



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

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**SAFE, RESILIENT AND CONNECTED  
COMMUNITIES**

Police and Crime Panel Meeting  
Friday 8th February 2019  
Report of the Police and Crime Commissioner

**Proposed Precept, Budget and Medium Term Financial Strategy (MTFS)  
2019/20 - 2022/23**

**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:**

- 1) The Police and Crime Commissioner (PCC) proposal is for a £24 increase in the Band D equivalent for the police element of the council tax for the 2019/20 financial year.**
- 2) Items for the Police and Crime Panel to note:**
  - a) That the Reserves Strategy, Treasury Management Strategy and the Capital Strategy have been published online to enhance transparency.**
  - b) That it is intended that the level of General Balances held will be no more than 5% or no less than 3% of the net annual budget at the end of the financial year.**
  - c) Police Officers and Police Staff will be receiving an overall 2% increase in pay for the year to August 2019, in accordance with national pay settlements.**

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

# 1. Executive Overview of this Medium Term Financial Strategy by the Police and Crime Commissioner

- 1.1. This is my third budget since taking office which builds upon the same principles that underpinned my first i.e. that it is progressive, modernising, sustainable and financially based. I will again also be looking to maximise the resources available to the Chief Constable to deliver our Police and Crime Plan to help keep our communities safe.
- 1.2. The provisional settlement was announced in December 2018, and finalised with no changes in January 2019. This settlement includes a larger increase in the flexibility to the referendum limit than anticipated. The settlement for 2018/19 indicated a £12 increase would be available for 2019/20, this flexibility has been increased to allow PCC's the ability to raise the Band D Council Tax levels by up to £24. This is something I have considered carefully before proposing the full increase.
- 1.3. The extra flexibility for PCCs to raise more funding locally is the only means to secure growth in policing next year and has meant a hard decision for me to take as PCC. I know that the public want to see more investment and support for policing in tackling rises in many crime types and for our police officers and staff, who do exceptional work every day to keep us safe and are increasingly stretched with the level of demand they are facing.
- 1.4. In deciding whether or not to take advantage of the new flexibilities with the precept I have considered carefully the uncertainties with which we are faced over the coming year. Within the coming year the Police have significant preparations to make for any outcome of Brexit, and the resilience requirements for Devon and Cornwall and the UK as a whole. We will also be subject to a new Comprehensive Spending Review (CSR) the outcome of which on Devon and Cornwall's budget is unknown. I remain concerned that Police Forces such as Devon and Cornwall with complex rural, urban and coastal policing demands will not receive a favourable outcome when compared to large metropolitan areas.
- 1.5. Public expectations of policing remain high. The public want to see more visible policing and the criminal justice system bringing offenders to justice. However, public confidence in the police is not stable and has fallen in recent times. I know from the results of the engagement undertaken as part of the merger process that the public want a strong identity for Devon and Cornwall, more visibility on the work of the police and they want to feel safe. I know from the Force Management Statement prepared in 2018 that there are areas of policing where demand exceeds the police forces ability to respond, and I have used this as the basis for my discussions with the Chief Constable in determining where any uplift in officers will be prioritised.
- 1.6. In 2018 there was a new requirement for all police areas to produce a Force Management Statement (FMS). These are self-assessment by forces, covering for each of the following four years the chief constable's evaluation and projection of:

- the demand which the force is likely to face;
- the condition, capacity, capability, serviceability, performance and security of supply of the force's workforce and other assets (such as ICT);
- the force's plans to improve the efficiency with which the workforce and force assets are used; and
- the force's financial income.

The FMS has provided greater clarity on the volume and breadth of demand that the Force face, and where resources are most required.

- 1.7. 2018/19 has been a very challenging year for policing. Locally we have navigated the exploration of a merged force with Dorset, managed abstractions to fulfil national commitments for policing and mutual aid, and seen significant pressures due to summer policing demands whilst still maintaining our transformation journey across large parts of the business. Throughout this we have focused on areas of new demand, with the Chief Constable and his team leading significant areas including modern slavery, police cadets and Brexit preparedness.
- 1.8. In 2018 the National Audit Office produced a new report on the financial sustainability of police forces. The report concluded that:

*“The Home Office’s light touch approach to overseeing police forces means it does not know if the police system is financially sustainable. It lacks a long-term plan for policing and significant gaps remain in its understanding of demand for police services and their costs. The way the Department chooses to distribute funding has been ineffective and detached from the changing nature of policing for too long, and it cannot be sure overall funding is being directed to the right places. With plans to reform the funding formula on hold, and no systematic approach to ensuring forces are financially sustainable, we cannot conclude that the Home Office’s oversight of the police system is value for money.”*

The full report can be read here: <https://www.nao.org.uk/report/financial-sustainability-of-police-forces-in-england-and-wales-2018/>

Following directly from the NAO report the Public Accounts Committee launched an inquiry into the financial sustainability of forces in the final quarter of 2018. I was one of two PCCs invited by the Committee to give evidence to that inquiry which was an important opportunity to highlight the issues we face within Devon and Cornwall regarding police funding. The Committee's report was published in November 2018.

A copy of that report is available and can be read at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1513/1513.pdf>.

- 1.9. This report is critical of the Home Office and highlights the cost pressures which have been placed on police forces in recent months from the nationally agreed police pay award, changes to the police pensions, inflation and Home Office

funding contributions have all coincided in making the financial position of police forces even more challenging than ever before. As an organisation where 83% of the budget is related to staff costs any pressures in this area have a huge effect. The Government's funding settlement for policing is still only for a one year period, which makes long term financial planning a significant challenge. The government's response to this crisis has been to give Police and Crime Commissioners additional flexibilities in their council tax precept for 2019/20 by up to £24 for a Band D property. Whilst this offers me an opportunity locally, doing so is not a step which I have taken lightly. The Police and Crime Panel should also be aware that this significantly changes the gearing effect between the amount of money Devon and Cornwall receive from central government funding settlement to council tax revenue to 59%:41% (compared 2018/19 which was 62%/38%). My office are supporting the work being undertaken nationally to inform the Comprehensive Spending Review planned for the Autumn 2019, as this is a vital opportunity to redress the accumulated funding gap for policing and make the police service more sustainable in the longer time. I am keenly awaiting the outcome.

- 1.10. The decision to allow further flexibility around council tax precept levels will also allow me greater investment in local policing priorities, as set out in my Police and Crime Plan. I know this is an area the public want us to invest more in, helping to keep our communities safe and victims supported. The Chief Constable and I are fully committed to making Devon and Cornwall more efficient and will continue to build on the significant progress already made in this area.
- 1.11. Despite these early indications of a road to recovery for police funding, I cannot be complacent about what the future holds and will continue to lobby with my PCC colleagues to ensure policing achieves a fairer funding settlement and one which reflects the public's and my ambitions for safer communities and more visible and targeted policing. I made personal representation to the Public Account Committee in late 2018, for just this reason.
- 1.12. Likewise there are other parts of the public sector who face similar challenges and on whom our partnership approaches rely to protect the most vulnerable in our society. Mental Health and vulnerability make up at least 40% of the demand for services in Devon and Cornwall, and therefore early intervention and prevention programmes in other parts of the public sector also need to be appropriately funded so that policing does not end up as the service of first resort.
- 1.13. Through the Police and Crime Plan and this new Financial Strategy, the Chief Constable and I will deliver a number of key improvements to our policing service.
- 1.14. With the increase in funding that I intend to make available to the Chief Constable through the precept he has identified a number of areas for priority investment to enable him to deliver policing. The letter from the Chief Constable attached at Appendix 2 sets out these areas but the key developments are:

- Increase officer numbers to 3,100 over the next two years.
  - Provide an additional connectivity neighbourhood police officer in each of our 27 sectors.
  - Increase detectives by 30 to address most serious offending and meet areas identified in the FMS where demand exceeds current resources.
  - Increase front line response teams.
- Increase the investment in collaborative posts such as bi-service and tri-service officers.
- Continue with the piloted police staff team who ensure accuracy of crime data and take statements, removing work from the front line. For example, we anticipate 8,000 statements a year will be taken by the team, providing a better service for the front line and the witness.
- The roll out of Integrated Service Delivery (ISD) by summer 2019, taking 73,000 sets of workload from the local policing teams. ISD will fundamentally change the way the police deal with non-emergency demands, resolving calls earlier and allocating tasks, where appropriate, across the whole force, rather than to specialist teams. The ISD programme is designed to improve system efficiency and provide a better service to the public.
- Invest in modernised training and improving mental health and supporting good mental wellbeing in the workforce.
- Maximise the benefit of new operational hubs and County Headquarters.
- Technological investment in call handling, command & control and improved management information.
- High visibility and connectivity is a priority for all officers.

1.15. The Chief and I are both concerned with the evidence of continuing assaults on officers and the psychological strain due to workloads with the complexity and severity of the cases being investigated. I fully support the increased investment to support those officers and staff proposed by the Chief Constable.

1.16. I remain committed to achieving previously identified savings and the Chief Constable will continue to deliver these savings of £4m for 2019/20 which include further savings through a cost challenge process to be achieved by a combination of efficiency, productivity and transformation. Devon and Cornwall have a strong track record of achieving savings with nearly £79m saved since 2009.

1.17. As a consequence of not progressing with the merger with Dorset Police, savings planned as a result are being reconsidered. Further areas to be reviewed during 2019/20 are custody, control rooms and other areas of previously planned joint provision. We will continue to work together with Dorset Police. It was clear from the merger consultation that local policing improvements were a priority.

1.18. I have worked closely with the Chief Constable, the two Chief Financial Officers and the Independent Advisor to the PCC to construct these budget proposals. Account has been taken of the policing gaps in service outlined in the Force Management Statement e.g. the management of sexual and violent offenders, protecting the vulnerable, digital and cyber capacity, and investigations following serious collisions.

- 1.19. It is my intention to maximise the available resources to policing through a proposed £24 (12.75%) increase in the police precept proportion of council tax, raising £14.3m in 2019/20.
- 1.20. An online poll through the Office of the Police and Crime Commissioner Website is currently being undertaken on the council tax increase. The initial results indicate that the majority of those responding, 54%, would pay an extra £24 per year for policing. This poll is due to close on 29 January 2019.
- 1.21. As part of the consultation on my proposals I have contacted MP's and Council Leaders across the region. None of the respondents have opposed my proposals.
- 1.22. The Police and Crime Plan is a requirement of the Police Reform and Social Responsibility Act 2011 (PRSR). The strategy used to produce this MTFS is my published Police and Crime Plan for 2017-2020 'Safe, resilient and connected communities' which is focused on the following 5 key objectives:
- **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**
- 1.23. Significant reserves were accumulated in previous years. This was a conscious decision by my predecessor given that at one time a combination of Treasury forecasts and proposed funding formula changes suggested reductions of £50m were needed. Reserves of £9.3m were released in 2018/19 to support policing infrastructure. It was, and remains, my conscious decision to use those reserves to maximise funding to policing. As at 31 March 2018 the total amount of reserves held were £53.8m. This is forecast to reduce to £36.5m at the end of March 2019 and then to further fall to £21.1m by the end of 2022/23. Full details of the reserves are contained in Appendix 1 and 3.
- 1.24. This approach to reserves has however allowed us to deliver transformation projects, such as the development of the new operational headquarters at

Middlemoor. This £29m project to replace Heavitree Road Police station and create a modern, technologically advanced police hub and custody centre is well underway, and will be open in early 2020.

- 1.25. I am keen to minimise borrowing where reserves can be utilised instead. The choice of funding (i.e. reserves or borrowing) will be made at the point of need taking into account the cost of borrowing and the availability of other funding streams.
- 1.26. In preparation of my first budget in 2017/18 the Chief Constable wrote to me setting out his proposals for transforming the police workforce to ensure that policing is able to meet the changing nature and complexity of crime and the wider complex non crime demands that affect policing, such as mental health and vulnerability. I gave my support to the Chief Constable for his transformation plans and we continue to move forward with those plans. For 2019/20 the increase of 85 officers to 3,100 is the highest level of proposed officers this force has seen since the first PCC was elected. It is also an increase of 186 since I was elected in May 2016. This is only one element of the work force transformation. Other areas include police staff investigators, remote statement taking and the “Blue Light” Officers across both Cornwall and Devon. The innovative ways of bringing in these “Blue Light” Officers is gaining national interest in the approach.
- 1.27. When looking at the budget and MTFs for 2019/20 to 2022/23 it is easy to forget what has already been achieved. A number of strides have been made in the following areas:-
  - An uplift in Roads Policing of 28 Officers which includes the introduction of the “No Excuses” team.
  - An uplift of 38 Officers to the Armed Response Team.
  - An uplift of 10 Officers to Response.
  - The Pathfinder Programme has been nationally recognised with an award from the Howard League for Penal Reform.
  - The roll out of individually issued Body Worn Video (BWV) and associated training across the force.
  - Creation of 20 new blue light officer roles – working in local communities across Devon and Cornwall
  - Significant investment in drone technology.
  - Creation of the operational headquarters for Cornwall in Bodmin.
  - The start of construction on the Exeter Hub and Custody Unit at Middlemoor.
- 1.28. I have focused the detail of this four year budget presentation on the first year, 2019/20, whilst still setting out my expectations of the necessary savings and other actions in broad terms for the whole four year period. This will provide assurance that my proposals are robust and sustainable. In order to limit the amount of technical 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.

- 1.29. For 2020/21 and beyond there will be a great deal of uncertainty around funding levels which will impact on our planning process. The uncertainty arises from:-
- The next Comprehensive Spending Review (CSR) which will be undertaken during 2019 to take effect from the financial year 2020/21.
  - The long awaited formula review which will be undertaken during 2019 with a view to implementation in 2021/22.
- 1.30. The Chief Constable's letter is clear that a council tax increase of £24 is a necessary investment in policing. Without it, the gap between the resources available and the demand on the service will widen further.

**Alison Hernandez**  
**Police and Crime Commissioner**  
**February 2019**

## 2. Introduction

- 2.1. This report will cover the revenue and capital budgets for 2019/20 together with the projections for 2020/21 to 2022/23. The specific areas that will be covered are the:
- National context.
  - Local and regional context and funding levels.
  - Council tax levels and assumptions.
  - Revenue expenditure.
  - Capital programme.
  - Reserves.
  - Risks.

## 3. National Context

- 3.1. On 29th October 2018 the Chancellor of the Exchequer made his Autumn Statement. The key issues for national funding were:
- GDP is predicted to grow by 1.3% in 2018. This is 0.2% less than the 1.5% predicted in the 2018 Spring Statement. For 2019 it is forecasted to be 0.3 percentage points higher than previously forecasted at 1.6%. For each year to 2021, growth forecasts have been revised up from, or level with, those in the 2018 Spring Statement.
  - The Consumer Price Index (CPI) measure of inflation has been revised up for 2018. CPI inflation is now forecasted at 2.6% for 2018, followed by rates of 2.0% for 2019 and 2.0% for 2020.
  - The Chancellor “recognised” that the Police are under pressure from the ‘changing nature of crime’ and stated that there will be further consideration given to police during the provisional settlement in December.
  - The Counter Terrorism budget provides an additional £160 million in 2019-20 for counter terrorism policing. The effect on individual forces has not yet been announced.
  - Mental health services will grow as a share of the overall NHS budget over the next five years. The government believe this will help people stay in work and will therefore also contribute to productivity. As part of this funding, the NHS will be investing up to £250 million a year by 2023-24 into new crisis services.
- 3.2. The Provisional Police Grant Report for 2019/20 was published on 13<sup>th</sup> December 2018, with the final settlement being agreed on 24<sup>th</sup> January 2019. The Home Secretary recognises the demand pressures and states in his letter relating to the provisional settlement that:-

*“We have reviewed the demand on the police again. It is clear that demand pressures on the police have risen this year as a result of changing crime. There has been a major increase in the reporting of high harm, previously hidden crimes such as child sexual exploitation and modern slavery. The challenge from serious and organised crime networks is growing. Through the Serious Violence Strategy, we are bearing down on the worst spike in*

*serious violence and knife crime that we have seen in a decade by combining support for more robust and targeted policing with effective long-term investment in prevention and earlier intervention. And we need to recognise the work done by the police to combat the evolving threat from terrorism. The Government is determined to support the police to meet the demand across counter-terrorism, serious and organised crime and local policing.”*

- 3.3. This settlement focuses on productivity, efficiency, investigative capacity and Serious and Organised Crime (SOC). To achieve this, the provisional settlement has 4 priority areas:
- Continued efficiency savings in 2019-20 through collective procurement and shared services. The Home Office (HO) expect to see national approaches to procuring forensics, vehicles and basic equipment.
  - Major progress is expected to resolve the challenges in investigative resource identified by HMICFRS, including recruitment of more detectives to tackle the shortfall.
  - Continue to improve productivity, including smarter use of data, and digital capabilities including mobile working, with an ambition to deliver £50m of productivity gains in 2019-20.
  - Expectation to maintain a SOC response that spans the identification and management of local threats as well as support for national and regional priorities. This response should be built around the disruption of local SOC threats alongside prevention, safeguarding, partnerships and community engagement.
- 3.4. The overall funding package provides more funding than anticipated and proposes to increase investment in the police system by up to £970m in 2019/20. However, the majority of the increased investment relates to the uplift from the anticipated £12 to the announced level of £24 to the precept flexibility. The provisional settlement headline data includes the following:-
- £161m additional core grant funding.
  - £153m of pension grant (local policing £143m and £10m for NCA and CT)
  - £59m additional funding for Counter Terrorism.
  - £90m additional funding to tackle Serious and Organised Crime.
  - £509m as a result of additional council tax flexibilities. If all PCC's decide to use the maximum flexibility available to them.
- 3.5. The settlement, including council tax and pension grant, represents an average cash increase in total funding of 7.1% between 2018/19 and 2019/20.
- 3.6. The Capital Grant for Devon and Cornwall will remain the same for 2019/20 (£1.1m) as in 2018/19.
- 3.7. As in previous years the overall funding available to the Police has been top sliced for central initiatives. However, it needs to be highlighted that the increase in funding to the top slice has been achieved within the new monies identified, and does not have a negative effect on the amount of core grant allocated to individual PCC's. As stated earlier the overall grant funding to individual PCC's

has increased by £161m. The effects of top slicing at a national level are shown in the following table:

<b>National Top Slice</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>Increase/ (Decrease) £m</b>	<b>% Variation</b>
PFI	73	73	0	0%
Police Technology Programme	495	495	0	0%
Arm's Length bodies	63	63	0	0%
Top ups to NCA Rocu's	0	56	56	N/A
Response to organised crime	42	90	48	114%
Transformation fund	175	175	0	0%
Special Grant	93	73	-20	-22%
Pre charge Bail	4	4	0	0%
<b>Total</b>	<b>945</b>	<b>1029</b>	<b>84</b>	<b>9%</b>

- 3.8. Although the increase in the top slice has been funded through new monies it is expected that additional costs and charges will arise as a result of these central initiatives. The objective of these central projects is that, if successful, they become business as usual (BAU) in all forces. Changes may also be required to ICT systems in order to ensure these projects can be used locally.
- 3.9. The most significant issue that has affected PCC's across the country is the increased cost to the Police Officer pension scheme. Recent changes to the way in which police pensions are calculated means that the police, as well as other "unfunded" schemes, will see a sharp increase in costs. These costs, for the Police, are now estimated to be approximately £330m. In 2019/20 the Treasury are providing an additional £143m grant for local policing in addition to the £161m additional core grant funding from the HO. However, when these funding streams are combined it still leaves an overall gap of £26m. The result is that in some forces the combined grants cover the full pension costs, in others there is a funding gap.
- 3.10. Planning for beyond 2019/20 is very challenging. The next Comprehensive Spending Review (CSR) is due to be completed for the next settlement process. Work is currently underway nationally to ensure that data is provided to the HO on demand and funding profiles. The funding formula review is also due to be reviewed in 2019/20 for implementation in 2021/22 following a consultation process.
- 3.11. There are a number of areas beyond the level of central government grant in this MTFs 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.
  - The fall in the value of sterling against the Euro and the dollar has led to some additional inflationary costs. As nearly 83% of the MTFs budget costs are employment related these costs are relatively protected from this

variable. The most significant impact is likely to be on fuel and computer products.

- The impact of Brexit which is very hard to predict. The impact may be seen in the currency rate which will impact on imported goods and supplies.

#### 4. Local and Regional Context and Funding Levels

- 4.1. The local impact of the settlement funding announcements will provide increased funding for Devon and Cornwall. During the planning process for the MTFS, prior to the announcement of the settlement, assumptions on the funding levels had been made. Based on the previous assumed funding levels significant cuts would have been required in order to produce a balanced budget for 2019/20 and future years.
- 4.2. The overall effect of the funding announced within the provisional settlement is shown in the table below.

<b>Summary</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>Variation £m</b>	<b>Variation %</b>
Core Grant	101.3	103.5	2.2	2.2%
DCLG Formula	62.2	63.5	1.3	2.1%
Legacy C/Tax Grants	15.5	15.5	-	0.0%
<b>Grant</b>	<b>179.0</b>	<b>182.5</b>	<b>3.5</b>	<b>2.0%</b>
<b>Pension Grant</b>		<b>3.3</b>	<b>3.3</b>	<b>N/A</b>
Council Tax	112.3	128.4	16.1	14.3%
Council Tax Surplus	2.2	1.3	- 0.9	-40.9%
<b>Total Council Tax</b>	<b>114.5</b>	<b>129.7</b>	<b>15.2</b>	<b>13.3%</b>
<b>Funding Available</b>	<b>293.5</b>	<b>315.5</b>	<b>22.0</b>	<b>7.5%</b>

- 4.3. The core grant funding has increased by £3.5m and when combined with the introduction of the pension grant of £3.3m brings the increase to a total of £6.8m. This is being used to cover the increased cost of the Police Officer pensions which has impacted upon all PCC's. The increased cost for Devon and Cornwall is predicted to be £7.7m leaving a shortfall on the increased pension cost of £900k.
- 4.4. The increased flexibility to the Band D precept by up to £24 in 2019/20 equates to an increase of 12.75% on the council tax to be paid for Devon and Cornwall. This increase would generate funding of £14.3m and when combined with the changes to the overall taxbase and surpluses is anticipated to generate an increase in funding of £15.2m.
- 4.5. At the time of writing this report the allocations to individual PCC's for the additional £50m funding for counter-terrorism policing have not been

announced. However, based on previous years we are not anticipating there will be any increased funding for Devon and Cornwall.

- 4.6. There is no impact on funding within the Capital Grant as this has remained the same (£1.1m) as in 2018/19. However, inflationary price increases will need to be absorbed as standstill funding represents a real terms funding reduction.
- 4.7. The pay award is the most significant inflationary pressure on the budget with the overall pay budgets being 83% of total expenditure for 2019/20. During 2018/19 pay awards of 2% were agreed for both Police Officers and Police Staff. This increase was approved without extra funding being provided centrally.
- 4.8. Unless significant, any changes to the revenue generated from the council tax surpluses or council tax base changes will be dealt with by way of a transfer either to or from general balances.
- 4.9. The overall level of funding is set to increase by 7.5%. With the majority of this increase (13.3%) falling on the precept funding. Table 3 below shows a summary of the main increases in expenditure of 2019/20.

<b>Summary</b>	<b>2019/20</b>	
	<b>£m</b>	<b>£m</b>
Additional Funding (see table 2 above)		<b>22.0</b>
<b>Increases</b>		
Police Officer Pensions	7.7	
Pay Awards etc.	7.5	
Police Officer Growth	2.4	
Police Staff Investigators	0.8	
Development Opportunities	0.6	19.0
<b>Unavoidable Changes</b>		
Non Pay Costs	2.2	
Income Changes	0.8	3.0
<b>Savings</b>		- 4.0
<b>Full Year Effect of 2018/19 developments</b>		4.0
		<b>22.0</b>

- 4.10. The key financial information relating to the four year budget requirement and the precept increase is shown in Appendix A section 2a. The level of council tax funding equates to 41% of the overall income for 2019/20 which is an increase from 38% for 2018/19.

## 5. Setting the Council Tax

- 5.1. In line with government guidelines, the maximum amount that the council tax can be increased, without triggering a referendum, is £24.
- 5.2. The effect on the council tax of this proposal is set out in full Appendix 1 section 4, the impact on band D council tax is shown in table 4 below. The increase of £24 coupled with increases to the council tax base and surpluses from council tax collection provides additional council tax funding of £15.2m when compared to 2018/19.

**Table 4: Council Tax Bands**

Valuation Band	2018/19 £	2019/20 £	Increase £	Increase %	Increase per day £	Increase per week £	Increase per month £
A	125.52	141.52	16.00	12.75%	0.04	0.31	1.33
B	146.44	165.10	18.66	12.74%	0.05	0.36	1.56
C	167.36	188.69	21.33	12.75%	0.06	0.41	1.78
<b>D</b>	<b>188.28</b>	<b>212.28</b>	<b>24.00</b>	<b>12.75%</b>	<b>0.07</b>	<b>0.46</b>	<b>2.00</b>
E	230.12	259.45	29.33	12.75%	0.08	0.56	2.44
F	271.96	306.62	34.66	12.74%	0.09	0.67	2.89
G	313.80	353.80	40.00	12.75%	0.11	0.77	3.33
H	376.56	424.56	48.00	12.75%	0.13	0.92	4.00

- 5.3. The budget forecasts contained in this report are based on the assumption of a council tax increase of £24 (per band D equivalent) in 2019/20. Appendix 1 section 2a shows the council tax revenues based on assumptions for the Council Tax level, future increases in the taxbase and surplus levels going forward.

## 6. Detailed Total Budget Requirement

- 6.1. The CSR 2010 imposed a 20% reduction in central government funding and between 2009/10 and 2018/19 £79m of savings were made by Devon and Cornwall Police. During this period Police Officer numbers have reduced from 3,500 to a projected 2,990 at 31 March 2019, a total reduction of 510 officers. Police Staff numbers have also reduced by 434 over the same period.
- 6.2. There have also been significant cost reductions in vehicle, ICT, equipment and estates over that time.
- 6.3. The overall revenue position for 2018/19 is currently indicating a small overspend of circa £0.3m in the current year. A review of 2018/19 expenditure has been undertaken in preparing the budget to ensure that any underlying pressures have been appropriately reflected in future years budget assumptions.

## Financial Planning Assumptions

- 6.4. A list of budget assumptions are attached in Appendix 1 section 2c. Key assumptions are covered below:
- General inflation.
  - Pay awards.
  - The capital programme and force investment (which affects revenue costs and new borrowing – this is covered in section 7).
  - The Council Tax base.
  - Staff Pension Contributions
- 6.5. **General Inflation** - The budget requirement assumes that inflation is applied to the base budget expenditure. Budgets that are subject to unavoidable inflationary pressures have had a notional rate of 1.0% added, except where individual rates are known or can be separately estimated.
- 6.6. **Pay Awards** – Pay awards for both Police Officers and Police Staff have been agreed at 2% for 2019. Pay inflation is the most significant risk in the budget as the staffing costs of the organisation are 83% of the budget. This 2% increase has further confirmed the move away from public sector pay caps. There was increasing pressure to agree a pay award higher than 2% during the last process and therefore future years assumptions have been based on national wage growth predictions from the Office of Budgetary Responsibility (OBR).
- 6.7. **Council Tax Base** - 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 and a buoyant housing market. However, predictions for 2019/20 are showing the increase slowing and therefore have been reduced. The assumptions used for 2020/21 remain the same and will be reviewed annually.
- 6.8. **Staff Pension Contributions** – The triennial valuation for the Police Office pension's contribution rates have had a significant impact on the revenue budget. These rates are set by central government and equated to 24.2% in 2018/19 but will increase to 31% in 2019/20. The increased level has been assumed for the remainder of the MTFS. The financial impact of the increase is £7.7m. The police staff pension's contributions rates are set by the pension's provider (Peninsula Pensions hosted by Devon County Council) and are set at 14.1% from 2019/20. A further triennial valuation will be due in 2019.

## 7. The Overall Budget Preparation

- 7.1. The budget process for 2019/20 has been undertaken on a similar basis to that of the previous year. This is shown in Appendix 1 and includes the identification of:
- Unavoidable changes in costs arising from the budget assumptions and other factors for example changes to external income and specific grants.
  - Priority spending areas that are essential to delivery of the Police and Crime Plan and to improving the long-term efficiency of the service.

- Savings required.

### **Savings Plans**

- 7.2. Devon and Cornwall has already saved £79m since the start of austerity and are making a further £4.0m as part of this budget proposal. Over the next four years we will continue to seek significant savings in order to reallocate resources. What cash savings may need to be made are in reality dependent on the overall government comprehensive spending review, which will determine government grant and future referendum limits
- 7.3. Where possible non-staff savings are maximised in order to protect public services. These include further reductions in estate costs, transport costs and ICT running costs.
- 7.4. In order to continue to further drive productivity and value for money, the Chief Constable will be leading a formal cost challenge of operational business areas across the wider force, to seek financial and time savings not only for this coming year but also the for the 2020/21 budget. This will include custody provision in the light of the new Exeter custody suite and the legislative changes that drive the continued fall in detainee numbers. Performance & Analysis, Administration, Business Change and Training departments will also be scrutinised for potential budget and efficiency savings.
- 7.5. Now that the decision not to proceed with the merger has been made it is necessary to review the financial plan to take into account the impact on the assumed joint savings anticipated through the Strategic Alliance. We will continue to work together with Dorset Police.
- 7.6. The number of PCSO's have been held at above the original numbers planned and will held around the 200 level for 2019/20.

### **The Main Budget Components**

- 7.7. 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.

### **The Chief Constable's Budget**

- 7.8. The PCC owns the overall budget and is responsible for all income and sets the overall expenditure envelope. During the financial year the PCC delegate's financial control of the Chief Constable's Budget to the Chief Constable who monitors and manages its day-to-day spending. The overall level of the 2019/20 Chief Constable's budget is £307m. The detailed allocations are shown in Appendix 1.

- 7.9. The Chief Constable is operationally independent under law and is responsible for the deployment of police officers and staff to keep the public safe and deliver policing in Devon and Cornwall.
- 7.10. 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. This ensures that proposals are sustainable longer term. 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, increase in council tax of £24 2019/20 with all subsequent years at 2.99%.
- 7.11. This year all Chief Constables have worked with HMICFRS to produce a Force Management Statement. It is based upon force and partners' data sets as well as wider environmental scanning. The Chief constable has taken this into account in his proposed deployment of the additional officers afforded through the £24 council tax increase.
- 7.12. The changes in workforce for 2019/20 and beyond are shown in Appendix 1 section g. This shows that there are projected to be 110 additional officers than are currently employed by the end of 2020/21. This takes the final number of officers above the level forecast in last year's MTFs to provide additional operational capacity. PCSO numbers will continue to reduce in line with current plans, retaining a level sufficient to deliver the local policing requirements of Project Genesis. Police staff numbers are due to reduce further during 2019/20 and then remain constant.
- 7.13. The change in workforce numbers arises due to:
- Additional investment in operational strength achieved through the increase in precept.
  - Provision of additional support to the front line, releasing operational officer time.
- 7.14. In summary the budget includes as part of the Police and Crime Plan priorities:
- Increase officer numbers to 3,100 over the next two years.
    - Provide an additional connectivity neighbourhood beat officer in each sector.
    - Increase detectives by 30 to address most serious offending and meet FMS priorities
    - Increase front line response teams.
  - Increase the investment in Special Constables
  - Continue with the piloted police staff team who ensure accuracy of crime data and take statements, removing work from the front line.
  - The roll out of Integrated Service Delivery (ISD) by summer 2019, taking 73,000 sets of workload from local policing teams.
  - Invest in modernised training and improving mental health and supporting good mental wellbeing in the workforce.

- Maximise the benefit of new operational hubs and County Headquarters.
- Technological investment in call handling, command & control and improved management information.
- High visibility and connectivity is a priority for all officers.

7.15. The Chief Constable, having worked closely with the PCC to construct these budget proposals has stated in a letter to the PCC, attached in Appendix 2:

*“I believe this proposed investment is fundamental to endeavouring to maintain our communities as some of the safest places to live within the United Kingdom and to delivering your Police and Crime Plan.”*

### **OPCC Office Budget and Commissioning Budget**

7.16. 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.

7.17. The OPCC office costs budget is proposed to be set at £1.7m for 2019/20 with a commissioning budget of £3.4m producing a total budget of £5.1m. The office budget has increased from 2019/20 due to the inclusion of the staff costs associated with the commissioning team. In previous years this has been included in the commissioning costs. This improves transparency.

7.18. Overall the OPCC budget has remained the same as 2018/19. Therefore, all inflationary increases have been offset by savings elsewhere.

7.19. The commissioning intentions for 2019/20 of the PCC are covered in a separate report to the panel. The proposed areas include:

- Community Safety Partnerships.
- Sexual violence support services.
- Mental health frontline support.
- Youth Offending Services.
- CCTV investment.
- Community Speedwatch.

### **The Capital Budget**

7.20. For the first time all PCC's are required to publish a capital strategy. This has been published and can be found on the OPCC website. During the summer of 2018 a comprehensive review of the capital programme was undertaken. This was then considered and agreed by the Joint Management Board.

7.21. The detail of the capital programme is attached in Appendix A section 5. The most significant projects within the capital programme are:

- The new custody and operational hub for Exeter which is now well underway. Completion and occupation is anticipated in summer 2020.

- The new build at Liskeard has commenced with completion anticipated in December 2019.
- Feasibility work is underway on the inclusion of custody at Bodmin.
- A comprehensive programme of ICT work across the organisation.

7.22. The annual revenue costs associated with this programme are contained within the annual budget base expenditure costs. By 2022/23 financing costs will have increased by £1.5m since 2018/19. 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 grant/receipts or revenue 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.

## **8. Reserves**

8.1. The Reserves Strategy is published annually and has been attached as Appendix 3. The PCC's Reserve Strategy has the following key principles:-

- The reserves policy for Devon and Cornwall will be looking to maintain general balances at no more than 5% and no less than 3% of overall funding levels each year.
- The requirement for the Reserves will be reviewed at least annually. Those reserves no longer required for their intended purpose will be identified and made available for other defined priorities.
- Reserves will be assessed annually to ensure adequacy.
- Risk assumptions used when assessing reserves will be reviewed annually.
- A long term view will be used when assessing the use of reserves to ensure all assets that support policing are maintained.
- General balances cover the general financial risks. This will include unexpected or unavoidable additional costs, such as a major operations, uninsured liabilities, or treasury management risks.

8.2. As at 31 March 2018 the total amount of reserves held were £53.8m. This is forecast to reduce to £36.5m by the end of March 2019 and then to further fall to £21.1m by the end of 2022/23.

## **9. Conclusion and Recommendations to the Police and Crime Panel**

9.1. In considering the full increase of £24 (per Band D equivalent) in council tax funding, the PCC has taken into account this year's funding settlement and seeks to ensure that funding for the force keeps pace with inflation at current levels. The increase in precept along with continued delivery of financial savings means that the MTFs can allow for some growth. The opportunity for growth is being targeted at the areas that the Chief Constable has identified to support delivery of a high quality policing service that meets the changing nature and complexity of demand. The MTFs will deliver a further increase in police officer

numbers, above the levels from the 2018/19 budget investment. It also includes funds to deliver further new blue light officers.

- 9.2. There are new and different demands being placed upon policing and resources need to be freed up to address these. The agreement of a pay award on the overall budget has a significant impact on funding as the pay budget accounts for 83% of the total spend. This will inevitably account for a considerable proportion of the additional £2 per month (Band D equivalent) of the Council Tax increase proposed. Many of the new areas of policing require investment in new technology before any operational savings can be generated. Increases in the council tax will allow these investments to be made and still provide opportunity for a further increase in police officer numbers and co-funded blue light officers.

### **These proposals are not without risk**

- 9.3. Police funding is assumed to remain constant over this MTFS based upon the Ministers predictions in the settlement being fulfilled. These predictions are far from certain and subject to more risk than normal due to the impending CSR. This can be coupled with other factors including Brexit and the national economic position. A risk register is attached as Appendix 4.
- 9.4. Although it is indicated that the implementation of the amended funding formula will be deferred until after the next CSR, this remains a significant future risk. The new funding formula allocation could remove annual funding. It is planned to use a significant proportion of the current reserves which will restrict any use to support a smooth transition to new base levels of expenditure. Transition to these new levels will be easier if precept levels have been maximised.
- 9.5. 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:

*“I believe this proposed investment is fundamental to endeavouring to maintain our communities as some of the safest places to live within the United Kingdom and to delivering your Police and Crime Plan.”*

## **10. Recommendation to the Police and Crime Panel**

- 10.1. 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:
  - (i) The Police and Crime Commissioners (PCC) proposal is for a £24 increase in the Band D equivalent for the police element of the council tax for the 2019/20 financial year.

**Alison Hernandez**  
**Police and Crime Commissioner**  
**February 2019**

**Nicola Allen**  
**Treasurer**  
**February 2019**

**Attached:-**

Appendix 1 – Medium Term Financial Strategy 2019/20 to 2022/23

Appendix 2 – Letter from the Chief Constable

Appendix 3 – Reserves Strategy

Appendix 4 – Risk Assessment