

Police and Crime Panel

Meeting to be held on 23 January 2017

Police and Crime Commissioner's Budget 2017/18 (Appendix A refers)

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EXECUTIVE SUMMARY

This report sets out the latest financial position for the Police and Crime budgets in Lancashire for 2017/18 and the proposals in relation to the council tax precept.

RECOMMENDATION

The Police and Crime Panel is asked to;

- Note the details of the 2017/18 provisional police finance settlement and the overall impact on Lancashire's budget;
- Note the report on the public consultation undertaken in respect of the proposed precept level;
- Consider the Commissioner's proposal to increase the council tax precept by 1.99% in 2017/18;
- Make arrangements to ensure that a formal written response to the proposals is sent to the Commissioner by 8 February 2017.
- Note the proposed capital investment programme for 2017/18 and future years;
- Note the proposed use of the Commissioner's reserves in 2017/18 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 2017/18 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 agreed by the Commissioner since setting the budget for 2016/17. The report sets out;
 - The Medium Term Financial Strategy (MTFS) that covers the 3 year period from 2017/18 – 2019/20
 - The revenue budget for 2017/18
 - The council tax proposal for 2017/18
 - The proposed capital investment programme for 2017/18 and future years
 - The Commissioner's reserves strategy
- 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.

2. Funding Position

- 2.1 The Police and Crime Commissioner's Medium Term Financial Strategy (MTFS) for the period 2017/18 to 2019/20 is framed in the context of the provisional financial settlement for Lancashire published on 15th December 2016.
- 2.2 In the period 2010/11 to 2017/18 core government funding for Lancashire has fallen by £52.6m (23%). This includes the **reduction in 2017/18 (compared to 2016/17) of £2.514m (1.3%)** as announced by government on 15th December 2016 in the provisional finance settlement.
- 2.3 It should be noted that the funding position reported is provisional and could be subject to change in the final settlement that will be announced in early February.

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 Within the provisional settlement no specific information on grant funding has been provided beyond 2017/18 however, in 2017/18 funding for Lancashire has reduced by 1.3% from that provided in 2016/17. It is clear that government grant will continue to reduce in future years with the Government stating that to maintain total funding it is assumed that every PCC will increase council tax by the maximum amount permitted under referendum principles. It is therefore assumed in the MTFs that government funding will reduce by 1.3% per year in 2018/19 and 2019/20 (i.e. at the same level of reduction as that experienced in 2017/18) as follows:

	Forecast		
	2017/18 £m	2018/19 £m	2019/20 £m
'Core' Government Funding	190.024	187.554	185.115

3.3 In the 2016/17 budget report approved by the Commissioner in February 2016 it was identified that further savings of £16.7m up to 2019/20 were required.

3.4 The Commissioner and Chief Constable have continued to review the MTFs to 2019/20 and have identified a revised funding gap of £14.9m detailed later in this report.

3.5 The Commissioner has approved additional savings of £6.4m in delivering the revised funding gap shown in 3.4 which means that the Commissioner and the Constabulary have identified a total amount of savings of £82.5m from 2011/12 to 2019/20 to date. To meet the outstanding funding gap a further £14.9m of savings need to be delivered. This means that by 2019/20 total savings in excess of £97m will have been delivered since 2011/12 which is the equivalent of 32% of the 2011/12 original revenue budget.

3.6 As is always the case, the additional level of forecast savings required in future years is dependent upon future funding announcements and financial settlements and therefore the figures quoted above are likely to change.

Developing Savings Options

3.7 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 again rated as 'good' in the recent Police Effectiveness Efficiency and Legitimacy "Peel efficiency" inspection.

4. Forecast Position

Previously it was forecast that there was a funding gap of £16.7m between 2017/18 and 2019/20. This forecast has been revised to £14.9m by 2019/20 and the details are set out below:

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Resources:				
Government Funding	190.024	187.554	185.115	
Specific grants	4.130	4.130	4.130	
Forecast impact of Formula Funding Review	-	-3.000	-6.000	
Council tax	68.806	69.838	70.886	
Total Resources	262.960	258.522	254.131	
Base budget requirement brought forward	266.162	262.960	258.522	
Budget Adjustments	-3.840	-	-	-3.840
Demand/Volume	3.496	-0.032	0.765	4.229
Inflation	2.777	2.793	3.344	8.914
Budget Requirement	268.595	265.721	262.631	
Funding gap	5.635	7.200	8.500	21.335
Savings	-3.892	-1.215	-1.285	-6.392
Funding gap	1.743	5.985	7.215	14.943

Government Funding

- 4.1 The provisional police grant for 2017/18 was announced on 15 December 2016. Lancashire has been allocated £190.024m which is a reduction of £2.514m on the funding for 2016/17. In future years it is assumed that government funding will reduce by 1.3% per annum to reflect the allocations provided with the 2017/18 provisional settlement and the statement from the Home Secretary that funding will be protected only if Commissioner's increase Council Tax by the maximum amount permitted under referendum principles, which for Lancashire is currently 2% per year, to offset the reduction in government grant.
- 4.2 Specific grants in respect of the delivery of counter terrorism activity will be confirmed during 2017/18. It is assumed that any change in the level of these grants will be matched by a change in expenditure and therefore have no impact of the funding gap position.
- 4.3 The Home Office is reviewing the **funding formula** used to allocate funding to individual PCCs in future years and intends to implement the outcome of the new review in 2018/19. The proposal is due out for consultation in February 2017 which will provide an indication of the impact on funding for Lancashire that will result. At this stage there is little information available to provide a forecast in the MTFS however the impact could be significant so the Commissioner and Chief Constable have determined that the potential impact should be recognised in the MTFS. The impact shown in the MTFS (above) reflects the lowest end of the scale of potential

reductions in funding that the last review of the formula produced as there is no other information available upon which to base the projection.

Council Tax

- 4.4 The forecast assumes an increase in the council tax base (i.e. the number of households that pay council tax) of 1.5% per year from 2017/18 to 2019/20 to reflect the latest trend information provided by District Councils. The forecast **does not include an increase to the council tax precept** in any year at this stage.
- 4.5 The collection fund surplus/deficit position in respect of council tax for 2016/17 and the final taxbase position for 2017/18 will be confirmed by the Unitary and District Councils on 31 January 2017. The final amount of council tax to be received will therefore be confirmed in the budget report to the Commissioner in February 2017.

Budget Adjustments

- 4.6 The changes to the budget forecast included in the forecast above are:

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Reverse 16/17 contributions to reserves	-3.284	-	-	-3.284
Reduce spend to meet reduction in Counter Terror grant	-0.511	-	-	-0.511
Reduced charge - NPAS	-0.045	-	-	-0.045
Total	-3.840	-	-	-3.840

- 4.6.1 The revenue budget in 2016/17 included specific contributions to the Commissioner's investment reserves, these contributions will not be repeated in 2017/18 and this is reflected in the adjustment to the budget shown in the table above.
- 4.6.2 Lancashire's allocation of Counter Terrorism grant for 2016/17 was reduced and the related spending was therefore adjusted in line with the revised funding level.

Demand/Volume

- 4.7 The demand and volume pressures are:

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Revenue consequences of the capital programme	-0.630	0.846	1.000	1.216
Ill-health retirements	0.200	0.200	0.200	0.600
LGPF – pension revaluation	0.300	-	-	0.300
Apprenticeship levy	0.800	-	-	0.800
Reverse previous years temporary funding	-0.340	-1.529	-1.180	-3.049
Recruitment to protect frontline policing	0.700	-	-	0.700
Full Year Effect				
Investment in local policing	2.466	0.451	0.745	3.662
Total	3.496	-0.032	0.765	4.229

4.7.1 Revenue consequences of the capital programme

This represents the impact of the changes to the Capital Programme agreed in the 2016/17 budget report upon the revenue budget and reflects changes to the costs of financing the programme in particular the forecast level of borrowing in respect of major accommodation schemes.

4.7.2 **Ill-health retirements**

The costs associated with ill-health retirements have risen due to increased costs of injury settlement payments and injury pension payments. The number of ill-health retirements per annum is not expected to increase in future years.

4.7.3 **Apprenticeship levy**

The Chancellor of the Exchequer, in his Autumn Statement in November 2015, announced that all employers with an annual pay bill in excess of £3m will be subject to the apprenticeship levy from April 2017/18.

4.7.4 **Reverse funding for previous years investment**

Temporary increases in staffing agreed in previous years' budgets are reversed in the 2017/18 to 2019/20 budgets as the requirement for that staffing ends.

4.7.5 **Recruitment of Police Officers**

The Commissioner agreed a permanent investment in the annual revenue budget to fund the recruitment of frontline police officers each year and specifically to meet the cost of their training. The budget for 2016/17 included a part year cost as the recruitment process began during the year, there is a requirement to increase the budget in 2017/18 to reflect the full year cost of this investment.

4.7.6 **Investment in local policing**

Through the on-going monitoring of operational requirements and the Futures review of service delivery a number of areas of additional resource requirement have been identified. The Commissioner is increasing the budget to make this investment to ensure his key priority of protecting local policing can be delivered.

The key areas of investment include:

- Armed Response resources
- Safeguarding of vulnerable adults and children
- Online Child Abuse investigations
- Major fraud and money laundering investigations

Inflation

4.8 The main elements of inflation included in the forecast are:

	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
Pay	2.077	2.079	2.615	6.771
Non-pay inflation	0.700	0.714	0.729	2.143
	2.777	2.793	3.344	8.914

Savings

4.9 A key element of the Commissioner's financial management strategy is the ongoing review of the organisation's activity and the identification of additional savings that can be made. This work is undertaken in conjunction with the Constabulary's 'Futures Team' and has identified further savings that will be delivered in 2017/18 and future years as follows:

	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
Full year effect of previously agreed savings	-1.328	-0.151	-0.257	-1.736
Contain inflation in budget 17/18	-0.700	-	-	-0.700
Procurement and Contracts restructure	-0.027	-	-	-0.027
Learning and Development Forensics	-0.400	-	-0.300	-0.700
<u>Futures programme:</u>				
Review of Public Enquiry Facilities	-0.500	-0.500	-	-1.000
Review of In House Surveys	-0.020	-	-	-0.020
Review of Special Operations	-0.023	-	-	-0.023
Review of Operational Policing	-0.894	-0.564	-0.728	-2.186
Total	-3.892	-1.215	-1.285	-6.392

RISKS AND UNCERTAINTIES

4.10 There are however a number of risks and uncertainties that will impact on the final position that are not reflected in the forecast position shown in this report;

4.10.1 *Finalisation of the Settlement*

The final settlement is anticipated to be announced in early February 2017 and therefore the current information is based on the provisional figures that were announced on 15 December 2016.

4.10.2 *Specific Grant allocations*

Final allocations for specific grants such as the Counter Terrorism Grant have not been made and are expected later in the financial year. Should there be any changes in grant provided for these services this will be offset by corresponding changes in expenditure requirements.

4.10.3 *Future levels of top-slicing*

The Commissioner's MTFS includes the impact of previously announced top-slices to the national funding level for police services. No announcements have been made, however, on the level of top-slicing that will take place beyond 2017/18 therefore the estimated impact currently reflected in the forecast could be subject to change when future announcements are made.

4.10.4 *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 2017/18 and therefore the final PCSO budget available will not be known until all partners have set their budgets.

4.10.5 *Replacement of Airwave*

The emergency services communications network 'Airwave' is being replaced over the next four years. Lancashire Constabulary was initially amongst the first forces scheduled to transfer to the new network in 2017/18 and as a result will incur considerable capital expenditure in respect of equipment and infrastructure. It has been made clear by the Home Office that the timetable for the implementation of the new network has been delayed and a specific implementation date has not

been provided adding considerable uncertainty to the process. It is also not clear how much the transition to the new system will cost but additional contributions to reserves have been made as an attempt to mitigate some of the future costs.

4.10.6 **Review of the Police Funding Formula**

The Home Office intends to implement a revised funding formula in 2018/19 which will impact upon the amount of grant received by the Commissioner. The level of funding that Lancashire will receive will be entirely dependent upon the factors used to determine the new formula allocations and until more information is made available it is extremely difficult to forecast the specific impact on future years.

The previous attempt to deliver a new formula provided a range of potential outcomes for Lancashire from a loss of funding of £8.5m to a loss of funding of £25m. Clearly there is a significant risk that there could be a substantial loss of funding for Lancashire as a result of this process and the MTFS has an indicative impact at the lower end of the range shown above however until the Home Office provides a final version of the formula with specific allocations there remains a high level of uncertainty in the forecast for future years.

4.10.7 **Impact of cuts to Local Government funding**

Local Authorities face significant further budget reductions in future years. It is expected that this in turn will increase the demands faced by policing services particularly in relation to individuals with mental health issues. The impact of these changes is extremely difficult to forecast but as information becomes available it will be reflected in future iterations of the MTFS.

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 that, as far as is possible, frontline policing is protected and made as efficient as possible in future years. The one-off investment in these projects is 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.
- 5.5 The Commissioner, as part of his long term financial strategy, considers the investment needed to deliver the capital investment programme and has in recent years set aside specific reserves to provide the funding necessary to deliver these

key investments. The following section of this report sets out the proposed investment programme and the funding that has been identified to deliver it.

Capital Investment Programme

5.6 A draft capital programme is currently being developed and will be approved by the Commissioner in his budget report in February 2017. 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 under the Commissioner's Medium Term Financial Strategy in recent years.

5.7 The current draft capital programme is set out below:

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m	£m
IT Strategy	12.000	10.889	5.550	5.400	5.050	38.889
Accommodation Strategy	21.618	4.733	0.500	0.500	0.500	27.851
Vehicle Replacement Programme	2.357	2.600	2.800	2.800	1.800	12.357
Other Schemes	0.700	0.200	0.200	0.200	0.200	1.500
Total	36.675	18.422	9.050	8.900	7.550	80.597

The key elements of the IT strategy are:

- Replacement of Desktop and mobile equipment (£5.3m)
- New and replacement key IT systems (£16.1m)
- New and replacement IT infrastructure including networks and security (£17.5m)

The main element of the accommodation strategy is the construction of the new divisional headquarters in West Division at a forecast cost remaining to be incurred of £21.9m

Paragraph 4.9.5 sets out the risk associated with the implementation of the Emergency Services Network (ESN) to replace the existing network used for communications by the Emergency Services.

At this stage in the process it is unclear what the cost will be for Lancashire so no provision is made within the programme shown above however it is recognised that there is likely to be a significant financial burden for Lancashire once implementation begins.

In recognising this future burden the Commissioner has set aside additional contributions in his reserves to meet some of the anticipated additional cost.

5.8 The draft investment programme is forecast to be funded as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m	£m
Capital Grant/Contributions	1.497	1.097	1.097	1.097	1.097	5.885
Capital Receipts	0.601	0.150	-	-	-	0.751
Contribution from the Revenue budget	2.519	2.519	2.519	2.519	2.519	12.595
Road Safety Reserve	-	-	-	-	-	-
Transition Reserves	10.515	9.978	4.989	4.839	3.489	33.810
Borrowing	21.543	4.678	0.445	0.445	0.445	27.556
Total	36.675	18.422	9.050	8.900	7.550	80.597

- 5.9 Capital grant allocations for 2017/18 have been provisionally confirmed in the provisional settlement announced on the 15th December 2017.
- 5.10 It is clear that a significant amount of the investment being made in future years will be from the Commissioner's reserves reflecting the Commissioner's reserves strategy that has been reported to the Panel in previous years. This has been developed specifically to fund this essential investment which is needed to enable the constabulary to transition into a re-shaped service that maintains services to the citizens of Lancashire within a significantly reduced level of funding.

Reserves

- 5.11 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 2017 is £11.9m or 4.5% of the 2017/18 revenue budget.
- 5.12 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.
- 5.13 There are also a number of earmarked reserves for specific purposes that are forecast to total £30.7m at the beginning of 2017/18 and are detailed in the table below:

Earmarked Reserves	2017/18 £m	
PoCA reserves	0.820	Receipts from the proceeds of crime earmarked for specific grant allocations
Operational Policing reserves	3.279	Held to meet specific operational requirements including costs from major incidents not funded from main police grant
Road Safety Reserve	0.827	Held on behalf of the Lancashire Road Safety Partnership
Reserves to Support Organisational Transformation	25.798	Available to meet costs of transforming the organisation including investment in the Capital programme
Total	30.724	

- 5.14 Earmarked reserves include a number that are available specifically to support the transformation process that the Commissioner and Constabulary face in the coming years:

	2017/18 £m
Transition reserve	19.530
PCC Strategic Investment reserve	6.268
Reserves available for transition	25.798

These reserves are set aside to contribute to the funding of the capital programme and to meet some of the costs of the downsizing of the organisation in future years, the impact of which on the available reserves is detailed below

	2017/18	2018/19	2019/20
	£m	£m	£m
Available reserves brought forward	25.798	15.283	5.305
Funding required for the capital programme	-10.515	-9.978	-4.989
Available reserves carry forward	15.283	5.305	0.316

- 5.15 This analysis shows that by 2019/20 the majority of available earmarked reserves will be utilised to fund the investment identified in the capital programme leaving a small amount available to meet the costs of downsizing the organisation in respect of any potential voluntary redundancies. These commitments will remain under scrutiny during this period and where they can be reduced the necessary action will be undertaken. The commissioner will also seek to bring further contributions in to the earmarked reserves when possible.
- 5.16 It is clear, however, that the Commissioner's reserves are fully committed by 2019/20 and are therefore not available to support the revenue budget during that period.

6. Setting the 2017/18 Budget

- 6.1 The 2017/18 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
2016/17 Budget	266.162
Budget adjustments	-3.840
Volume and demand changes	3.496
Inflation	2.777
2017/18 Budget Requirement	268.595
Less Funding Available	262.960
2017/18 Funding Gap	5.635
Savings	3.892
Remaining Funding gap 2017/18	1.743

Therefore, once all of the above proposals are taken into account there remains a **funding gap of £1.743m for the 2017/18 revenue budget.**

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. It has also been confirmed that there will not be a Council Tax freeze grant available in 2017/18 for Commissioners that do not increase their precept.

- 7.2 The Commissioner proposes to increase Council Tax in 2017/18 by 1.99% which would give a council tax of £165.45 for a Band D property and provide additional income of £1.356m.
- 7.3 Increasing Council tax by 1.99% in 2017/18 would reduce the level of savings required by 2019/20 to £13.587m as set out in the following table:

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Current Forecast gap before Council Tax increase	1.743	5.985	7.215	14.943
Impact of 1.99% Council Tax increase	-1.356	-	-	-1.356
Revised Funding Gap	0.387	5.985	7.215	13.587

The Commissioner will examine the budget proposals above and identify further savings to meet the remaining funding gap of £0.387m identified above for 2017/18. These will be confirmed as part of the decision to approve the final 2017/18 revenue budget in February 2017.

The Futures team are identifying further proposals to meet the savings gap in future years that will be considered by the Commissioner over the next 12 months as part of the ongoing financial planning process.

Engaging the Public on the Council Tax precept

- 7.4 The Commissioner has undertaken an in-depth survey with the people of Lancashire to ensure their needs are taken into consideration when setting the council tax precept. Further details of the consultation and market research will be made available as an appendix to the report at the meeting.
- 7.5 The telephone research undertaken independently of the office to market research industry standards, asked 1,400 people (100 in each of the 14 district areas) if they wanted to freeze the precept, increase it by 2% or increase it by 5%. The result was 72.8% support for an increase of 2% or more. A sample of this size has a confidence level of +/-3%.
- 7.6 Face to face engagement and an online survey continued until 20 January and these results will be included in the appendix to this report and presented to the panel at the meeting on 23rd January 2017.

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 4.5% 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 shown in 5.13 above. 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 with plans in place to invest the majority of the earmarked reserves on the capital ICT infrastructure and estates strategies 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 2017, 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 2017. 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 2017 after which the Commissioner must respond formally to the Police and Crime Panel setting out the precept for the forthcoming year.

11. Conclusion

- 11.1 The Panel are asked to consider this report and the recommendations within it.
- 11.2 The Panel are requested to provide their response to these recommendations in line with the responsibilities set out in paragraph 10 of this report.