



NORTHUMBRIA POLICE AND CRIME PANEL AGENDA

Tuesday, 7 February 2017 at 2.00 pm at the Gateshead Civic Centre

From the Acting Chief Executive, Mike Barker

Item	Business
1.	Apologies
2.	Minutes The Panel is asked to approve the minutes of the last meeting held on 10 January 2017 (attached).
3.	Medium Term Financial Strategy 2017/18 - 2020/21 Report of the PCC attached.
4.	Proposed Precept for 2017/18 Report of the Clerk and PCC attached.
5.	Date and Time of the Next Meeting Tuesday, 28 February 2017 at 2.00pm in Gateshead Civic Centre

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Date: Monday 30 January 2017

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NORTHUMBRIA POLICE AND CRIME PANEL

10 January 2017

PRESENT:

Gateshead Council	Councillors J McElroy (Chair) and J McClurey
Newcastle City Council	Councillor J Robinson
North Tyneside Council	Councillor C Burdis
Northumberland County Council	Councillor L Simpson
South Tyneside Council	Councillor G Kilgour
Sunderland City Council	Councillor H Trueman
Independent Co-opted Members	J Guy and S Isaacson

ALSO IN ATTENDANCE:

Office of the Police and Crime Commissioner for Northumbria

Dame V Baird QC - Police and Crime Commissioner for Northumbria (PCC)
E Snaith - Chief Executive
M Tait - Chief Finance Officer

Gateshead Council

M Harrison - Legal, Democratic and Property Services
B Wilson - Democratic Services

APOLOGIES: Councillors N Kemp (Newcastle City Council), T Mulvenna (North Tyneside Council), I Hutchinson (Northumberland County Council), J Welsh (South Tyneside Council) and P Watson (Sunderland City Council)

28. QUEEN'S NEW YEAR'S HONOURS 2017 – DAME VERA BAIRD DBE QC

Vera Baird QC was appointed Dame Commander of the Order of the British Empire for services to women and equality in the 2017 New Year's Honours.

RESOLVED - That Dame Vera Baird QC be congratulated on the award of this honour.

29. MINUTES

RESOLVED - That the minutes of the last meeting held on 25 October 2016 be approved as a correct record.

30. FEEDBACK FROM NATIONAL AND REGIONAL EVENTS

There were no national and regional events reported.

RESOLVED – That the information be noted.

31. THEMED REPORT – POLICE RECORDED CRIME AND CRIME SURVEY FOR ENGLAND AND WALES

Further to minute 21 – 2016/17, an overview of the differences between police recorded crime levels and the Crime Survey for England and Wales (CSEW) conducted on behalf of the Office for National Statistics (ONS) was submitted. The CSEW, with a sample size of 35,000 households (minimum of 650 per police force area), asks people aged 16 and over about their experiences of crime in the last twelve months. Whilst it provides trends for personal and household crime it does not include all categories of crime.

The CSEW has also included children aged 10 to 15 since January 2009 and from October 2015, it introduced questions on fraud and computer misuse.

Police recorded crime is governed by the Home Office Counting Rules (HOCR) and the National Crime Recording Standard (NCRS). The UK Statistics Authority, in 2014, found that the statistics based on police recorded crime data did not meet the required standard for designation as National Statistics.

The Public Administration Select Committee has recommended that the annual audits of police force crime reporting be reinstated. Her Majesty's Inspectorate of Constabulary's (HMIC) national inspection of the integrity of police recorded crime concluded that 1 in 5 offences (19%) that should have been recorded as crimes were not. This has been followed up with a rolling programme of crime data integrity inspections at individual force level.

Police recorded crime statistics may, therefore, reflect improvements in recording practices, increases in reporting by victims or genuine increases in crime.

The two data sources are not directly comparable. The CSEW currently excludes fraud and crimes against society eg possession of drugs, those living in group residences or other institutions and crime against commercial or public sector bodies. While police recorded crime covers a broader range of offence types and victims, it is limited to only those offences reported to the police and is subject to NCRS compliance.

It is possible to compare some offence types covered by both measures (vehicle theft, burglary, bicycle theft, theft from the person, vandalism, assault without injury, assault with minor injury and wounding, and robbery).

The number of crimes identified by CSEW has reduced by 47% since the introduction of NCRS in April 2002. Over the same period, national police recorded crime reduced by 33% and in Northumbria by 43%.

Following renewed focus, the Force's compliance with NCRS has increased from 84 % to 92% during April - November 2016 compared to the same period 2015.

Over the past five years, all offence categories covered by CSEW have reduced between 16% and 43%.

Police recorded crime in Northumbria increased by 29% in 2015/16. This year, to 29 December 2016, recorded crime has increased by 30%. There have been increases in the majority of crime types.

The force completes an annual strategic assessment of the current and emerging threats and sets a control strategy and delivery plan to mitigate them. The following six priority areas have been identified:-

- Vulnerable ASB
- Child Sexual Abuse and Exploitation
- Signal Crime (Burglary)
- Domestic Abuse and Serious Sexual Offences
- Counter Terrorism and Domestic Extremism
- Organised Crime

The strategic assessment is currently being refreshed and cyber enabled crime, fraud and modern day slavery linked to organised crime were highlighted as key emerging issues.

The Panel raised the following issues:-

It was suggested that as the report was about two sets of data which were not comparable it would be better if they were, to get more consistency. This was acknowledged but the Government use both sets of statistics.

It was commented that it was confusing as to whether crime was actually increasing or whether it was down to the non-compliance with the recording standards and the improvements that were being made. It was assumed that as the force becomes more compliant with the Home Office counting rules then this will give a baseline for more accurate comparisons to be made with previous years.

It was raised that police officers have said anecdotally that there was too much focus on the stated six priority areas in the control strategy and they have been told not to bother with the other crimes. The PCC replied that there were high levels of public satisfaction in how the police have dealt with all categories of crime so no crimes were neglected.

It was asked if an incident that was not initially recorded as a crime would subsequently be changed to recorded if it was followed by a second incident that was recorded. It was replied that incidents that were not recorded as a crime were regularly audited and if necessary then recorded and feedback would be given to the relevant Area Command, etc.

It was asked how the force had dropped from third to seventh in its most similar family group if the other forces were recording crime and auditing it in the same way. It was replied that they may have the same processes but could be applying them differently.

It was asked how the two sets of crime statistics were considered when preparing the police and crime plan. The PCC replied that the plan was developed following public consultation on what they thought the policing priorities should be. The increases in crime areas may be considered if the priorities are similar. The Police will continue to tackle all areas of crime.

RESOLVED - That the information be noted.

32. COMPLAINTS AGAINST THE POLICE AND CRIME COMMISSIONER – QUARTERLY REPORT - DECEMBER 2016

In accordance with the agreed procedure, a report about the complaints and purported complaints against the PCC and every conduct matter recorded by the Monitoring Officer for the quarter ended December 2016 was submitted.

RESOLVED - That the information be noted.

33. POLICE AND CRIME COMMISSIONER – PROGRESS AND UPDATE REPORT

The PCC presented her update report to the Panel which covered the following:-

Commissioning intentions 2017-18
Refreshing the Regional Violence against Women and Girls Strategy
Working with partners, nationally, regionally and locally
HMIC Peel Assessments 2016
Scrutiny of HMIC Inspections
PCC Advisory Groups 2017
Complaints Triage Evaluation
Anti-social behaviour volunteer networks
'Words leave scars too'

The Panel raised the following issues:-

It was commented that the increase in male victims of domestic abuse and trends were very rarely reported. The PCC replied that there had been no provable increase but more male victims were willing to report it. Victims First Northumbria and some local organisations were offering services to male victims and she had included this issue in her campaigns against domestic abuse.

Reference was made to the HMIC Peel Assessment and it was asked if sufficient resources were available for the force to address the two areas identified for improvement. The PCC replied that there continued to be Government funding cuts but there has had to be a lot of ingenuity to save resources by providing services differently.

RESOLVED - That the PCC's update report be noted.

34. DELIVERY OF THE POLICE AND CRIME PLAN – APRIL – DECEMBER 2016: TARGETS AND PERFORMANCE

Inspector Metcalfe gave a presentation on the performance and target information relating to the delivery of the police and crime plan for April - December 2016 which included:-

Victim's journey – initial contact, response, investigation, outcome

Safeguarding the vulnerable – prepare, prevent, protect, pursue

Community confidence – engagement and understanding, prevent, treatment, overall service

Crime statistics force wide and for the six constituent Councils

The Panel raised the following issues:-

It was asked if there had been many cases in Court that had been affected because details had been put on social media. It was replied that there had been some but it had been more about putting pressure on victims, etc.

It was good to see that improvements had been made in the 101 call handling. However, there remained an issue with following up incidents when officers were off, etc. It was replied that IT equipment was being improved to try and tell victims when officers would not be available to contact.

It was stated that the number of repeat victims of crime had increased again. It was replied that the victim harm reduction plans were audited to check that appropriate action had been taken.

It was commented that the conviction rate for rape offences had continued to fall. Whilst the PCC can look to improve the levels of evidence provided etc, it was the jury who made the decisions which were beyond her control. The PCC replied that the report on the findings of the Court Observers Panel, which has observed the rape and some sexual abuse trials at Newcastle Crown Court, was to be published in the near future. This will then be discussed with the agencies involved to see what can be done increase the conviction rates.

In answer to a question, it was explained that the cctv repository would allow all agencies to view the evidence provided with savings made with not having to have it copied and distributed.

It was queried why the crime levels in North Tyneside had increased by 52% and how this and the public concern was to be addressed. It was replied that this increase was again linked to the non-compliance with the recording standards and the improvements being made. This will be raised with the Area Command and also how the public was to be reassured about this.

RESOLVED - That the information be noted.

35. POLICE GRANT SETTLEMENT 2017/18

The Chief Finance Officer gave a presentation on the police grant settlement 2017/18 which included: headlines, provisional settlement written ministerial statement and Government cut police grant by 1.4%, central funds, policing settlement, local policing settlement and precept considerations, threats and capital grant and next steps.

The Panel raised the following issues:-

It was pleasing to see that the local media had emphasised that the £5 increase in precept was per annum for band D properties.

It was asked if the transformation fund could be of benefit to the PCC. It was replied that this was a central fund. Bids had to be submitted which met the criteria and then be had to be successful.

It was asked if the local authorities could assist the PCC more with campaigns, etc to engage more with the community and help the PCC get messages across. The PCC replied that she had enquired about this but there may be costs involved.

RESOLVED - That the information be noted.

36. POLICE AND CRIME COMMISSIONER'S DRAFT ANNUAL REPORT 2015/16

The draft Annual Report 2015/16 of the Police and Crime Commissioner for Northumbria was presented. The Police Reform and Social Responsibility Act 2011 specifies that a PCC must produce an annual report on the exercise of their functions in each financial year, including the progress made in meeting the priorities in the Police and Crime Plan.

It is the role of the Panel under section 28(4) of the Act to review the Annual Report and make a report or recommendations to the PCC.

The Annual Report includes an overview of the PCC's activities and achievements since 1 April 2015 and a summary of the Northumbria Police 2015/16 performance data.

The PCC's 2013-18 Police and Crime Plan, published in March 2013, provides the focus for the annual report. This was currently being refreshed to ensure that the work of Northumbria Police and the PCC was responsive to local needs and priorities.

The annual report will be available on the PCC's website and hard copies will be shared with Panel Members and key stakeholders. A summary of the information will be shared with the public across Northumbria.

RESOLVED - That the PCC be advised that in accordance with section 28(4) of the Police Reform and Social Responsibility Act 2011, the Panel agreed with the format and content of the draft annual report 2015/16.

37. KEY ISSUES IN THE NEXT QUARTER

The PCC advised the Panel of the following key issues she would be addressing in the next quarter:-

- Analysis of the results of the consultation on the Police and Crime Plan
- The medium term financial strategy and setting the precept for 2017/18
- Continuing the work on the successful transformation fund bid for the collaborative delivery on a 'Whole System Approach to Domestic Abuse' with partners from five other police forces, local authorities in Northumbria, the community and voluntary sector and the criminal justice system.
- Preparing a bid to the transformation fund for the violence against women and girls strategy
- Association of Police and Crime Commissioners' Seminar on the new Policing and Crime Bill and the implications for PCCs

RESOLVED - That the information be noted.

38. THEMED TOPICS

Members of the Panel suggested the following themed topics for further consideration:-

- How new technology can be used to tackle the increases in cybercrime as part of the changes in demand on the police services
- The report on the findings of the Court Observers Panel
- Ways in which the PCC and the Community Safety Partnerships can work closer together
- Report on Operation Sanctuary, however, the PCC would need to check the current legal position regarding this operation

39. DATE OF NEXT MEETING

Tuesday, 7 February 2017 at 2.00pm

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Police & Crime Commissioner for Northumbria

MEDIUM TERM FINANCIAL STRATEGY

2017/18 – 2020/21

Police & Crime Commissioner for Northumbria
Medium Term Financial Strategy 2017/18 – 2020/21

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1. Purpose of the Medium Term Financial Strategy

- 1.1 This is the Medium Term Financial Strategy (MTFS) of the Police and Crime Commissioner for Northumbria (the Commissioner). It covers a period of four years but will be reviewed annually to reflect the dynamic nature of both policing and changes in funding. It describes the financial direction of the organisation and outlines financial pressures.
- 1.2 The MTFS provides options for delivering a sustainable budget and capital programme over the medium term. It also sets out how the Commissioner can provide the Chief Constable with the resources to deliver the priorities in the Police & Crime Plan within a challenging financial climate.
- 1.3 The MTFS sets the financial context for the Commissioner's revenue budget, capital programme and precepting decisions.
- 1.4 The overall financial strategy seeks to deliver the Commissioner's Police and Crime Plan, support 'Proud to Protect', the mission, vision and values of Northumbria Police and meet the requirements of the National Strategic Policing Requirement.

2. Benefits of the Strategy

- 2.1 The MTFS assists in:
 - Supporting delivery of the Police & Crime Plan;
 - Improving financial planning and the financial management of the Commissioner's resources, both revenue and capital;
 - Maximising the use of resources available to the Commissioner and Chief Constable, both internal and external;
 - Ensuring that the Commissioner and Chief Constable provide value for money and continue to deliver efficiency gains;
 - Allowing the development of longer term budgets and strategic thinking;
 - Reviewing the Commissioner's policy on the use of reserves, ensuring the position continues to be sustainable and there are sufficient resources over the medium term;
 - Responding to external pressures, including changes to the police funding formula and funding reductions; and
 - Developing a sustainable budget over the medium term.

3. Principles of the Strategy

- 3.1 The key principles underlying the Commissioner's MTFS 2017/18 – 2020/21 are:-
 - (i) Overall expenditure of the Commissioner will be contained within original estimates each year;
 - (ii) The Commissioner will maintain a General Reserve of a minimum of 2% of the net revenue budget to cover any major unforeseen

expenditure or loss of funding. A flexible approach will be taken to the use of reserve balances above this level where appropriate, balancing the opportunity costs of maintaining reserves against the benefits of alternative approaches.

- (iii) The Commissioner will maintain earmarked reserves for specific purposes only when appropriate and which are consistent with achieving objectives;
- (iv) The Commissioner will continue to prioritise the achievement of Value for Money, securing economy, efficiency and effectiveness in the use of resources; in establishing the framework for policing within Northumbria and; in commissioning and procurement decisions.
- (v) The Joint Chief Finance Officer and Chief Constable will prepare a rolling programme of four year budget forecasts to inform the Commissioner's budget and precepting decisions.
- (vi) The Commissioner, supported by the Joint Chief Finance Officer and Chief Constable, will continue to contribute to national reviews of police funding and take every opportunity to engage in order to pursue the fair and equitable funding of Northumbria Police.

4. Reviewing the Strategy

4.1 The Commissioner's MTFS review for 2017/18 to 2020/21 has been carried out under the following key themes:

- The financial context in which the Commissioner operates
- The Commissioner's current financial position;
- The future budget pressures and funding cuts which the Commissioner will face over the period of the strategy;
- Budget savings;
- The Commissioner's capital programme; and
- Reserves policy.

5. Operational Context

5.1 The successful delivery of the Strategy requires the Chief Constable to manage a complex set of resources, demands and priorities whilst reviewing and revising plans to meet changing demand for policing services within the available financial resources.

5.2 HMIC considers that a force is efficient if it is making the best use of its resources to provide policing services that meet expectation and follow public priorities and if it is planning and investing wisely for the future.

5.3 In the most recent HMIC PEEL inspection report '*Police Efficiency 2016 An Inspection of Northumbria Police*', Northumbria was assessed as GOOD in respect of the efficiency with which it keeps people safe and reduces crime.

- 5.4 Demand for police services is changing as new types of crime emerge which often require a different approach to policing, and working closely with partner agencies such as Fire and Rescue Services, Local Authorities, the NHS and Ambulance Service, to achieve common aims and objectives. The force has undertaken an assessment of changing crime types as part of its annual strategic assessment which gives a detailed picture of emerging demand for police response throughout Northumbria. The main areas of growing demand include Cyber-crime, Child Sexual Exploitation, Domestic Violence, Organised Immigration Crime, 'Honour Based Violence', Hate Crime and Antisocial Behaviour.
- 5.5 Detailed below in sections 5.6 to 5.10 are examples of how the force is changing the way it works to meet the demands of changing crime types and free up resources to provide an effective police response which meets the expectations of the public.
- 5.6 The Force has introduced a new more rigorous approach to the risk assessment of all 999 and 101 calls to ensure that the most appropriate police response is deployed. This approach is known as 'THRIVE' (threat, harm, risk, investigation, vulnerability and engagement). It aims to gather enough information to make an informed decision as to the best response in every case, with a shift to placing an emphasis on a response that is focused on the victim and the risks posed.
- 5.7 The introduction of a new 'resolution without deployment' (RWD) unit has also enhanced the handling of initial calls. The RWD unit deals with calls for service by telephone without sending a police officer to attend. The unit is staffed by experienced officers and relevant calls for service are effectively managed in-line with the customer's wishes without the need for the deployment of police officers. This is an example of change that has been implemented to improve efficiency and allows the Force to reinvest staff in areas of significant and emerging demand.
- 5.8 In 2016 Northumbria created a new Strategic Safeguarding Department within the Force Operating Model to co-ordinate the police response to the most vulnerable members of our community. The force has implemented a revised approach to safeguarding which reduces the demands placed upon Neighbourhood Policing Teams. The focus of this approach is on longer term partnership working and aims to embed effective working practices and relationships between Northumbria Police and each Local Authority.
- 5.9 A Force Improvement Team has been created to increase understanding of overall demand for police services, including hidden and under-reported demand. An important role of the team is to thoroughly understand the demand from safeguarding vulnerable people, and to develop multi-agency operating models that will enhance service provision and maximise efficiency savings.
- 5.10 Neighbourhood Policing remains at the heart of Northumbria Police's approach to delivering effective police services to all communities within the

Northumbria Police area. The force continues to work hard to break down barriers with those communities that traditionally have little trust in policing. Well established links through community cohesion teams and partner organisations have helped to increase levels of public confidence.

- 5.11 Underpinning this is a workforce plan that includes recruitment, training and development of officers and police staff, aligning resources with changing demand, whilst continuing to manage organisational change through the prudent use of reserves.

6. Financial Context

- 6.1 The last 6 years have seen unprecedented cuts to the funding provided by the Government to Police and Crime Commissioners (PCCs) in England and Wales. Northumbria has had to make £123.4m of cuts and efficiencies to manage the reductions imposed by government over that period. In addition it has also had its ability to raise additional tax revenue from the precept restricted by the excessiveness rules and a climate of council tax freeze grant incentives.
- 6.2 Northumbria were the hardest hit of any force in England and Wales over the last CSR period with total funding reduced by over 23% to 2015/16. The forces most affected by funding reductions are those with a higher percentage of total funding coming from central government. Northumbria experienced the largest impact of the cuts because it receives more in grant in proportion to its council tax; around 86% is grant for 16/17 but this proportion is reducing year on year with continued grant cuts. In addition Northumbria has the lowest precept of any PCC in England and Wales and a low yield too.
- 6.3 The financial reserves have played a key part in the strategy to balance costs with available funding, giving much needed head room to establish strategies and implement change.
- 6.4 Despite cutting its workforce by more than 26%, making efficiencies, transforming business areas through investment in technology, cutting waste, selling property and consolidating its Area Commands from six to three, Northumbria still needs to reduce expenditure further to match spend with financial resources.
- 6.5 We need to maintain our pace, continue our Force Improvement programme, explore further collaboration and continue our reform in order to align our spend. All of this will need to take place as we constantly review and redeploy our resources to meet the ever changing nature of demand for policing services and continue to protect our local communities. We will invest in extending our cyber-crime capabilities, providing support to victims of crime, protecting the most vulnerable members of our communities, preventing child sexual exploitation and modern day slavery, developing anti-terrorism and firearms capabilities.

Formula Review

- 6.6 In July 2015 the Home Office launched a very short 8 week consultation on its proposals to revise the acknowledged outdated police funding formula. The identification of fundamental errors in the data used within the published exemplifications forced the Home Office to halt the review process in November 2015 with the Minister publicly apologising for the errors.
- 6.7 During 2016 the Government re-launched its review of the Police funding formula. If the Home Office decide to implement a new formula it is expected that it will be introduced from 2018/19. We await the outcome of this and will ensure that we are fully engaged to pursue the best outcome for Northumbria from 2018/19 onwards.

Spending Review and Police Settlement

- 6.8 The Comprehensive Spending Review (CSR) 2015 set out indicative spending settlements for each government department up to 2019-20. Overall police funding was to be cut by 1.3% in real terms over four years.
- 6.9 The Government further stated that taking into account the scope that Police and Crime Commissioners have to raise local Council Tax this would mean a flat real settlement for policing as a whole.
- 6.10 The Final Police Grant Report for 2016/17 reduced core grant funding for police forces by 0.6%, a loss of £1.25m for Northumbria.
- 6.11 The 2017/18 Provisional Police Settlement was announced in a written ministerial statement on 15 December 2016. It covered just one year and confirmed:

Key Points:

- A flat rate reduction in grant funding of 1.4% in cash terms, core grant funding for police forces cut by £99m in total.
- The impact for Northumbria is a loss of £3.0m.
- No PCC to face a cash reduction in total funding (core grant plus legacy council tax grants plus precept income), when compared to 2015/16 and providing that they maximise their precept increase.
- The council tax referendum limit for English forces to remain at 2% with continuation of the additional flexibility for the ten lowest precepting forces to raise the precept by £5. The lowest ten precepting PCCs are Northumbria, West Midlands, West Yorkshire, Sussex, Essex, Kent, Hertfordshire, South Yorkshire, Greater Manchester and Hampshire (unchanged against 2016/17 other than Cheshire which have now been replaced by Hampshire).
- Grants relating to previous council tax and freeze grants retained and payable but there will be no new council tax freeze grant for 2017/18.
- Police capital grant allocated to forces is reduced by 15%.

Top-slice and Reallocations:

- Emergency Services Network (ESN) top slice increased by £100m to £180m.
- Transformation Fund merged with Innovation Fund, increased by £44m overall to £175m.
- Counter Terrorism funding increased by £30m to £670m.
- Special Grant top slice increased by £25m to £50m.
- New top slice of £15m for Pre-Charge Bail and £28m for Strengthening the Response to Organised Crime.

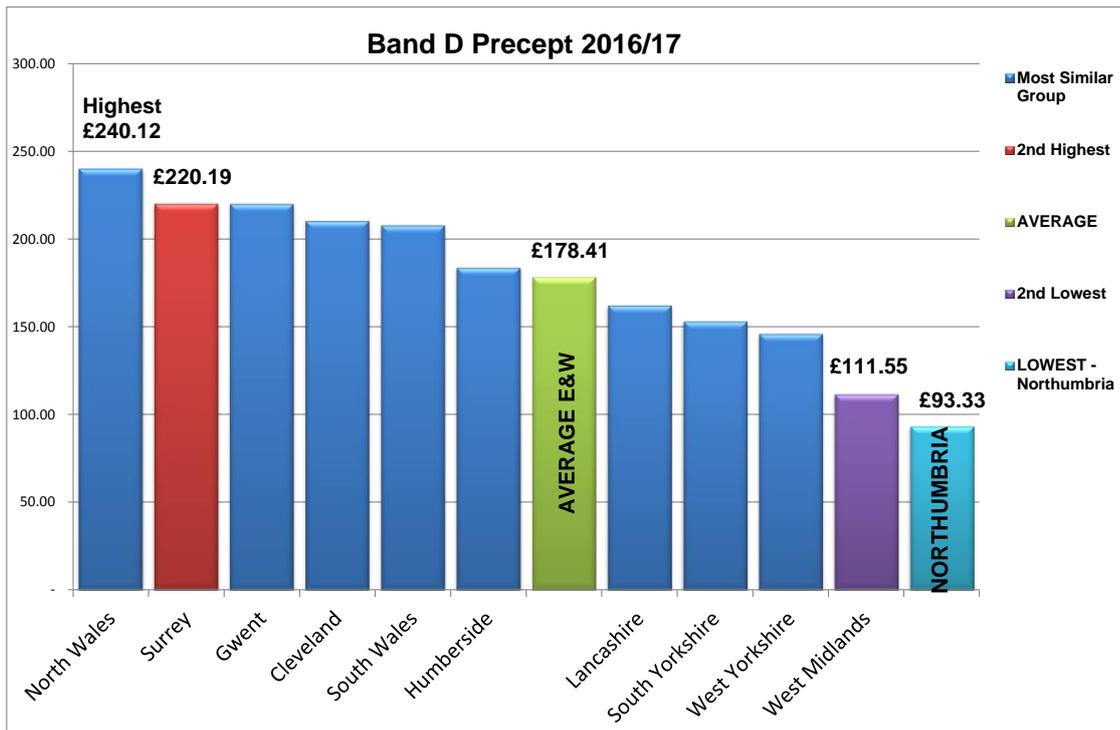
6.12 The final settlement is due to be confirmed early February 2017 and, as in previous years, is unlikely to include any changes. This MTFS is therefore prepared on the assumptions as laid out in the provisional settlement.

6.13 For Northumbria the implications of the 2017/18 settlement are as follows:

- Grant cut by £3.0m (1.4%) to £214.5m (£217.5m 16/17)
- Option to protect 'spending power' with a £5 increase to the precept;
- Capital grant has been cut by 15% to £1.26m (£1.49m 16/17).
- No recognition of the implications of budget pressures – Inflation including the pay award of £2.5m, the Apprenticeship Levy £0.8m, Insurance Tax increase and a significant rise in Employer Pension costs of £1.0m.
- No recognition of the impact of significant capital investment required in respect of National IT projects such as ESN (Emergency Services Network). For Northumbria the estimated investment is nearly £6 million.

Council Tax

6.14 Since 2007/08, council tax increases nationally have been restricted by the Government's capping and Council Tax excessiveness principles. Nationally the proportion of grant funding from Central Government has reduced, and the proportion from Council Tax has increased. However Northumbria's Council Tax precept is by far the lowest of policing bodies in the country at £93.33 per year (2016/17) for Band D properties. The following table shows the highest and lowest PCC precepts, Northumbria's MSG (most similar group) and the average PCC precept for England and Wales:



6.15 For Northumbria Police income from Council Tax equates to only 14% of total funding in 16/17. The schedule below sets out the level of Band D Council Tax over the last 4 years:

Year	Precept (Band D)
2016/17	£93.33
2015/16	£88.33
2014/15	£86.61
2013/14	£86.61

6.16 The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any billing or major precepting body that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum.

6.17 The precept excessiveness rules for 2017/18 are unchanged against those in 2016/17. The majority of PCCs will be limited to a maximum 1.99% increase to their precept for 2017/18. The 10 PCCs with the lowest precept, of which Northumbria is the lowest, have the flexibility to increase their precept by up to £5 per year (per Band D property).

6.18 This MTFS as presented includes the assumption that for each of the four years 2017/18 to 2020/21 the excessiveness rules continue to permit a precept increase of £5 for Northumbria and the precept is increased to that

maximum each year, in order to protect 'Spending Power' in line with the Governments CSR assumption.

- 6.19 Northumbria will remain in the lowest 10 precept grouping throughout the MTFS period.
- 6.20 The MTFS also includes the following legacy grants relating to the freeze in the precept (11/12 and 14/15) and the localisation of council tax support schemes in addition to the constituent authorities' net surplus on collection funds:
- Home Office Legacy Council Tax Freeze Grants totalling £1.301m.
 - Localised Council Tax Support Grant £6.867m.
 - Collection fund surplus £0.872m in total.

Police Transformation Fund

- 6.21 The Innovation Fund introduced in recent years has now been subsumed into the Transformation Fund and funds have been increased overall by £44m to £175m for 2017/18.
- 6.22 The Police and Crime Commissioner has been successful in securing significant investment through grant funding from within these national funds:
- 2015/16 – £2.618m
 - 2016/17 – £4.632m
 - 2017/18 – £0.430m
- 6.23 Projects funded through national funds have focused on tackling domestic abuse; preventing serial perpetrator offending; improving victim safety and confidence; multi-agency work to tackle Child Sexual Exploitation (CSE), vulnerability and modern day slavery; safeguarding of serial victims; Safetyworks! and other projects which aim to protect victims and support the most vulnerable.
- 6.24 The Commissioner will continue to maximise all opportunities to secure funding from within the Transformation Fund during 2017/18 and across future years.

Ministry of Justice Grant

- 6.25 The Ministry of Justice (MOJ) allocates a grant to the Commissioner each year for local commissioning of Victims Support Services. The grant is allocated between Police and Crime Commissioners on the basis of population. A total of £1.685m has been allocated to the Police and Crime Commissioner for Northumbria for 2017/18 (£1.696m in 2016/17).
- 6.26 The MOJ grant is held outside of the police General Fund and the Commissioner makes decisions on the commissioning of services on an annual basis, within the grant funding available. The commissioning of victim services therefore has no impact on force budgets.

7. Current 2016/17 Financial Position

- 7.1 The Commissioner's net revenue budget for 2016/17 is £266.840m. The Quarter 3 revenue monitoring report shows a projected budget surplus of £1.188m as at 31 December 2016.

2016/17 Revenue Monitoring - Quarter 3 Position			
	Approved Budget 2016/17	Projected Outturn 2016/17	Variance 2016/17
Group Position	£m	£m	£m
Chief Constable	256.080	256.080	0
Police and Crime Commissioner	2.262	2.212	(0.05)
Capital Financing	8.498	7.360	(1.14)
Net Expenditure	266.840	265.652	(1.188)
Central Government Grant	(225.666)	(225.666)	0
Council Tax Precept	(35.482)	(35.482)	0
Central Grant and Precept Total	(261.148)	(261.148)	0
Appropriations (to) / from reserves	5.692	4.504	(1.188)

- 7.2 Both the Chief Constable and Police and Crime Commissioner's revenue budgets are in line with the approved budget for 2016/17.
- 7.3 Capital financing savings on interest costs have been realised in-year mainly as a result of the base rate reduction in August 2016, following the Brexit vote. In addition, principal repayment of capital is less than the original estimate due to an under-spend against the capital programme in 2015/16.
- 7.4 The estimated budget surplus will allow the Commissioner to draw less than was planned from the reserves in 2016/17.

2016/17 General Reserve - Quarter 3 Position			
	Approved 2016/17	Revised 2016/17	Variance 2016/17
Group Position	£m	£m	£m
Opening Balance (01/04/16)	15.1	15.4	0.3
Planned Use of Reserve	(5.7)	(4.5)	1.2
Forecast Closing Balance (31/03/17)	9.4	10.9	1.5

8. Medium Term Budget Pressures

- 8.1 When calculating the medium term budget projections consideration has been given to a number of budget pressures including (i) reductions in grant funding, (ii) pay and price increases, (iii) revenue implications of the capital programme and (iv) other.

Reductions in Grant Funding

- 8.2 The provisional grant settlement for 2017/18 has cut Northumbria's core grant from government by £3.0m (1.4%) to £214.5m (£217.5m 16/17).
- 8.3 For the years 2018/19 to 2020/21 we have assumed that grant cuts continue at a level which maintains 'total funding' at the same level as for 2015/16. All future year precept increases are therefore offset by a further grant reduction. This is in line with the Government's commitment to maintain total funding for forces in line with 2015/16 when precept increases are taken into account.

Pay and price inflation

- 8.4 The indicative budget forecasts for 2017/18 reflect a positive approach to managing the impact of inflation on budgets wherever possible, in that there have been no automatic budget increases for inflationary pressures. Inflation provision has been included to meet energy, business rates and rent increases along with contract increases. In addition, estimates for future pay awards at 1% have been included and CPI linked inflation on Injury Pensions. The total cost increase is estimated at £2.5m per annum.

Revenue implications of the capital programme

- 8.5 A revised four year capital programme has been produced, which is summarised in Section 10. The implications of this programme are fully reflected in the MTFS.

Other

- 8.6 **Employers Pension Contributions** - The triennial review of the Police Staff LGPS (Local Government Pension Scheme) took place during 2016 and the final report by the Fund actuary is expected in March 2017. The revaluation takes place every 3 years and sets the required level of employer contribution rate for the next 3 years. The Fund actuary has provided formal notification of the rates required for 2017/18 to 2019/20, ahead of the final report, to allow the cost implications to be taken into account within budget preparation. The required contribution rate has increased from 13.6% to 16.5% which results in an additional cost of £1.0m per annum.
- 8.7 **Apprenticeship Levy** - The Government is planning to introduce an Apprenticeship Levy from 1st April 2017. The cost of the levy is based on a percentage of an employers' 'pay bill'. The estimated cost for Northumbria is £0.8m from 2017/18 onwards.

9. Medium Term Savings Proposals

- 9.1 As discussed previously, there has been a period of sustained financial pressure throughout the previous CSR, the impact of which will continue to work through impacting on the early years of this new MTFS.

9.2 In addition, savings will continue to be delivered wherever possible, for example:

- Continued rationalisation of the operational estate, including maximising collaborative opportunities;
- Comprehensive workforce plan which manages reductions whilst aligning resources with changing demand;
- Non pay savings through centralised budget management;
- Savings through procurement particularly within ICT and Estates;
- Maximising income generation wherever possible, notwithstanding such opportunities being limited within the Police world.

9.3 Employee pay costs for Police Officers, Police Staff and CSOs represent a significant proportion of our annual budget requirement, and therefore there will continue to be changes required to workforce numbers and structures within the MTFs period.

10. Capital Estimates and Financing

10.1 The following table provides a summary of the 4 year capital programme:

Capital Estimates	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000	Total £,000
Major and Minor Building Schemes	2,504	5,750	1,600	1,500	11,354
Information Technology	7,884	13,824	3,584	1,425	26,717
Vehicles and Equipment	2,804	2,862	3,060	2,696	11,422
Total	13,192	22,436	8,244	5,621	49,493

10.2 Key areas to note in the proposed programme are:

- **Building Schemes** – Estates refurbishment programme based on operational requirements, transition and relocation costs associated with the estates rationalisation programme and co-location with partner agencies.
- **Information Technology** – the force have a number of Improvement Schemes to deliver change and efficiency through transformation which includes considerable investment in IT systems across a number of policing areas. The estimates include a significant level of investment in the implementation of the National Emergency Services Network (ESN) within Northumbria, the NPICCS replacement programme, system upgrades and infrastructure changes.
- **Vehicles and Equipment** – a rolling programme of vehicle replacement and material programmes for upgrading equipment.

Capital Financing

Capital Estimates	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000	Total £,000
Forecast Expenditure	13,192	22,436	8,244	5,621	49,493
Financed by:					
Grants and Contributions	1,401	1,785	876	663	4,725
Capital receipts	9,377	12,015	5,768	3,458	30,618
Prudential Borrowing	2,414	8,636	1,600	1,500	14,150
Total Financing	13,192	22,436	8,244	5,621	49,493

- 10.3 The capital financing approach remains to maximise the use of Capital Receipts to support the Capital Programme after the use of grant and also to maximise overall benefit in underpinning the Revenue budget.
- 10.4 Through this MTFS it is proposed that the majority of capital spending for short life assets will be financed from capital receipts. Building works with longer asset lives will be supported by prudential borrowing as this provides the most efficient form of financing.

11. Reserves

Background information on Reserves

- 11.1 Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets.
- 11.2 In establishing reserves, the Commissioner must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.
- 11.3 CIPFA guidance on Reserves and Balances (LAAP Bulletin No 77 November 2008) and the requirements of the Code suggests twice yearly reviews of reserves. By doing this, the visibility of reserves are increased and consideration of their use is placed at the forefront of the decision making process. Reserves are cash backed balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be spent once, and are not part of the base budget.
- 11.4 The Commissioner's balance sheet reserves are summarised as follows:
- General Reserves – a contingency for unexpected events or emergencies and a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
 - Earmarked Reserves – to meet known or predicted liabilities, for example workforce management, insurance and capital development reserves,

- 11.5 CIPFA guidance issued in June 2003 confirms that relevant bodies should make their own judgements on such matters, taking into account relevant local circumstances and an assessment of risk and the advice of the Chief Finance Officer.

Reserves

- 11.6 The Commissioner must retain adequate reserves so that unexpected budget pressures can be met without adverse impact on the achievement of key objectives and council tax payers. The Commissioner's policy for reserves and balances is based on a thorough understanding of the organisation's needs and risks. Part of this process is to give a clear explanation of the existing and proposed use of reserves and this is addressed in the paragraphs below.

General Reserve

- 11.7 The expected General Reserve at 1 April 2017 is £10.9m equating to 4.1% of the revenue budget. This meets one of the key MTFS principles to seek to maintain the general reserve at a minimum of 2% of the revenue budget. The closing general reserves at March 2021 are estimated to be £9.3m equating to 3.6% of the revenue budget.

Earmarked Reserves

- 11.8 The following reserves have been set aside for specific purposes. The table shows the strategy for use of reserves over the MTFS.

	At 31 March 2017 £m	At 31 March 2018 £m	At 31 March 2019 £m	At 31 March 2020 £m	At 31 March 2021 £m
Earmarked Reserves					
Insurance Reserve	3.0	3.0	3.0	3.0	3.0
Workforce Development Reserve	1.3	1.3	1.3	1.3	1.3
External Funding Reserve	0.1	0.1	0.1	0.1	0.1
Total Earmarked Reserves	4.4	4.4	4.4	4.4	4.4
General Reserves	10.9	9.4	8.3	9.3	9.3
Total Reserves	15.3	13.8	12.7	13.7	13.7

Insurance Reserve

- 11.9 The Insurance Reserve is maintained for potential liabilities and costs which fall onto the Commissioner where no external insurance cover is arranged by or available to the Commissioner. Potential liabilities include storm damage, business interruption and claims that would fall within the Commissioner's policy excess limits. The level of this reserve is £3m and it is not anticipated that this will change over the period of the MTFS.

Workforce Development Reserve

11.10 The Workforce Development Reserve was set up to manage the costs associated with workforce change and was used over the last CSR to manage the workforce reductions required over that period. The reserve has an estimated balance of £1.3m as at 31 March 2017. There has been no direct requirement identified for use of this reserve however the Commissioner's approach will remain flexible and the prudent use of balances will remain an option to manage the MTFS risks set out at section 13.

External Funding Reserve

11.11 The External Funding Reserve comprises unspent non-conditional revenue grant income which is to be used for specific purposes in future years. The reserve is expected to be fully used in 2016/17, however it is also anticipated that at 31 March 2017 there will again be non-conditional revenue grant income to be carried forward therefore there will be an external funding reserve on an annual basis. The reserve value for 2017/18 is estimated to be maintained at £0.100m and for planning purposes this level has been retained for the MTFS period.

12. Indicative Budget Forecasts 2017/18 to 2020/21

12.1 All the budget pressures, budget savings, funding assumptions and proposed use of reserves outlined earlier in this Strategy are summarised below, to show an overall position for the Group representing the combined budget forecasts for the Commissioner and Chief Constable. Having considered the savings proposals and the availability of reserves to support the medium term plan an important consideration is the precept proposal for 2017/18. The MTFS includes a precept increase of £5 built into the funding from 2017/18 going forward.

The group budget forecast position is set out in the following table:

MTFS Group Budget Forecast	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Base budget	266.8	262.5	260.6	258.5
Budget pressures				
Pay and price increases	6.8	4.4	4.1	5.5
Budget pressures	2.3	1.3	0.6	0.6
Revenue impact of capital financing	(1.2)	(0.1)	0.7	(0.6)
Total budget pressures	7.9	5.6	5.4	5.5
Proposed budget savings	(12.2)	(7.5)	(7.5)	(4.5)
Total Budget	262.5	260.6	258.5	259.5
Grant Income	214.5	211.7	209.5	207.4
Council Tax Support Grant	6.9	6.9	6.9	6.9
Council Tax Freeze Grant 11/12	0.9	0.9	0.9	0.9
Council Tax Freeze Grant 14/15	0.4	0.4	0.4	0.4
Council Tax Income (16/17)	34.9	34.9	34.9	34.9
Council Tax - Precept Increase	2.5	4.7	6.9	9.0
Council Tax - Collection Fund surplus / (deficit)	0.9	0.0	0.0	0.0
Total Income	261.0	259.5	259.5	259.5
Funding gap / (surplus) before reserves	1.5	1.1	(1.0)	0.0
Planned use of reserves:				
Transfers from / (to) General Reserve	1.5	1.1	(1.0)	0.0
Funding gap / (surplus) after use of reserves	0.0	0.0	0.0	0.0

12.2 The Group forecast budget set out above shows how after the planned use of reserves, savings and the precept there is no funding gap for the period of the MTFS, which meets the key principle of the Commissioner's Strategy that overall expenditure will be delivered within a sustainable budget over the medium term.

13. Risk Assessment

13.1 The MTFS contains the most up to date information at the time of drafting but the Commissioner's financial position is dynamic. A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure all risks and uncertainties affecting the Commissioner's financial position are identified. The Commissioner faces a number of significant financial pressures that could affect the position over the medium term. An assessment of the likelihood and impact of each risk and the management controls in place are shown in the following table:

Risk	Likelihood	Impact	Risk Management
General Reserve not sufficient to cover future unexpected costs	Possible	High	Reserve strategy to maintain balance at a minimum of 2% of budget.
Pay awards and price inflation being higher than anticipated	Possible	Medium	Budget based on best information available and set at a prudent level.
Capital financing charges will be higher than forecast	Unlikely	Low	Revenue implications are considered as part of capital planning and any changes to variable rate will have minimum impact as 100% of debt is at fixed rates.
Interest rates on deposits lower than anticipated	Unlikely	Low	Prudential assumptions on likely interest rates are incorporated into the MTFs and regular review, monitoring and reporting of interest takes place.
Capital programme is understated and funding not available to deliver plans	Unlikely	Low	Capital monitoring updates are taken to the Commissioner quarterly to provide assurance in the accuracy of forecast and monthly monitoring undertaken by the Chief Finance Officer and Chief Constable. Prudential borrowing gives flexibility in financing the capital programme.
Failure to deliver planned savings	Possible	High	Quarterly revenue monitoring updates to the Commissioner and monthly monitoring undertaken by the Chief Finance Officer and Chief Constable; maintenance of the General Reserve balance at 2% of budget.
Further reductions in funding including unfavourable review of funding formula	Possible	High	Balance on General Reserve maintained at minimum of 2%; forward planning; regular monitoring.
Future council tax rises limited by excessiveness principles determined by the Government	Likely	Low	Balance on General Reserve maintained at minimum of 2%; forward planning.

Risk	Likelihood	Impact	Risk Management
Reduction in council tax collection following the introduction of the localised council tax support scheme	Unlikely	Low	Balance on General Reserve maintained at minimum of 2%; forward planning; regular monitoring.
Costs associated with the outcome of the national legal challenge to the Police Pension Scheme (2015) transition arrangements are not met centrally by the Home Office	Possible	Medium	Balance on General Reserve maintained at minimum of 2%; Insurance Reserve maintained at £3.0m; close budget monitoring; annual review of budget and MTFS; existing Police Pension Fund arrangements require the Home Office to balance the deficit on the Fund each year through a top-up grant.
Not all risk have been identified	Unlikely	Medium	Comprehensive insurance arrangements are in place alongside robust risk management arrangements; balance on General Reserve maintained at a minimum of 2% of budget.

14. Conclusion

- 14.1 The overall financial context for Northumbria Police remains extremely challenging.
- 14.2 The approach set out in this MTFS will deliver a balanced budget. It sets out how all four years will be financed and general reserves will be maintained at an estimated £9.3m and this is greater than the minimum set out in the reserve strategy. The management of this position is achieved through the rationalisation of estates, workforce change, a continuation of the 3 Area Command structure and operating model and significant non pay savings.
- 14.3 The MTFS does indicate that a sustainable financial position can be achieved over the period 2017/18 to 2020/21 and the Commissioner is fully committed to taking the necessary decisions to achieve this outcome.

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NORTHUMBRIA POLICE AND CRIME PANEL

PANEL MEETING ON 7 FEBRUARY 2017

SUBJECT - PROPOSED PRECEPT FOR 2017/18

REPORT OF THE CLERK TO THE PANEL

1. Purpose of Report

- 1.1 The Panel is asked to consider the Police and Crime Commissioner's (PCC's) proposed precept for 2017/18.

2. Background

- 2.1 The PCC has provided the attached report setting out her proposed precept for policing in Northumbria for 2017/18.
- 2.2 The Panel must review the proposed precept and make a report to PCC on the proposed precept by 8 February 2017. The report may include recommendations, including recommendations as to the precept that should be issued for the financial year.

Next steps if there is no veto

- 2.3 If the Panel decides not to veto the precept then the PCC will:

- have regard to the report referred to in 2.2 above and any recommendations made by the Panel;
- respond to the Panel;
- publish the response; and
- issue the proposed precept or a different precept if this is in accordance with the Panel's recommendation

Next steps if there is a veto

- 2.4 The Panel can only veto the proposed precept if it has the agreement of at least two thirds of the Panel's members (that is 9 members).
- 2.5 If the precept is vetoed by the Panel then the PCC cannot issue the precept and by 15 February 2017 will:
- have regard to the report;
 - respond to the Panel with a revised precept; and

- publish the response.

The revised precept must reflect the Panel's recommendation ie if the Panel states that the precept is:

- too high, then the revised precept must be lower; or
- too low, then the revised precept must be higher.

2.6 By 22 February 2017 the Panel must:

- review the revised precept;
- make a second report to the PCC, accepting or rejecting the revised precept (rejection does not prevent the PCC from issuing the revised precept);
- make recommendations, including recommendations as to the precept that should be issued.

Failure to report by this date will end the scrutiny process and the PCC may issue the revised precept.

2.7 By 1 March 2017 the PCC shall:

- have regard to the second report, including any recommendations;
- give the Panel a response to the second report; and
- publish the response.

2.8 The PCC may now issue the revised precept or a different precept. The different precept must still be higher or lower than the vetoed precept as detailed above, unless the second report recommends a different level of precept.

3. Recommendation

3.1 The Panel is asked to

- (i) consider the PCC's proposed precept; and
- (ii) decide whether it wishes to accept or reject the proposed precept and whether it wishes to make any recommendations in its report to the PCC.



Report of Police and Crime Commissioner for Northumbria

Report on Proposed Precept for 2017/18

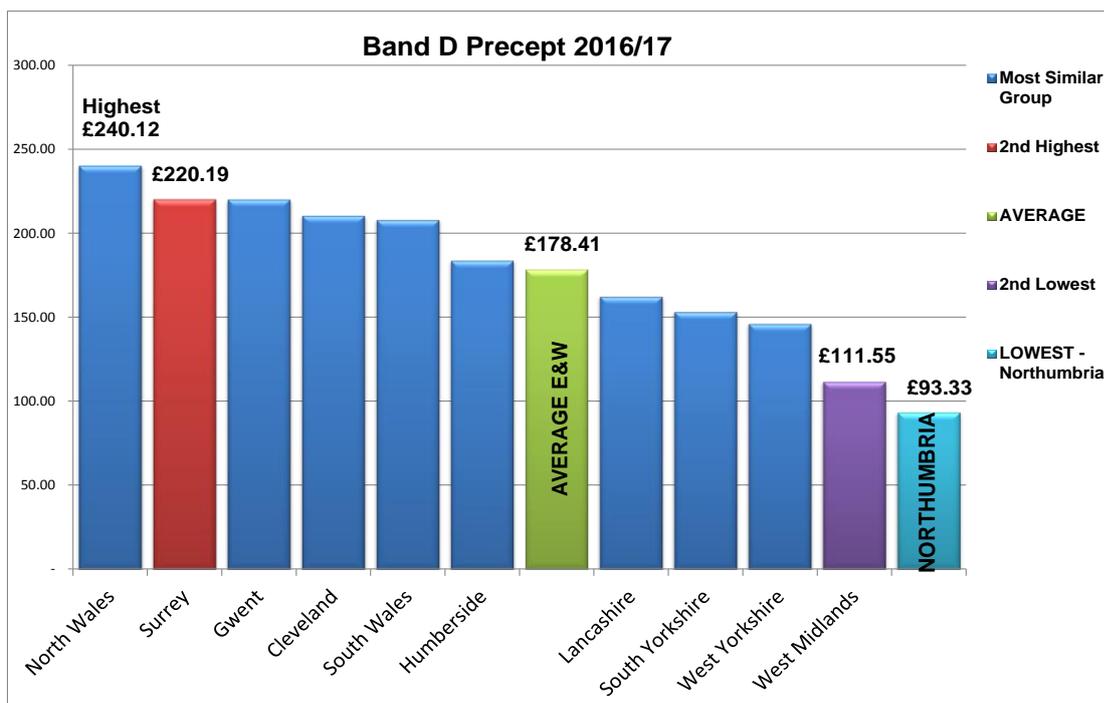
1. Purpose of Report

1.1 This report sets out my proposed council tax precept for the policing area covered by the Police and Crime Commissioner (PCC) for Northumbria for the 2017/18 financial year, with a recommendation to agree to the proposal.

2. Background

2.1 The Police Reform and Social Responsibility Act 2011 Schedule 5 states that “A Police and Crime Commissioner may not issue a precept under section 40 of the Local Government Finance Act 1992 for a financial year until the end of the scrutiny process is reached.” The first stage of the scrutiny process is that I must notify you of the precept I am proposing to issue for the financial year 2017/18.

2.2 The Council Tax Precept is a key source of revenue for my organisation:



- The Northumbria Band D precept charge of £93.33 is the lowest of any PCC in England and Wales by a very long way.
- The next lowest PCC precept is West Midlands at £111.55.
- The average precept is £178.41 and the highest is £240.12.
- The council tax precept raised over £34.9 million in 2016/17 – equivalent to 700 police officers.
- Approximately 14% of our core resource funding in 2016/17, was derived from council tax and that percentage is increasing year on year as our core funding from central government is cut.

3. THE BUDGET AND SETTLEMENT

- 3.1 The Home Office provisional 2017/18 police grant settlement stated that no force will receive a cut to their 'spending power' in 2017/18 when compared with 2015/16.
- 3.2 However, the reality is that Northumbria's grant has been cut by £3.0 million (1.4%) and the Home Office has set out a clear expectation that this cut will be met locally by tax payers through an increase to the precept of £5 to meet the shortfall.
- 3.3 The precept excessiveness rules for 2017/18 are unchanged against those in 2016/17. The majority of PCCs will be limited to a maximum 1.99% increase to their precept for 2017/18. The 10 PCCs with the lowest precept, of which Northumbria remains the lowest, have the flexibility to increase their precept by up to £5.
- 3.4 The council tax precept raised £34.947 million towards the total funding requirement for the PCC in 2016/17.
- 3.5 The Government has recognised that the local precept is a rich seam that it can use to make further cuts to our funding whilst claiming that the funding for Policing is being protected, and its latest 2017/18 settlement continues to demonstrate this.
- 3.6 The provisional settlement published in December 2016 clearly set out that due to increases in the tax base being accelerated in 2016/17 beyond the Governments CSR estimates, the Home Office were able to cut more from the core police grant in 2017/18.
- 3.7 The current financial climate remains a difficult and challenging one. Since 2010 we have seen unprecedented cuts to Police funding by the Government, significant top-slicing of local police funding and restrictions on precept increases. Northumbria were the hardest hit of any force in England and Wales over those years and looking forward over the current CSR period Government funding is set to reduce even further.
- 3.8 The severe restrictions on funding from central government are being delivered with the clear expectation that the shortfall is met locally by tax payers through the precept. Local precept income is therefore essential to maintain spending power and preserve the high standards of policing that we have in Northumbria.

3.9 The attached report at **Appendix 1** sets out the proposed revenue budget and capital programme for 2017/18 including my precept proposal, together with a review of the current year's budget position and future funding, and is fully aligned with the Medium Term Financial Strategy 2017/18 to 2020/21.

4. PRECEPT OPTIONS

4.1 There are no Council Tax Freeze grants available for 2017/18.

4.2 The funding available through the maximum permissible precept increase of £5 on the tax base would provide an additional £2.570m in 2017/18. It would also increase the underlying precept base and would therefore provide further financial benefit in future years.

4.3 For context, an increase of £5 p/year for a Band D property equates to approximately 10 pence per week. For a large proportion of the residents in Northumbria, those in a Band A property, the actual increase will be less than 7 pence per week (£3.33 p/year).

4.4 It would take nearly 4 years of increases at £5 per year to match the 2nd lowest PCC precept (West Midlands).

4.5 During January 2017 I launched a consultation with the public on the precept, which closed on Monday 30th January 2017. I promoted the precept consultation through social media – both OPCC and Northumbria Police Twitter and Facebook. A press release was sent to all local media, many of whom ran the feature in local papers, urging residents to email their thoughts and views. In addition to this, it also featured in the media section of my website.

4.6 I chose to carry out a qualitative consultation, looking for the depth of feeling that respondents had about the proposal rather than a quantitative approach which has been used in the past. This also ensured that responses were provided by residents in Northumberland and Tyne and Wear area only.

4.7 Since October 2016, I have been consulting about the priorities in the Police & Crime Plan, and often police funding was mentioned – so although the information was gained through a different consultation, it has also been included in the precept findings.

4.8 Of the responses received from the public, over 80% were fully supportive of the increase in the average precept of £5.00 p/year. The responses show that Northumbria Police is held in high regard by many residents. There is clearly a sense of pride in our local policing service and it is clear that people want to ensure the services of the police are available if they ever need them. Comments made by respondents include:

- I have no objection whatsoever to a rise in the Police Precept.
- We fully support a £5.00 increase.
- Without this increase then no doubt Police numbers will be further reduced and therefore the effectiveness of Northumbria Police further diminished. I fully support any plan to increase police funding and I would be more than happy to pay an additional £5 per year on my council tax.
- Prepared to pay the increase to keep Northumberland safe.

- 4.9 Those against the precept increase included views that local tax payers already pay enough, the cuts imposed by the two most recent terms of Government should not be funded by increases in local council tax, PCCs should go back to Government for more money, not council tax payers.
- 4.10 I have considered the options available to me and have taken into consideration the consultation feedback. However, my primary consideration is to ensure the effective delivery of the Police and Crime Plan, protecting communities and the most vulnerable, and maintaining the provision of neighbourhood based policing services as far as possible. I believe it is the right decision to recommend an increase in the precept of £5 p/year per Band D household, to continue to support local policing services in the face of continued cuts to Government funding. Even with this proposed increase, Northumbria still has the lowest police precept in England and Wales by a very long way.

5. Proposals

- 5.1 I propose that the precept is increased by £5 p/year which equates to approximately 10 pence per week for the average Band D household.
- 5.2 The impact of this decision in 2017/18 will allow for an additional and recurring £2.570m contribution to resources.
- 5.3 This proposal is made in the context of the budget with the need to maintain my spending power and balance reducing resources with essential expenditure to deliver the Police and Crime Plan.

6. Recommendation

The Police and Crime Panel is asked to:

- I. Review the recommended precept proposal;
- II. Make a report to the Commissioner on the proposed precept for the forthcoming financial year.



Proposed Council Tax and Revenue & Capital Budgets 2017/18

1. Summary of Proposed Council Tax and Revenue & Capital Budgets 2017/18.
 - A proposed revenue budget of £262.543m for policing and crime reduction that includes;
 - Provision for increases in pay and prices of £6.8m; and budget pressures of £2.3m;
 - A reduction in revenue costs of £1.2m to support capital investment;
 - Budget savings of £12.2m in 2017/18;
 - Capital investment in buildings, vehicles and new technology of £13.2m;
 - The use of £1.5m from the Commissioner's reserves to support the revenue budget and provide headroom to manage savings going forward;
 - Agree an increase of £5 on the council tax precept in 2017/18 to raise an additional £2.570m income.

Considerations

2. In preparing the Revenue and Capital Budgets for 2017/18 the Commissioner has considered the following issues:
 - The key principles underlying the 4 year MTFS 2017/18 to 2020/21;
 - The provisional Police Grant settlement for 2017/18;
 - The likely revenue and capital outturn for 2016/17;
 - The budget pressures in 2017/18;
 - Delivery of the Police and Crime Plan;
 - Budget savings;
 - The options for the council tax precept;
 - Reserves
 - Risk assessment; and
 - The Prudential Code for Capital Finance in Local Authorities.

Financial Strategy

3. The 2017/18 budget is part of the four year Medium Term Financial Strategy.
4. The overall financial strategy seeks to deliver the Commissioner's Police and Crime Plan, support 'Proud to Protect', the mission, vision and values of Northumbria Police and meet the requirements of the National Strategic Policing Requirement.
5. It sets out the service developments, response to changes in crime and demand and how it will work in partnership with other agencies to maximise effectiveness.

6. Underpinning the 2017/18 budget and MTFS is the comprehensive workforce strategy that includes recruitment, training and development of officers and police staff whilst continuing to manage planned change through the prudent use of reserves.

Police Finance Settlement

7. The provisional police grant settlement was published on 15 December 2016 for consultation. The final figures will be published in February 2017 and are not expected to differ.
8. The key headlines from the settlement are:
 - 1 year only;
 - All forces core grant cut by 1.4%;
 - Total funding protected in flat cash terms, when compared to 2015/16, providing that PCCs maximise their ability to increase the precept as provided for within the referendum principles;

Revenue

9. Police Grant - The one year provisional settlement announcement stated that no force will receive a cut to their 'spending power' which is determined as the total of grant and precept added together. However, government grant has been cut by £3.0m (1.4%) and the Home Office has made an assumption that this cut will be offset by an increase to the precept of £5 to generate an additional £1.9m of additional council tax income.
10. Budget Pressures - including pay and price increases total £9.1m in 2017/18.
11. Budget Savings - Plans to make £12.2m savings from:
 - Continued rationalisation of the operational estate, including maximising collaborative opportunities;
 - Comprehensive workforce plan which manages reductions whilst aligning resources with changing demand;
 - Non pay savings through centralised budget management;
 - Savings through procurement particularly within ICT and Estates;
 - Maximising income generation wherever possible, notwithstanding such opportunities being limited within the Police world.
12. Council Tax Precept - The Governments excessiveness rules for 2017/18 mean that the ten lowest precepting PCCs including Northumbria have the flexibility to increase their precept by up to £5. All other PCC's will be capped at less than 2%. No government grants are available in 2017/18 to freeze council tax. The £5 increase is an essential income source for the 2017/18 budget and MTFS.
13. Reserves - The prudent use of reserves along with further precept income are essential components to balance the 2017/18 budget.

Capital

14. Capital expenditure of £13.192 million to be financed by a combination of government grants, capital receipts and prudential borrowing.

Funding Formula

15. The Home Office failed to implement its proposed new funding formula for 2016/17 after a fundamental error was found in the data it was using for its calculations. The 2017/18 settlement allocation method is therefore unchanged against the approach over previous years and the last CSR period, with all forces receiving a flat rate reduction of 1.4% against the 2016/17 grant.

16. During 2016 the Government re-launched its review of the Police funding formula. If the Home Office decide to implement a new formula it is expected that it will be introduced from 2018/19. We await the outcome of this and will ensure that we engage to get the best outcome for Northumbria from 2018/19 onwards. Any changes to the formula will need to be considered in future strategies.

Capital Programme 2016/17

17. The Commissioner has an approved revised capital budget for 2016/17 of £13.282m. The third quarter capital monitoring report outlined a revised capital estimate of £9.628m as at 31 December 2016. The reduction in the revised estimate for the year mainly reflects changes in the phasing and timing of capital schemes which will roll forward into 2017/18.

Capital Programme 2017/18

18. The following table sets out a summary of the capital programme for 2017/18:

2017/18 Capital Programme		£,000
Major and Minor Building Schemes		2,504
Information Technology		7,884
Vehicles and Equipment		2,804
Total		13,192

19. Key areas to note in the proposed programme are:
- **Major and Minor Building Schemes** – Estates refurbishment programme based on operational requirements, transition and relocation costs associated with the estates rationalisation programme and co-location with partner agencies.
 - **Information Technology** - the force have a number of Improvement Schemes to deliver change and efficiency through transformation which includes significant investment in IT systems across several policing

areas. This includes initial costs of implementing the National Emergency Services Network (ESN) within Northumbria and the NPICCS replacement. Includes system upgrades and infrastructure changes.

- **Vehicles and Equipment** – the purchase of force vehicles under the Fleet replacement programme and equipment up-grade / refresh.

Revenue Budget 2016/17

20. The Commissioner's net revenue budget for 2016/17 is £266.840m. The Quarter 3 revenue monitoring report shows a projected budget surplus of £1.188m as at 31 December 2016.

2016/17 Revenue Monitoring - Quarter 3 Position			
	Approved Budget 2016/17	Projected Outturn 2016/17	Variance 2016/17
Group Position	£m	£m	£m
Chief Constable	256.080	256.080	0
Police and Crime Commissioner	2.262	2.212	(0.05)
Capital Financing	8.498	7.360	(1.14)
Net Expenditure	266.840	265.652	(1.188)
Central Government Grant	(225.666)	(225.666)	0
Council Tax Precept	(35.482)	(35.482)	0
Central Grant and Precept Total	(261.148)	(261.148)	0
Appropriations (to) / from reserves	5.692	4.504	(1.188)

21. Both the Chief Constable and Police and Crime Commissioner's revenue budgets are in line with the approved budget for 2016/17.
22. Capital financing savings on interest costs have been realised in-year mainly as a result of the base rate reduction in August 2016, following the Brexit vote. In addition, principal repayment of capital is less than the original estimate due to an under-spend against the capital programme in 2015/16.
23. The estimated budget surplus will allow the Commissioner to draw less than was planned from reserves in 2016/17.

2016/17 General Reserve - Quarter 3 Position			
	Approved 2016/17	Revised 2016/17	Variance 2016/17
Group Position	£m	£m	£m
Opening Balance (01/04/16)	15.1	15.4	0.3
Planned Use of Reserve	(5.7)	(4.5)	1.2
Forecast Closing Balance (31/03/17)	9.4	10.9	1.5

Revenue Budget 2017/18

24. For the financial year 2017/18, the proposed total net revenue budget, before the use of reserves is £262.543m.
25. The proposed budget includes £6.8m in relation to pay and price increases including the 1% pay award for officers and staff; an increase in relation to Employer Pension contributions as a result of the triennial revaluation of the Local Government Pension Scheme; the Insurance Tax increase and other inflation costs associated with rates, rents, utilities and force contracts.
26. Budget pressures of £2.3m have also been incorporated which include the cost of the new Apprenticeship Levy from April 2017, ICT revenue costs associated with capital schemes and other pressures.

Budget Savings

27. Force budget savings in 2017/18 of £12.2m have been identified including £4.1m of non-pay savings and £8.1m relating to workforce changes.

Budget Summary – 2017/18

28. A summary of the proposed 2017/18 Revenue Budget is set out below:

2017/18 Revenue Budget				
	Original Estimate	Revised Estimate	Projected Outturn	Original Estimate
Revenue Budget	2016/17	2016/17	2016/17	2017/18
	£m	£m	£m	£m
Chief Constable	256.080	256.080	256.080	252.943
Police and Crime Commissioner	2.262	2.262	2.212	2.262
Capital Financing	8.498	8.498	7.360	7.338
Net Revenue Expenditure	266.840	266.840	265.652	262.543

29. The budget for the Chief Constable provides for all the day to day operational policing. The budget for the Police and Crime Commissioner primarily includes the OPCC running costs and the Commissioner's Fund. The Capital Financing budget comprises the revenue provision for repayment of borrowing, interest costs and investment income.

Council Tax Options

30. The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any PCC that wishes to raise its council tax above the limits that apply to them will have to hold a referendum.
31. The excessiveness limit for 2017/18 remains at 2% in line with 2016/17 which means that the precept can be increased to a maximum of 1.99% without the requirement to hold a referendum. The additional flexibility offered in 2016/17 to the lower quartile (10 lowest precepting PCCs) also remains in place for 2017/18. The 10 PCCs in the lower quartile can increase

the precept by up to £5 p/year per Band D household. This option is available to Northumbria as it has the lowest precept of all forces in England and Wales.

32. The 2017/18 settlement assumes that PCCs in England increase their precept to the maximum referendum limit in 2017/18 and that tax base growth is 0.5% across England and Wales. The Home Office stated that for Northumbria this would generate additional precept income of £1.9m.
33. During 2016/17 the council tax base in the Northumbria force area increased by an average 1.90% to 381,547 (Band D equivalent). This is 1.40 percentage points higher than the Home Office assumption of 0.5% growth and will raise a further £0.670m.
34. The proposal is to increase the Band D precept by £5 p/year to raise an additional £2.570m over 2017/18.
35. The anticipated receipts of £37.518m from the precept are included in the MTFS that sets out the main assumptions and provides further detail to demonstrate that this decision provides affordability over the medium term.
36. In addition all six billing authorities will pay a collection fund surplus in 2017/18 which will deliver a total of £0.872m.

Reserves

37. The Commissioner's reserves policy is set out in the MTFS and is subject to regular review.
38. A full analysis of the Commissioner's revenue reserves and their planned use in 2017/18 taking into account the proposals outlined is set out below.

	Estimated at 31 March 2017 £m	Planned use of Reserves 2017/18 £m	Estimated at 31 March 2017 £m
Revenue Reserves			
Earmarked Reserves			
Insurance Reserve	3.0	0.0	3.0
Workforce Development Reserve	1.3	0.0	1.3
External Funding Reserve	0.1	0.0	0.1
Total Earmarked Reserves	4.4	0.0	4.4
General Reserves	10.9	(1.5)	9.4
Total Reserves	15.3	(1.5)	13.8

39. The MTFS sets out the Commissioner's reserves strategy which is to maintain the general reserve at a minimum of 2%. As at 31 March 2018 the balance is estimated to be £9.4m which equates to 3.6%.

Adequacy of Reserves and Robustness of Budget Estimates

40. The Local Government Act 2003 requires the Joint Chief Finance Officer to undertake an assessment of the robustness of the budget estimates and the adequacy of reserves.
41. The budget and MTF5 allows the Commissioner to consider the prudent use of reserves in the context of the future spending pressures and risks arising from potential changes to the funding formula without having a detrimental effect on policing.
42. In assessing the robustness of the budget, the Joint Chief Finance Officer has considered the following issues:
 - The general financial standing of the Police and Crime Commissioner;
 - The underlying budget assumptions, including an assessment of the estimates for pay and price increases;
 - A risk assessment of expenditure and income estimates;
 - The future budget pressures identified in the MTF5;
 - The adequacy of the budget monitoring and financial reporting arrangements;
 - The adequacy of the Commissioner's governance arrangements and internal control system;
 - The adequacy of general reserves to cover any potential financial risks faced by the Commissioner;
 - The impact of funding cuts and the uncertainty around the levels of grant support beyond 2017/18.
43. At 31 March 2017, the Commissioner's General Reserve is estimated at £10.9m (4.1% of revenue expenditure), in addition to other reserves which are earmarked for specific purposes. The Commissioner's reserves policy will result in a General Reserve of £9.3m (3.6% of revenue expenditure) by the end of 2020/21. In estimating the level of reserves the Joint Chief Finance Officer has taken account of known commitments and the financial risks faced by the Commissioner which could impact on the level of reserves over the MTF5 period.
44. The Joint Chief Finance Officer confirms that, after taking account of these issues, the revenue and capital estimates contained in this report are considered robust and that the level of reserves proposed in the review set out earlier is considered adequate to cover the financial risks faced by the Commissioner in 2017/18.

Council Tax Requirement

45. The Localism Act requires the Commissioner to set a Council Tax Requirement. The calculation of the Council Tax Requirement, based on the proposed revenue budget and contribution from reserves is set out below:

	£m
Total Revenue Expenditure	262.543
Less Appropriations from Reserves	1.529
Budget Requirement	<u>261.014</u>
Less	
Police Grant	108.588
Ex-DCLG Grant	105.868
Localised Council Tax Support Grant	6.867
Council Tax Freeze Grant 11/12	0.912
Council Tax Freeze Grant 14/15	0.389
	<u>222.624</u>
Balance to be raised locally	38.390
Less estimated net surplus on collection funds	0.872
Council Tax Requirement	<u>37.518</u>

46. The proportion of collection funds’ net surplus due to Northumbria Police from its constituent billing authorities is £0.872m for 2017/18 (£0.535m in 2016/17).

47. The notified Council Tax base figure is 381,547 which is an increase of 7,097 over the previous year (1.90%).

The Prudential Code for Capital Finance in Local Authorities

48. The CIPFA Prudential Code is a professional code of practice to support local authorities in taking decisions relating to capital investment in fixed assets. Local authorities, including Police and Crime Commissioners and Fire Authorities, are required to have regard to the Code under Part 1 of the Local Government Act 2003. The basic principle of the system is that local authorities will be free to invest so long as their capital spending plans are affordable, sustainable and prudent.

49. In order to demonstrate that they have fulfilled the objectives of the Code, authorities must produce a range of key Prudential Indicators. The Code does not suggest indicative limits or ratios for these indicators, which are designed to support and record local decision making, and are not intended to be used for comparative purposes.

50. These key indicators can be split into two broad categories, affordability indicators and prudence indicators. Affordability indicators concentrate upon the level of capital investment over the period 2017/18 to 2020/21. Prudential indicators concentrate on the level and composition of external debt, and are therefore very closely linked to the Commissioner’s Treasury Management Strategy.

51. The Commissioner's proposed Prudential Indicators are shown at Appendix A to this report.

Minimum Revenue Provision

52. Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2017/18 is attached at Appendix B.

Financial Considerations

53. Financial implications are considered throughout the report.

Risk Management

54. Associated risks have been considered and recorded as appropriate and are set out in Appendix C

Recommendations (Proposed)

1. The Commissioner is requested to:
 - I. Approve the capital programme and authorise the Joint Chief Finance Officer (Treasurer) to undertake the appropriate financing;
 - II. Approve the revenue budget;
 - III. Agree the review of the reserves policy; and
 - IV. Note the recommendations of the Joint Chief Finance Officer (Treasurer) in respect of the robustness of the budget and the adequacy of reserves.

2. Note the Council Tax Base of 381,547 for the year 2017/18 as notified by the billing authorities within Tyne and Wear and Northumberland (item T in the formula in Section 42B of the Local Government Finance Act 1992, as amended).

3. Approve the following amounts for the year 2017/18 in accordance with Sections 42A, 42B and 45 to 47 of the Local Government Finance Act 1992, as amended:-

- (a) £274.628m being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (2) (a) to (d) of the Act;
- (b) £237.110m being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (3) (a) to (b) adjusted for the item set out in S42A (10) of the Act;
- (c) £37.518m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Police and Crime Commissioner in accordance with Section 42A (4) of the Act, as it's Council Tax Requirement for the year (item R in the formula is Section 42B of the Act);
- (d) £98.33 being the amount at (c) above (item R) divided by the amount noted in Recommendation 2 above (item T), calculated by the Police and Crime Commissioner in accordance with Section 42B (1) of the Act, as the basic amount of it's Council Tax for the year;
- (e) Valuation bands
- | | | |
|---|---------|--|
| A | £65.55 | being the amounts given by multiplying the |
| B | £76.48 | amount of (d) above by the number which, in the |
| C | £87.40 | proportion set out in Section 5 (1) of the Act, is |
| D | £98.33 | applicable to dwellings listed in a particular |
| E | £120.18 | valuation band divided by the number which in |
| F | £142.03 | that proportion is applicable to dwellings listed in |
| G | £163.88 | valuation band D, calculated by the Police and |
| H | £196.66 | Crime Commissioner in accordance with Section |
- 47 (1) of the Act, as the amounts to be taken into account for the year in respect of the categories of dwelling listed in different valuation bands.

4. Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2017/18 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Act for 2017/18.

- 5 Resolve that in accordance with Section 40 of the Local Government Finance Act 1992, as amended, the billing authorities within the area of this authority be issued with precepts in the amount of £37,517,507 for the financial year beginning 1 April 2017, the amount of the retrospective precepts to be issued to each billing authority's area in accordance with the Sections 42A, 42B and 45 to 48 of the 1992 Act, as amended.
- 6 Approve the Prudential Indicators as outlined in Appendix A to this report.
- 7 Accept the recommendation of the Joint Chief Finance Officer (Treasurer) for the method of calculating MRP for 2017/18 as set out in the Annual MRP statement at Appendix B to this report.

Prudential Indicators

In line with the requirements of the CIPFA Prudential Code for Capital Finance, the various indicators that inform whether capital investment plans are affordable, prudent and sustainable, are set out below.

Authorised Limit for External Debt

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.

Authorised Limit – this represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Operational Boundary – this is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the Capital Financing Requirement (CFR), but may be lower or higher depending on the levels of actual debt.

The key difference between the two limits is that the Authorised Limit cannot be breached without prior approval of the PCC. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, "invest to save" projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls, as well as an assessment of risks involved in managing cash flows. The Operational Boundary is a more realistic indicator of the likely position.

Authorised Limit For External Debt				
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Borrowing	170,000	175,000	170,000	165,000
Other Long Term Liabilities	0	0	0	0
Total	170,000	175,000	170,000	165,000

Operational Boundary For External Debt				
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Borrowing	145,000	150,000	145,000	140,000
Other Long Term Liabilities	0	0	0	0
Total	145,000	150,000	145,000	140,000

The latest forecast for external debt indicates that it will be within both the authorised borrowing limit and the operational boundary set to 2020/21. The maturity structure of debt is within the indicators set.

Upper Limit on Fixed and Variable Interest Rates Exposures

The setting of upper and lower limits on fixed and variable interest rate exposure has the effect of creating ranges within which a Commissioner will limit its exposure to both fixed and variable interest rate movements. It provides a single point of control over the overall interest obligations on a net basis. Indicators are set by considering as many borrowing and investment scenarios as possible, providing a framework that the Commissioner can work within.

Upper limits on variable interest rate exposure – this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

Upper limits on fixed interest rate exposure – this is similar to the previous indicator and covers a maximum limit on fixed interest rates.

Upper Limit On Fixed And Variable Interest Rates Exposure				
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Fixed rate:				
Upper	129,465	110,885	105,969	97,969
Lower	(13,561)	(24,719)	(29,128)	(28,628)
Variable rate:				
Upper	9,446	6,689	6,097	5,597
Lower	(20,000)	(20,000)	(20,000)	(20,000)

Upper and Lower Limits for the Maturity Structure Of Borrowing

The upper and lower limits for the maturity structure of borrowing are calculated to provide a framework within which the Commissioner can manage the maturity of new and existing borrowing to ensure that debt repayments are affordable in coming years.

Maturity structure of borrowing – these gross limits are set to reduce the Commissioner’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Upper And Lower Limits For The Maturity Structure Of Borrowing		
	Upper Limit	Lower Limit
Under 12 months	70%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	65%	0%
10 years and above	80%	0%

Upper Limit on Amounts Invested Beyond 364 Days

The purpose of the upper limit on amounts invested beyond 364 days is for the Commissioner to contain the exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

Upper Limit On Amounts Invested Beyond 364 Days				
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Investments	15,000	15,000	15,000	15,000

Gross Debt and Capital Financing Requirement (CFR)

Gross Debt and CFR	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
Forecast Borrowing as at 31 March	101,885	104,969	100,969	97,969
Capital Financing Requirement as at 31 March	102,244	106,520	103,064	100,179
Amount of borrowing (over) / under CFR	359	1,551	2,095	2,210

Forecast borrowing is within the CFR estimates for 2017/18 to 2020/21.

Affordability

The impact of the capital programme on the revenue budget is shown in the table below.

	2017/18 <u>Estimate</u>	2018/19 <u>Estimate</u>	2019/20 <u>Estimate</u>	2020/21 <u>Estimate</u>
Revenue Budget	£262.5m	£260.6m	£258.5m	£259.5m
Capital Expenditure	£13.192m	£22.436m	£8.244m	£5.621m
Capital Financing Requirement	£102.244m	£106.520m	£103.064m	£100.179m
Interest Cost	£3.128m	£2.942m	£2.909m	£2.892m
Ratio of financing costs to net revenue stream	1.19%	1.13%	1.13%	1.11%
Cost per Band D Council Tax property	£8.20	£7.67	£7.55	£7.47

Police and Crime Commissioner for Northumbria Minimum Revenue Provision (MRP) Statement 2017/18

The MRP charge for 2017/18 for capital expenditure incurred before 1st April 2008 (prior to the new regulations) or which has subsequently been financed by supported borrowing will be based on the previous regulatory method of Capital Financing Requirement at 4% of the opening balance less prescribed adjustments.

For all unsupported borrowing, exercised under the Prudential Code, the MRP Policy is based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge will not be made until the year after the asset becomes operational.

The estates rationalisation programme will see the sale of some £30.7m of assets over the period of the MTFS. The receipts will be used to finance capital expenditure and reduce the overall capital financing requirement.

NORTHUMBRIA POLICE AND CRIME COMMISSIONER FINANCIAL RISK ANALYSIS

General Balances

The risk is that the General Reserve balance is not sufficient. This is mitigated by:

- The General Reserve will be kept at a minimum of 2% of revenue expenditure;
- The projected balance on the General Reserve at the 1 April 2017 of £10.9m is 4.1% of the revenue expenditure budget; and
- Strong financial controls have resulted in a consistent trend of the revenue outturn being delivered within budget in recent years.

Pay Increases

The risk is that pay increases may exceed the levels provided for within the budget. Estimates for future pay awards have been fully included.

Price Increases

The risk is that price increases may exceed the levels provided for within the budget. This is mitigated by applying inflation on an individual basis to provide for contractual commitments and premises related expenditure. All other inflation will be managed within existing budgets reflecting the current economic climate. The risk that prices may rise is mitigated by budget monitoring arrangements and the Force's current approach to efficiency in challenging and managing spend pressures.

Capital Financing

The risk is that Capital Financing Charges will be greater than budgeted. This is mitigated by:

Revenue implications are considered as part of the capital planning process and taken in to account in the MTFS; and

The principal repayment in respect of debt is the MRP, calculated on an asset by asset basis as part of the capital planning process. Any change in interest rates will not have an effect as 100% of debt is at fixed rates and any refinancing of existing debt will only take place if it will lead to a long term saving in interest charges.

Financial Planning

The risk is that a major liability or commitment is currently known but has not been taken into account in the Police and Crime Commissioner's financial planning. This is mitigated by:

The Medium Term Financial Strategy includes an assessment of spending pressures, to be assessed for inclusion in the Commissioner's budget, identified by the Chief Constable by reference amongst other sources to the Local Policing Plan; and

In addition, regular liaison by senior officers of the Force and the Commissioner's Office help to strengthen and coordinate the financial planning of the Commissioner.

Savings

Budget savings of £12.2m have been included in the revenue budget for 2017/18. The risk is that the budget savings will not be delivered. This is mitigated by:

- The strong record of delivering the budget within targets;
- The Chief Constable's Change Programme to deliver the budget savings over the next three years
- Adequacy of the General Reserve and the overall reserves policy.

Loss of Deposit

The risk is that funds deposited by the Commissioner are lost due to the collapse of the financial institution with whom the deposit is placed. The risk is limited by the controls in the Treasury Management Strategy which focuses on control of deposits rather than returns. The potential impact is limited by the strategy of a diverse portfolio with top rated institutions which are either part nationalised or have credit guarantees.

Interest Rates on Deposits

The risk is that interest rates will be lower than expected and prudent assumptions on likely interest rates for 2017/18 have been incorporated into the budget.

Budgetary Control

The risk is that the budget will overspend. This is mitigated by:

Monthly budget monitoring in place;
Quarterly monitoring reports to the Commissioner;

Council Tax

The risk following the localisation of council tax support is that collection rates could be affected which would impact on billing authorities' collection fund balances and any surpluses payable to the Commissioner. To mitigate this risk, local billing authorities have factored in prudent collection rates.

Capital Programme Implications

The risk is that the capital programme may be understated, funding will not be available as planned or that over spending may occur. This is mitigated by:

Regular review of Estates Strategy and the decision to focus on key priority schemes only; together with quarterly updates of progress will provide assurance in the accuracy of forecasts;
Quarterly capital monitoring reports to the Commissioner

Risk Management

The risk is that all risks have not been identified when the budget has been set and that major financial consequences may result. This is mitigated by:

Risk management arrangements;
Comprehensive self and external insurance arrangements in place;
Adequacy of the insurance reserve; and
Adequacy of the general balances and the overall reserves policy.

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