

Police and Crime Panel

Meeting to be held on 26 January 2015

Police and Crime Commissioner's Budget 2015/16 (Appendix A refers)

Contact for further information: Lisa Kitto, (01772) 534757 Office of the Police and Crime Commissioner for Lancashire, lisa.kitto@lancashire.gov.uk

EXECUTIVE SUMMARY

This report sets out the latest financial position for the Police and Crime budgets in Lancashire for 2015/16 and the proposals in relation to the precept.

RECOMMENDATION

The Police and Crime Panel is asked to;

- Note the details of the 2015/16 police finance settlement and the overall impact on Lancashire's budget;
- Consider the Commissioner's proposal to increase the council tax precept by 1.99% in 2015/16;
- Note the Commissioner's proposal to apply the additional one-off resource of £0.600m generated in 2015/16 by the Council Tax increase to the Investment Reserve;
- Make arrangements to ensure that a formal written response to the proposals is sent to the Commissioner by 8 February 2015.
- Note the proposed use of the Commissioner's reserves in 2015/16 and future years

1. Introduction

- 1.1 The Police and Crime Commissioner has a statutory requirement to set an annual Police and Crime budget and, as part of that process, to consult with the Police and Crime Panel regarding any proposals in relation to the council tax precept. This report sets out the latest financial position for the Police and Crime budgets in Lancashire for 2015/16 and the proposals in relation to the precept.
- 1.2 Included in the report is the current financial position that reflects the changes in the level of resources, additional cost pressures, reductions in the cost base and the identification of additional savings. The report sets out;
 - The Medium Term Financial Strategy (MTFS) that covers the 3 year period from 2015/16 – 2017/18
 - The revenue budget for 2015/16
 - The Council tax proposal for 2015/16
 - The capital investment proposals
- 1.3 In addition the report sets out the advice of the Commissioner's Chief Finance Officer on the robustness of the budget and the adequacy of the level of reserves as required by section 25 of the Local Government Act 2003.
- 1.4 This report has an Appendix A attached. This is a statement by the Commissioner and sets out his views and context for this report.

2. Funding Position

- 2.1 The Police and Crime Commissioner's Medium Term Financial Strategy (MTFS) for the period 2015/16 to 2017/18 is framed in the context of the Chancellor's Autumn Statement published on 3 December 2014. The Chancellor was clear that reductions in central government departmental budgets would continue to fall until 2020/21 and would do so at the same rate as for the period 2010/11 to 2014/15.
- 2.2 In the period 2010/11 to 2014/15 funding for Police and Crime Commissioners has fallen by 20% in real terms (15.4% cash terms). On 17th December 2014 the Home Office announced the provisional Police Grant allocations for 2015/16 which identified a reduction in funding for Lancashire of £9.733m (4.8%) compared to 2014/15. This is £3.1m more than was originally forecast for 2015/16 and based on this a total reduction of £4.4m more than originally forecasted to the period 2017/18 is now expected.
- 2.3 The 2015/16 allocation to Lancashire reflects the impact of a reduction in the formula grant (£7.533m) and an increase in the amount top-sliced to support specific projects and functions nationally (£2.2m).
- 2.4 Over the last 2 years (2014/15 and 2015/16) a total of £4.16m has been top-sliced from the Lancashire budget to support these special projects and functions at a national level. These include Police Innovation Fund, Independent Police Complaints Commission (IPCC), and Her Majesty's Inspectorate of Constabularies (HMIC) together with some top-slices in 2015/16 for Police Special Grant and Major Projects (Replacement of Airwave Communication System, Home Office Biometrics and National Police Data Programme).

- 2.5 The Commissioner has expressed his disapproval of the top-slicing approach to the Home Office as he considers this to be a process that diverts funding away from the delivery of local policing to nationally driven projects.

3. Budget Process

Medium Term Financial Strategy

- 3.1 Over recent years the Commissioner, in consultation with the Chief Constable, has continued to develop the Medium Term Financial Strategy (MTFS). The MTFS is based on information provided from central government regarding future funding together with assumptions on cost pressures including inflation and demand for services. From this, the level of savings required to deliver a balanced budget has been identified and the Commissioner and the Chief Constable are working together to develop options to drive out further efficiencies and deliver more savings in future years.
- 3.2 No information was provided beyond 2015/16 so a planning assumption of a reduction of 3% per year to government funding in 2016/17 and 2017/18 has been used in the MTFS. This is still considered reasonable given the Chancellor's statement regarding future reductions to public spending.
- 3.3 Previously the panel have been advised that a total of £61.1m of savings have been delivered between 2011/12 and 2014/15. At the same time when the 2014/15 budget was finalised, it was identified that further savings of £19.2m up to 2017/18 would be required. Given the latest information available this has now increased to £22m meaning that the overall level of savings to be delivered between 2011/12 and 2017/18 is £83.1m. Details on how this position has been reached is set out in the report.
- 3.4 As is always the case, the additional level of savings required in future years is dependent upon future funding announcements and financial settlements and therefore the figures quoted above are likely to change. However in his latest Autumn Statement the Chancellor has made it clear that the rate of reduction in funding for the Public Sector will continue at the 'current rate until 2020/21. Should this be the case then a further reduction of £20m or more for the years from 2018/19 to 2020/21 may be anticipated. Overall the level of savings that may need to be delivered in total could be £103.1m.

Developing Savings Options

- 3.5 In developing options the Commissioner and the Chief Constable look to protect front line services and drive out efficiencies wherever possible whilst maintaining service delivery. This approach together with the overall approach to managing the financial position was recently recognised as good practice by Her Majesty's Inspectorate of Constabulary (HMIC) from which Lancashire Constabulary was rated as outstanding in the recent 'Policing in Austerity – meeting the challenge' inspection. Lancashire was one of only four force areas to receive an overall rating as outstanding. The following table provides an analysis of where savings have been made within the budget:

Profile of Savings Agreed to Date from 2011/12 to 2017/18			
	Savings Agreed (£m)	% of savings	% of service budget
Frontline	30.7	51	14
Operational Support	12.9	21	39
Business Support	17.5	28	30
Grand Total	61.1	100	

- 3.6 This analysis shows that whilst 51% of the savings identified have been taken out of frontline service budgets this only represents 14% of the total budget available for delivering frontline services. Operational Support and Business Support Services have however faced greater reductions and the budgets for delivering support have reduced by 39% and 30% respectively.

4. Forecast Position

Previously it was forecast that there was a funding gap of £19.2m between 2015/16 and 2017/18. This has now increased to £22m and the details are set out below;

	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Funding Gap as at February 2014	-0.8	11.7	8.3	19.2
Changes in Resources:				
Changes to government grant	3.1	1.0	0.3	4.4
Increase in Council tax base	-0.2	-0.2	-0.2	-0.6
Changes to Cost base:				
Inflation	0.5	0.4	1.0	1.9
Demand/Volume	1.1	0.3	-0.3	1.1
Reductions to cost base	-1.4	-0.4	-0.4	-2.2
Changes to Savings:				
Re-profile existing savings	0.3	-0.3		-
Reductions to previously agreed savings	0.3	-	0.2	0.5
Additional savings	-2.0	-	-	-2.0
Repayment of long term debt	-0.3	-	-	-0.3
Current Forecast gap	0.6	12.5	8.9	22.0

Government Grant (£4.4m)

- 4.1 The provisional police grant for 2015/16 was announced on 17 December 2014. Lancashire has been allocated £193.568m which is a reduction of £9.733m (4.8%) on the funding for 2014/15. This is significantly greater than the indicative 3.3% reduction for 2015/6 announced by the Chancellor when the 2014/15 Settlement was announced and equates to a further reduction of £3.1m for Lancashire in 2015/16 and

£4.4m by 2017/18. This further reduction includes the significant impact from top-slices to the national allocation for police funding (as set out earlier in this report).

Tax base (-£0.6m)

- 4.2 The council tax represents a significant source of revenue to support the police budget. Each year the 14 Unitary, Borough and City Councils determine their taxbase (the number of band D equivalent properties in the area) and the level of surplus or deficit on the council tax Collection Fund in relation to council tax due for previous years.
- 4.3 The Commissioner's financial strategy has been updated to reflect the underlying trend in the level of taxbase in Lancashire which has been increasing, on average, each year by 0.3% which is equivalent to £0.2m per annum. The forecast level of resources in the revenue budget now reflects this anticipated increase each year.
- 4.4 The council tax surplus/deficit position for 2014/15 and the 2015/16 taxbase in Lancashire will be confirmed by the Unitary and District Councils on 31 January 2015. The final amount will be confirmed in the budget report to the Commissioner in February 2015.

Inflation (£1.9m)

- 4.5 Previously, pay increases of 1% have been assumed in the financial forecast. The latest intelligence we have indicates that an increased pay offer will be made for the period 1/4/15 to 30/9/2016 to Police Staff. This has been reflected in the MTFS and, in light of this, an assumption of a 1.5% per annum pay increase for all staff thereafter has been made. This has been applied to Police Officers as well as Staff because in recent years Police Officer pay awards have been made at a similar level to those made to Police Staff.

	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Additional Cost pressure - Pay Inflation	0.513	0.393	1.029	1.935

Demand/Volume (£1.1m)

- 4.6 Additional cost pressures due to changes in activity have been identified as part of the monitoring process in 2014/15, these changes have the following impact on the MTFS:

	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
MASH	0.114		-0.073	0.041
Pursuit training	0.266		-0.266	-
National IT services	0.393			0.393
Revenue consequences of the capital programme	0.361	0.330	-0.030	0.661
Additional Cost Pressures - Demand	1.134	0.330	-0.369	1.095

MASH (Multi-Agency Safeguarding Hub) (£0.41m)

- 4.7 The MASH is a multi-agency hub which seeks to reduce the threat to our most vulnerable by ensuring that early and effective interventions are put in place which in many cases may avoid costlier interventions such as a residential child care placement. Costs have been incurred at a level greater than previously anticipated and the forecast has been adjusted to reflect the additional resourcing needed to deal with the demand for the service.

Pursuit training

- 4.8 Nationally, as a result of Coroners' recommendations following road traffic inquests, there is a need to train police officers in initial pursuit techniques. A 3 year programme has been developed by the constabulary after which the demand can be managed through the training programme. The costs of the first year have been managed within the 2014/15 budget however this is not sustainable for the remaining two years of the programme.

National IT services (£0.393m)

- 4.9 The National IT Company is responsible for the procurement of IT services provided to forces on a national basis. The charge for these services is to increase in 2015/16 from the level charged in 2014/15 by £0.393m.

Revenue consequences of the capital programme (£0.661m)

- 4.10 This represents the impact of the increase to the Capital Programme agreed in 2014/15 upon the revenue budget and reflects the additional costs of financing the programme.

Reductions to Cost Base (-£2.2m)

- 4.11 The ongoing monitoring and review process has identified changes in a number of cost forecasts previously included in the MTFS as follows:

	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m
Remove automatic uplift for non-pay inflation	-0.800	-0.400	-0.400	-1.600
Furniture and Equipment	-0.410			-0.410
Carbon reduction levy	-0.150			-0.150
PNICC/NDEU cessation of charge	-0.086			-0.086
Reductions to cost base	-1.446	-0.400	-0.400	-2.246

Remove automatic inflation uplift for non-pay inflation (-£1.6m)	The strategic forecast has previously been prepared with an assumption on inflation. Inflation for non-pay expenditure is, in the main, relatively low and therefore has been removed from the forecast. Inflation on pay, fuel and where there is a contracted requirement will continue to be reflected in the MTFS. The savings in the first year are higher due to the fact that this includes an element of adjustment from previous years.
Furniture and equipment (-£0.410)	Adjusting the budgets for furniture and equipment in line with current spending levels.
Carbon Reduction Levy (-£0.150m)	Removal of the carbon reduction levy budget as this no longer applies to PCCs.

PNICC/NDEU Charge (-£0.086m)	The removal of the national charge for Police National Information and Coordination Centre and National Domestic Extremism Unit (PNICC/NDEU)
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Savings (-£1.4m)

- 4.12 The ongoing monitoring and review process has identified a number of changes to the level of previously agreed savings along with a number of additional savings that can be delivered. Some of the savings cannot be made within the anticipated timeframes and therefore some re-profiling has been made. Other forecast savings are no longer considered achievable. In recognition of this and the need to make additional savings to overcome the forecast budget gap, additional efficiency savings have been identified. The table below sets out the position in relation to savings and the impact on the financial strategy:

Efficiency Savings within the financial strategy				
	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m
Savings to be re-profiled:				
Contact Management	0.276	-0.276		0.000
Changes to previously agreed savings:				
Administration OR	0.116			0.116
Corporate Services OR	0.071			0.071
ICT OR3	0.075			0.075
Business Support OR	-0.037	0.044	0.223	0.230
HQ Crime review	0.065	-0.050	-0.050	-0.035
G Division review	0.059			0.059
Changes (Reduction) in previously agreed savings	0.349	-0.006	0.173	0.516
Additional savings identified:				
Staff terms and conditions	-0.535		0.042	-0.493
HR/Payroll review	-0.455			-0.455
Forensic/DNA services	-0.300			-0.300
Fleet Management	-0.243	-0.018	-0.018	-0.279
Force collaborations	-0.227			-0.227
Health – Clinical Services	-0.078			-0.078
The Office of the PCC – staff cost savings	-0.070			-0.070
Procurement	-0.041			-0.041
ICT – Airwave costs	-0.017			-0.017
Additional Savings	-1.966	-0.018	0.024	-1.960
Net Change (Increase) in savings	-1.341	-0.300	0.197	-1.444

- 4.13 The **additional savings** identified reflect the process whereby all costs are examined and reduced wherever possible. This process has identified a further £2m of savings by 2017/18 the most significant of which are:

Staff Terms and Conditions (-£0.493)	The following areas have been reviewed and where reductions in cost have been identified, revenue budgets have been respectively reduced: <ul style="list-style-type: none"> - Standby Allowance (£0.137m) - Car Mileage allowances (£0.184m) - Compensatory grant (£0.102m) - Essential Car User allowance (£0.070m)
HR/Payroll (-£0.455m)	A review of HR and Payroll functions including streamlining of processes.
Forensic/DNA Services (-£0.300)	Savings as a result of operational efficiencies within the services.
Fleet Management (-£0.279m)	Efficiencies as a result of changes to processes within the fleet management service.
Force collaborations (-£0.227m)	Collaborations with other forces including: Underwater search; Motorway policing; Regional Crime Unit and the Public Protection Unit have been reviewed and efficiency savings identified
Health – Clinical Services (-£0.078m)	The organisational review of the Clinical Services function has identified efficiency savings
Office of the Police and Crime Commissioner (-£0.070m)	Reduction in the cost of running the OPCC as a result of a staffing restructure and other efficiencies.
Procurement (-£0.041m)	Savings realised through the review of budgets held for contractual purchases – savings in contract costs removed from revenue budgets where appropriate
ICT – Airwave Costs (-£0.017m)	A saving of a support post has been realised following a review of the management of the Airwave communications contract

Repayment of Debt (-£0.3m)

- 4.14 A long term debt incurred by the Police Authority on its creation in 1995 transferred over to the Commissioner from Lancashire Police Authority as part of the transition arrangements in November 2012. This debt is currently being repaid at an annual cost of £0.300m from the revenue budget. As at 31 March 2015, the amount of debt remaining is £1.5m. The commissioner currently holds some reserves and the debt is therefore to be repaid early, at no additional cost, thereby reducing the pressure on the revenue budget by £0.3m per annum.

Other funding

- 4.15 It has been provisionally announced that the Commissioner will receive £1.5m for the delivery of Victims' services in Lancashire in 2015/16. This funding reflects the new responsibilities that have transferred to the Commissioner from the Ministry of Justice as from 1st April 2015.

- 4.16 Further announcements are expected relating to other specific grants including the Counter Terrorism grant. This information should be available shortly and will be included in the final budget report that will be presented, in February, to the Commissioner to set the 2015/16 budget.

RISKS AND UNCERTAINTIES

There are however a number of risks and uncertainties that will impact on the final position;

- **Finalisation of the Settlement** The final settlement is anticipated to be announced on 4 February 2015 and therefore the current information is based on the provisional figures that were announced on 17 December 2014.
- **Specific Grant allocations** Final allocations for specific grants such as the Counter Terrorism Grant and for the provision of Victims' Services have not been made and are expected later in the month. Should there be any changes in grant provided for these services this will be offset by corresponding changes in expenditure requirements.
- **Future levels of top-slicing** The Commissioner's MTFS includes the impact of forecasted increases to existing top-slices to the national funding level for police services. No announcements have been made on the level of top-slicing that will take place beyond 2015/16 therefore the estimated impact currently reflected in the forecast could be subject to change when future announcements are made.
- **Partner Funding for PCSOs** The Commissioner is committed to ring-fencing police budgets that currently fund PCSOs however the overall funding available will be dependent upon the continuation of partner funding. Some funding for PCSOs is received from partners across Lancashire and is match funded by the Commissioner. Several partners have not confirmed if funding will be available from 2015/16 and therefore the final PCSO budget available will not be known until all partners have set their budgets.
- **The extension of Austerity** The Chancellor of the Exchequer has stated that reductions to public spending will continue to 2020 and the Opposition have indicated that reductions made to spending will not be reversed however there is no firm indication of the level of reduction that will emerge beyond 2017/18. As information emerges in future years the MTFS will be updated to reflect the latest available information.

5. Investing for the future

- 5.1 In order to preserve the operational integrity and ability of the force in future years whilst delivering the savings required to meet the funding gap identified above, the Commissioner must consider a number of proposals that will change how the service operates.
- 5.2 It is recognised that, in order to deliver savings proposals to meet the funding gap faced by the Commissioner in future years, the way the police service is delivered will need to change significantly. It is also recognised that improving the efficiency in which assets are used such as buildings, infrastructure and IT networks and

equipment, is crucial if the level of service being provided is to be maintained whilst the way it is delivered changes.

- 5.3 In order to improve the efficiency of the service it has been identified that significant investment is therefore needed in these assets which is recognised in both the ICT and the Asset Management strategies.
- 5.4 These strategies identify a number of projects that will ensure frontline policing is protected and made as efficient as possible in future years. The proposed investments include:
- The replacement of IT systems that ensure policing services can continue to be delivered in a secure and sustainable way (£8m)
 - The introduction of mobile devices that enable officers to spend as much time as possible providing policing services to the public away from desks (£7m)
 - Reconfiguration of the accommodation used by the constabulary in order to ensure it is used as efficiently and cost effectively as possible (£7.5m)
- 5.5 The one-off investment in these projects is usually provided through the Commissioner's Capital Investment Programme. This investment will help to deliver the permanent savings in the revenue budget that are required in future years to ensure that the Commissioner can provide policing services in Lancashire within the resources he has available.
- 5.6 The level of new resources available for capital is not sufficient to meet the scale of investment envisaged and therefore options for funding these needs to be considered. The Commissioner has, as part of his long term financial strategy, set aside specific reserves to provide one off investment funding for proposals that will assist the constabulary to deliver services in a secure and sustainable way. It is proposed that up to £25m may be required over the next few years.

Capital Investment Programme

- 5.7 A draft capital programme is currently being developed and will be approved by the Commissioner in his budget report in February 2015. The Commissioner will consider the proposals put forward for the programme and will agree a programme as part of his 2015/16 budget. The Commissioner will also identify the funding for the capital programme as part of the decision and will consider the optimum use of the resources available to him in doing so. This will include using some of the strategic reserves that have been set aside.

Reserves

- 5.8 The Commissioner holds two types of reserve, General reserves that are available to support the revenue budget and provide security should the organisation face an unexpected issue that realises a call on its resources. The forecast level of these general reserves for 1 April 2015 is £12.5m or 4.8% of the 2015/16 revenue budget.
- 5.9 General reserves at this level are considered appropriate by the Commissioner's Section 151 Officer to ensure the ability of the organisation can remain a going concern should an unexpected issue occur.
- 5.10 There are also a number of earmarked reserves that are available to support the transition process including investment in capital projects that will support the delivery

of savings in the future. These reserves include the Transitional Reserve, Investment Fund and the PCC Strategic Investment Reserve. In total £21.6m is forecast to be available in these reserves at the end of the current financial year. Of this there are currently commitments of £2.5m (£1.5m for the early repayment of the long term debt transferred from the Lancashire Police Authority and £1m to support Child Sexual Exploitation - support that has already been agreed by the Commissioner). The reserves are also used to pay voluntary redundancy and exit costs which are estimated to be up to £9m over the next 3 years. This leaves £10.1m available for future investment.

- 5.11 It is proposed that the £10.1m uncommitted funds in these reserves be earmarked to fund a range of schemes that will enable constabulary to deliver its services in a sustainable and secure manner within the reducing level of resources available. Options are currently being considered for one-off investment in infrastructure including ICT systems and equipment and accommodation. In taking this approach the Commissioner is minimising the potential impact on the revenue budget in future years.
- 5.12 All options for investment will be considered and prioritised as part of the capital investment programme and approval will be subject to further reports that will be presented to the Commissioner throughout the year setting out the benefits and rationale for each investment. Not all investments will lead to future savings but will be vital in ensuring the ICT infrastructure and security remain at the required levels.

6. Setting the 2015/16 Budget

- 6.1 The 2015/16 budget requirement is set out in the table below and is based on information set out in the 3 year financial strategy position shown earlier in the report:

	£m
2015/16 Base Budget	269.397
Full Year Effect of previously agreed savings	-11.112
Less re-profiled savings	0.276
Less reductions to previously agreed savings	0.349
Revised Budget Requirement	258.910
Plus:	
Pay Inflation	2.582
Energy costs inflation	0.149
Fuel costs inflation	0.139
Contractual inflation	0.107
Volume and demand changes	1.913
2015/16 Budget Requirement	263.800
Less Funding Available	260.882
2015/16 Funding Gap	2.918

<u>Proposals to meet the funding gap:</u>	
Further savings identified in 2015/16	-1.966
Saving from repayment of transferred liability	-0.300
Remaining Funding gap 2015/16	0.652

Once all the proposals are taken into account there remains a funding gap of £0.652m for 2015/16.

7. Council Tax

- 7.1 As part of the budget setting process the Commissioner is required to consider whether or not to propose any changes to council tax. It has been announced by DCLG that any proposal to increase Council Tax by 2% or more must be approved by a local referendum.
- 7.2 The Government has also offered a council tax freeze grant equivalent to a 1% increase in council tax to organisations that freeze their council tax in 2015/16. For Lancashire this grant has been provisionally estimated at £0.626m. Increasing council tax by the maximum amount before a referendum is required would generate an additional £1.252m and is approximately £0.6m more than is available from freezing council tax and accepting the grant.
- 7.3 The Commissioner proposes to increase Council Tax in 2015/16 by 1.99% which would give a council tax of £159.06 for a Band D property and provide additional income of £1.252m. This increase would provide the Commissioner with one-off additional resource in 2015/16 of £0.600m and it is proposed that this additional one-off resource should be put in to the Commissioner's Investment Reserve to support the programme of future investment (estimated at £25m) as shown in paragraph 5. This would increase the amount available for capital investment in future years to £10.7m.
- 7.4 Increasing Council tax by 1.99% in 2015/16 would reduce the level of savings required by 2017/18 to £20.8m and this is set out in the following table;

	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Current Forecast gap before Council Tax increase	0.65	12.53	8.86	22.04
Impact of 1.99% Council Tax increase	1.25			1.25
Revised Funding Gap	-0.60	12.53	8.86	20.79

Engaging the Public on the Council Tax precept

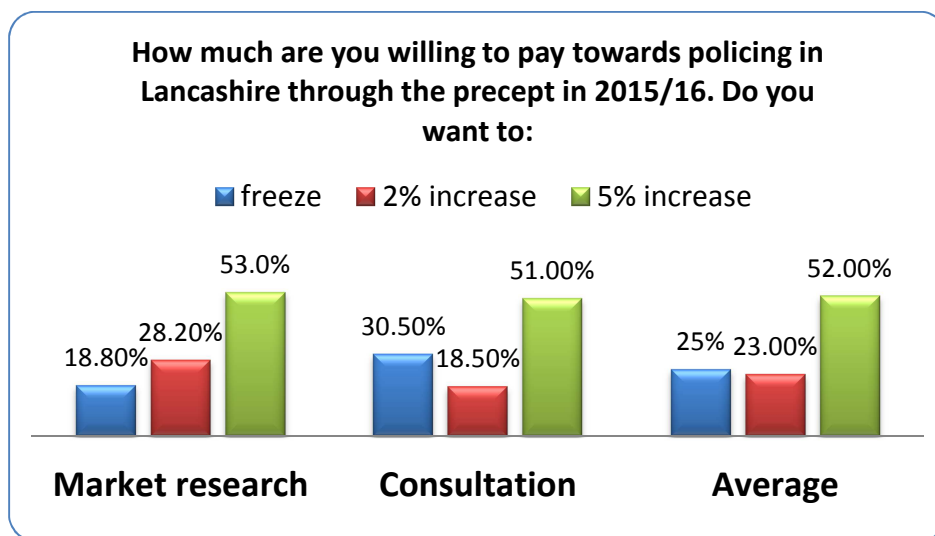
- 7.5 The Commissioner has undertaken significant research and consultation with the people of Lancashire to ensure their needs are reflected with regards to the decision taken on the council tax precept. More than 2,400 opinions have been gathered to help inform this decision.

- 7.6 Extensive engagement with residents in Lancashire has been undertaken and two surveys have been carried out. The first involved 1,407 people surveyed via telephone across all of the 14 districts of Lancashire (at least 100 respondents from each district were polled). This piece of work was undertaken by an independent market research company. As well as ensuring each geographic area was covered, the survey also aimed to ensure it reflected the demography of the county in terms of the population age. Under 18s were not surveyed as they are not liable for council tax.
- 7.7 The second survey was conducted as part of the PCC's extensive public engagement campaign promoted under the headline - How much are you willing to pay towards policing in 2015/16?
- 7.8 This survey was featured in all local press and radio and was heavily promoted on social media throughout December. This featured an opt-in survey to be completed either online or via a leaflet which was available at several libraries and at all 24 Police Public Enquiry Desks throughout Lancashire. Leaflets were handed out at events the Commissioner attended throughout December including four roadshows in shopping centres throughout the county. This approach encouraged a large response rate of more than 1,000 compared to 400 responses gathered last year through face to face events demonstrating a significant growth in engagement through digital channels with majority of our responses coming online.
- 7.9 In each case respondents were asked to choose from three options. These included a precept freeze, a 2% or 6p per week increase and a 5% or 15p per week increase in their council tax payments. Respondents were also told how much a raise of these amounts would equate to and its equivalent in funding Police Officers or PCSO numbers. They were also told that a freeze in council tax was likely to attract a council tax freeze grant from Government.

A breakdown of the survey outcomes is included in the graph below:

Overall findings:

- Independent market research: 82.2% - supported an increase with 52.9% favouring an increase of 5%
- Opt-in survey: 69.4% favoured an increase with 51% favouring an increase of 5%.
- Regarding a council tax freeze the market research indicated 18.5% support compared to 30.5% in the opt-in survey.
- Over the 2 surveys a total of 75% of participants are in favour of an increase of 2% or more compared to 25% wanting to freeze the council tax.



- 7.10 The Government has confirmed that if any Police and Crime Commissioner wished to increase Council Tax by 2% or more then they must consult their Council Tax payers via a local referendum. It is estimated that it would cost in excess of £1.5m to undertake such a referendum in Lancashire.

8. Equality and Diversity

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

9. Robustness of the Budget and the Adequacy of Reserves

- 9.1 Section 25 of the Local Government Act 2003 requires the Commissioner's Chief Finance Officer to advise the Commissioner as he is making budgetary decisions on the robustness of the assumptions underlying the budget and the adequacy of the Commissioner's reserves in the context of the financial risks to which the organisation is exposed.
- 9.2 The basis of the estimates on which the budget has been prepared, as in previous years, relies on forecasts of demand and other activity prepared by the constabulary. The forecast is kept under review as part of the budget monitoring process and actions identified to identify any financial risks arising from changes in the forecast as they occur. The main risks relate to the pace and depth of funding reductions and the ability of the organisation to deliver these within the required timeframes.
- 9.3 The resources available to the Commissioner to manage these risks consist of the various reserves held by the Commissioner, principally general funds and the transition fund. At this stage it is anticipated that general reserves will be maintained at around 4.8% of the Commissioner's budget requirement reflecting the level of financial risk that the combination of significant ongoing spending reductions and resource uncertainties creates. This should allow the Commissioner to respond to any changes that may occur in a planned way which provides stability to services and certainty to communities.

- 9.4 In addition to general reserves, the Commissioner maintains a range of earmarked reserves for specific purposes. The most notable of these are the transition reserve, which was created a number of years ago to manage the costs of downsizing the organisation, and the Investment Reserve which was created in 2014/15 to support proposals for one-off investment that will deliver future savings for the Commissioner's revenue budget. The level and appropriateness of earmarked reserves is kept under review to ensure that sums are only held if required, and released when not. At this stage these reserves are regarded as adequate and plans are in place to invest some of the earmarked reserves in capital ICT infrastructure and estates strategy that will support the future of the constabulary as it downsizes and strives to deliver high quality services.

10. Role of the Police and Crime Panel

- 10.1 Schedule 5 of the Police Reform and Social Responsibility Act (2011) states that the Commissioner must notify the Police and Crime Panel, by 1 February, of the precept which the Commissioner is proposing to issue for the financial year.
- 10.2 Under the requirements of the Act, Police and Crime Panels must review the proposed precept notified to it and must make a report to the Commissioner on the proposed precept. The report may include recommendations, including recommendations as to the precept that should be issued for the financial year.
- 10.3 The Police and Crime Panel has the power to veto the proposed precept if at least two-thirds of the persons who are members of the panel at the time when the decision is made vote in favour of making that decision. If the panel vetoes the proposed precept, the report made to the Commissioner must include a statement that the panel has vetoed it.
- 10.4 The Police and Crime Panel's response to the Commissioner on the precept proposal must be made by 8 February 2015. A Commissioner is unable to set a precept until the end of the scrutiny process is reached and should the Police and Crime Panel veto the proposals, the Commissioner must submit a revised precept for consideration of the panel to which the Police and Crime Panel must also respond. A further response from the Police and Crime Panel must be received by 22 February 2015 after which the Commissioner must respond formally to the Police and Crime Panel setting out the precept for the forthcoming year.