,516.38	124,702.00	4,253,218.38	4.04%		
West Devon	19,948.77	3,516,569.18	111,000.00	3,627,569.18	3.44%		
Cornwall	185,757.08	32,745,258.06	1,171,000.00	33,916,258.06	32.18%		
Isles of Scilly	1,346.90	237,431.53	0.00	237,431.53	0.23%		
	584,255.64	102,992,584.21	2,389,244.29	105,381,828.50	100.0%		
Police element of Council Tax due for each Property Valuation Band							
Valuation band	Government multiplier Ratio	Council Tax by band 2017-18	2016-17	Increase per week	% 1.99%		
A	6 / 9	0.667	£117.52	£115.23	+ 4.4 p		
B	7 / 9	0.778	£137.11	£134.43	+ 5.2 p		
C	8 / 9	0.889	£156.69	£153.64	+ 5.9 p		
D	1	1.000	£176.28	£172.84	+ 6.6 p		
E	11 / 9	1.222	£215.45	£211.25	+ 8.1 p		
F	13 / 9	1.444	£254.63	£249.66	+ 9.6 p		
G	15 / 9	1.667	£293.80	£288.07	+ 11.0 p		
H	18 / 9	2.000	£352.56	£345.68	+ 13.2 p		

ANALYSIS OF RISKS AND LIABILITIES – Appendix 4 GENERAL BALANCES AND REVENUE SUPPORT FUND

Risk	Notional Liability	Detail	Mitigation	Reserve
Funding Formula Review / Further Funding Cuts	£12.0m	While the potential for further funding reductions, in excess of those already predicted within the current MTFS continues to exist, it is likely that the extent of any such challenges will be less than had been previously indicated, but is still expected to be considerable. The amount quantified to address this risk is shown at £12m, based on the amount remaining in the Revenue Support Fund at 31/03/16, with the intention that such funding could be used to 'smooth' the effect of funding reductions over more than one year.	Extent of future cuts currently unknown. Government funding information will be assessed as available to assess future funding levels.	Revenue Support Fund
Major Operations	£2.8m	An annual allocation is included in revenue for the cost of major operations, and it is expected that in most years that would be sufficient. However, in the event of a particularly significant, high profile, operation, costs could easily exceed the revenue allocation.	Revenue funding. Potential access to Government grant for expenditure in excess of 1% of Force budgets, although this cannot be guaranteed	General Balances
Uninsured liabilities	£2.0m	The key uninsured liabilities would be those resulting from employment tribunals or judicial reviews. While often low level, these can have the potential to be significant.	Proactive assessment of risk, legal / HR involvement	General Balances
Treasury Management	£1.5m	Devon and Cornwall Police routinely invest funds to maximise return. Such investments will always carry a degree of risk, which is expected to be manageable within the parameters of the Treasury Management Policy. However, the Icelandic banking crisis of 2008 was one example where many investors, including many police forces, lost significant amounts of money.	Adherence to, and regular review of the Treasury Management Policy	General Balances
Other unexpected expenditure	£4.0m	Throughout the year, it is usual for expenditure plans to be revised, and requirements to change, which is all manageable through the usual budget monitoring process. It is equally possible for unplanned requirements to surface, for a variety of reasons, outside those already covered, or for income budgets to under-recover. For example, a mass return of seconded officers, or reductions in Driver Awareness Scheme income could have a significant effect on income budgets, or a higher than expected number of officers could retire on ill health grounds with associated costs.	Close, accurate, budget monitoring throughout the year, highlighting potential variances as soon as possible	General Balances
Total	£22.3m	This represents 8% of the annual revenue budget		

10 Year Capital Programme Appendix 5

	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Programme										
Expenditure										
Vehicles	2,080	1,995	1,936	1,653	2,058	2,058	2,058	2,058	2,058	2,058
ICT	4,545	4,292	3,441	6,044	6,096	3,096	3,096	3,096	3,096	3,096
Estates excluding Exeter CJC Hub	2,247	3,986	4,255	4,300	1,530	3,530	1,530	1,530	1,530	1,530
Exeter CJC Hub	0	800	8,200	13,800	2,000	0	0	0	0	0
Middlemoor Programme	0	1,000	1,000	1,000	1,350	2,420	2,420	2,420	2,420	2,420
Other	332	1,885	200	200	200	200	200	200	200	200
Total	9,204	13,958	19,032	26,997	13,234	11,304	9,304	9,304	9,304	9,304
Funding										
Grant	2,116	1,076	1,076	1,277	1,576	1,389	1,385	1,385	1,385	1,385
Direct Revenue Funding	370	0	0	0	0	0	0	0	0	0
Capital Receipts	604	5,652	3,155	7,669	3,700	2,965	3,119	3,119	3,119	3,169
Use of reserves	5,002	4,793	5,001	4,731	6,608	1,000	850	850	850	800
Borrowing	1,112	2,437	9,800	13,320	1,350	5,950	3,950	3,950	3,950	3,950
Total	9,204	13,958	19,032	26,997	13,234	11,304	9,304	9,304	9,304	9,304

Appendix 6



Devon & Cornwall Police

By email

PCC Alison Hernandez

Shaun Sawyer
Chief Constable
Police Headquarters
Middlemoor
Exeter
Devon
EX2 7HQ

Telephone: 01392 226078

19 January 2017

Dear Alison

I am writing to formally accept and support your Police and Crime Plan 2017-2020. Having already written to you with my budget proposals for 2017/18 and your ongoing support and commitment around our budgets, we will be able to deliver some key parts of your plan within the first year.

Together, the Police and Crime Plan and the budget proposals represent a definitive step forward in making this force sustainable and resilient for the 21st Century. It is clear in emphasising the importance of local connectivity with communities but also our key strategic partners within the peninsula, there is a particular focus upon modernising our services and aligning resources to the changing demand in our local, national and international policing landscape.

Demand on the police is changing. We are still facing the threats from organised crime and terrorism and must ensure we maintain and improve our capabilities to deal with this national threat. We are also facing the new and emerging threats from international cyber-crime and complex issues such as child sexual exploitation and modern slavery. These new threats require me to realign some of my services and staff. Traditional demands from safeguarding and local policing must be managed and new capabilities developed.

Together, over the next few years, we are looking to transform the way the police operate, and our innovative Police Response Investigation and Safeguarding Programme (PRISM) will change the way we work. This requires a significant cultural change within the force, building upon our strengths in respect of connectivity to our communities but also recognising that visibility is important in making people feel safe. Both visible and non-visible police resources keep people safe and I therefore warmly welcome our joint achievement in defining 'local policing' as part of that transformation. We will both have a role in ensuring that the public understand the totality of police resources which keep them safe, provided within the force but also nationally, as well as aligning the workforce to a true one-team approach.

We know that, on too many occasions, our service is inefficient at meeting rising and changing public expectations. In the digital age the public need to be kept up to date immediately and we know 25% of calls into the call handling centre are asking for updates and more information.

Contact the police

Emergency 999

Non-emergency www.devon-cornwall.police.uk/reportcrime

101@devonandcornwall.pnn.police.uk 101

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PRISM aims to do things differently, increasing communication and connectivity with the public, increasing our ability to deal with issues at the first point of contact and using technology to improve and speed up our response, thereby freeing up front line staff. It is estimated that taking statements over the phone or web could release 60 thousand hours of response time – the equivalent of 30 police officers.

We will also be looking to develop our staff to meet the cyber threat and maintain our commitment to protect the vulnerable. Through the use of the additional budget, we will look to employ Police Staff Investigators (PSI's). My proposal is that 30 are employed this year, with more in the future, to enhance PIP 1 and 2 capability and to free up police officers to prioritise emerging threats and to focus on the more serious complex crimes.

Devon and Cornwall Police prides itself on its Neighbourhood Policing approach and style. As already mentioned, we will be maintaining the core elements of neighbourhood policing through our geographic structures but also retaining roles such as Sector Inspector, NTL, NBM and PCSO. Together, we consider the connectivity with our communities as the bedrock of how we operate, delivering both public legitimacy and support to what we do. This must however, be rationalised along with the totality of local policing resources to focus upon threat, risk and harm whilst also managing the tension of ensuring that our response times and critical operational capability is retained.

As you are aware, our front line has become very stretched over the past years of austerity. At the same time, demand has increased and the need for specialist capabilities, such as firearms officers and public order trained staff, has grown to meet the national and international threats.

Your budget enables me to maintain and become one of the few forces to actually increase our police officer numbers. We will commit these increased resources to front line delivery in our geography. This will include increasing our ARV capability, increases to our response capability and more officers delivering local policing.

In total, this will see the force increasing its strength by an extra 220 officers; 150 more than the previous medium-term plan, plus the equivalent of 30 through the PRISM team and 30 additional PSI supporting safeguarding.

However, even with your additional budgetary support and use of reserves, we will not be able to maintain our police numbers at the desired 3000 officers without looking to redesign and reprioritise our workforce. This will mean that we will need to move staff from existing roles, like PCSO's into the new investigation positions or into full time police officers.

Despite these gradual but substantial reductions in PCSO numbers over the next four years, we will maintain and develop our connectivity with our communities. We will ensure that all areas will have a named police officer(s). As part of my connectivity planning I will also be reviewing how to ensure that these named officers are more accessible to the public and partners when needed. We will ensure that the increased specialist officers, such as the ARV's, are part of our Local Policing teams and delivering visible and connected services in the geography.

As part of our commitment to improving connectivity, and to further support local policing, we will utilise your budget to invest over £1m this year to developing Citizens in Policing. The new Police and Crime Bill allows us to designate volunteers and wardens within communities, and this would help to mitigate the impact of PCSO's being redeployed into other policing areas. We aim to deliver an ambitious and flexible volunteer programme that will allow the public to support their police, undertaking roles that bring in the skills and interests focussed on their local communities.

We see volunteers embedded into our neighbourhood teams, but also communities building their own capacity to respond and manage down demand, not only on the police service but other emergency services as well.

We are, of course, working closely with Dorset Police through our Strategic Alliance. The significant savings and efficiencies we have delivered through this joint approach will continue and we will look to develop PRISM and our transformational change programme together with Dorset. We will also be looking to invest in new technology, including the Emergency Service Network and the roll out of mobile data. Where possible, we will take these significant capital programmes in partnership with others to assure we are delivering an efficient system, but one that is ready to meet the challenges of the future.

One of the key threats to this ambitious policy strategic and operational realignment will be the need to convey a narrative to the public and the workforce. Without this transformation and particularly as a peninsula force, Devon and Cornwall will be in danger of losing its direction and I am therefore grateful that your Police and Crime Plan has set a clear direction.

I look forward to working together on the delivery of this plan over the next five years, and I am committed to making Devon and Cornwall a safe, resilient and connected place.

Yours sincerely



Shaun Sawyer
Chief Constable

