

MANAGEMENT BOARD

DECISION NO. 2016/299

DATE: 29 JANUARY 2016

2016/17 BUDGET AND COUNCIL TAX PRECEPT

Executive Summary:

The Commissioner is required to set an annual budget and precept (the Commissioner's element of council tax) taking into account Government funding, precept regulations and organisational demands. The purpose of this report is to enable the Commissioner to finalise the budget. The detailed 2016/17 budget is contained in the report attached at Appendix 1.

Recommendation: That

- (1) the Police & Crime Panel be notified that it is proposed to increase the police element of council tax by £5 per annum (3.2%) for a Band D equivalent property for 2016/17, from £156.23 to £161.23;
- (2) the net budget requirement for the financial year commencing 1 April 2016 be set at £164,408,183 (£192,539,691 gross budget), based on no change to Government grant allocations in the final settlement and, subject to decision by the Police & Crime Panel, a Band D council tax increase of 3.2%;
- (3) the proposed 2016/17 precepts be as follows:-

	Number of Band D equivalent houses	Precept on Collection Fund £
Cheshire East	142,186.60	22,924,746
Cheshire West and Chester	115,125.00	18,561,604
Halton	32,948.00	5,312,206
Warrington	65,156.00	10,505,102
Total	355,415.60	57,303,658

- (4) the provision of £1,919,127 for pay and price increases, as set out in Table 1 of the budget report, be approved;
- (5) net commitments of £3,364,923 as set out in Table 3 of the report, be approved;
- (6) the savings proposals for 2016/17, totalling £6,866,831, as set out in paragraph 27 of the budget report, be approved for implementation;
- (7) the priority developments totalling £7,002,787 as set out in paragraph 29 of the report, be approved;

(8) the total estimated number of police officers and staff be agreed as follows as at 31 March 2017:-

Police Officers	2053
Police Staff	1270
PCSOs	211
	<u>3534</u>

(9) the financial health targets for monitoring purposes as set out below be approved:-

(i) *Reserves*

That the level of general reserves, after allowing for potential financial risks be maintained, at no lower than 3% of the net budget and that this be monitored by the Commissioner on a quarterly basis.

(ii) *Revenue Spending*

That the Chief Constable maintains revenue spending within 1% of the net budget and that this be monitored by the Commissioner on a quarterly basis.

(iii) *Capital Programme Management*

That the Chief Constable maintains the projected capital outturn at a level that does not vary from the original capital programme by more than 20%. The total capital programme includes the new schemes for 2016/17 and those schemes brought forward from previous years. This target is to be monitored by the Commissioner on a quarterly basis.

(iv) *Debt*

That the Chief Constable collects at least 50% of debtor income within one month of the invoice being raised.

(v) *Prudential Indicators*

That the actual prudential indicators be monitored by the Commissioner on an annual basis against the indicators set in the budget.

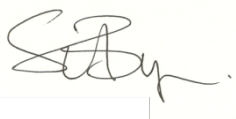
(10) the proposed use of reserves as set out at Appendix 4, be approved;

(11) the 2016/17 capital programme of £14,601,782 and financing as set out in paragraphs 37 & 38 of the report, be approved;

(12) those capital schemes annotated as starred items at Part 2, Appendix 5, be submitted in full detail to the Management Board before expenditure is committed; and

(13) the detailed list of commitments, priority developments and savings as set out in the Part 2, Appendices 6 and 7, be approved together with the list of revenue budget heads which will be used for in-year monitoring.

I submit this recommendation for approval:-



Signature

Date 29 January 2016

Chief Constable

I have reached the following decision:-

Accept the above recommendations.

My rationale for this decision is:-

This decision provides a balanced budget for 2016/17 which will enable investment to address the increasing threats and risks to the people of Cheshire. The increase in council tax reflects the Government's expectations, the outcome of public consultation and will ensure I have done my utmost to provide a modern, agile and resilient police force for Cheshire.



Signature

Date 29 January 2016

Police & Crime Commissioner

PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE

BACKGROUND TO DECISION MAKING PROCESS

1. The attached 2016/17 Revenue Budget and Council Tax report sets out the proposals for the forthcoming year to enable the Commissioner to approve the budget and propose a precept and notify the Police & Crime Panel of these proposals for their meeting on 5 February 2016.
2. The Police & Crime Panel will then consider the proposed 2016/17 precept and either accept or veto it by 8 February 2016. If the proposal is accepted by the Panel, the Commissioner will issue the precept. Should the Panel veto the precept, the Commissioner will consider their report and propose a revised precept by 15 February 2016. The Panel will then review the Commissioner's response and report back to him by 22 February 2016, at which point the Commissioner will finalise the budget and issue the precept by 1 March 2016.

LEGAL COMMENTS

3. The recommendations in this report if approved will fulfill the Commissioner's duties under the Police Reform and Social Responsibility Act 2011 to decide the budget, allocate assets and funds to the Chief Constable, and propose the police element of the precept for the force area.

EQUALITY COMMENTS

4. Equality impact assessments have been completed and taken account of at earlier stages of budget proposals, for example as part of the Priority Based Budgeting 2 exercise carried out in autumn of 2015. Further equality impact assessments will be completed, as required, in advance of the implementation of various elements of the budget.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC website within 3

working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

Is there a Part 2 form – YES

The report is not for publication because it contains restricted information relating to commercial interests, Section 43 of the Freedom of Information Act 2000.

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CHIEF OFFICER DECLARATION:

I have reviewed the proposal and I am satisfied it is correct, all relevant internal checks have been undertaken and it is consistent with the PCC's Police & Crime Plan and priorities.

Signature

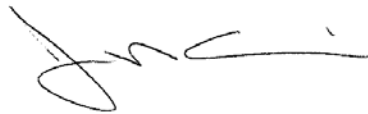


Date 25 January 2016

CHIEF OFFICER DECLARATION:

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police & Crime Commissioner.

Signature



Date 25 January 2016

CHIEF OFFICER DECLARATION:

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police & Crime Commissioner.

Signature



Date 25 January 2016

2016/17 REVENUE BUDGET AND COUNCIL TAX

PURPOSE OF THE REPORT

1. The purpose of this report is to enable the Commissioner to finalise the budget for 2016/17.

INTRODUCTION & FINANCIAL BACKGROUND

2. The Commissioner is required to set an annual budget and precept taking into account Government funding, precept regulations and organisational demands. This requirement is supported by the production of a Medium Term Financial Strategy (MTFS) with the annual budget forming the first year of the Strategy. The creation and maintenance of the MTFS is fundamental in promoting good financial planning and delivery of value for money.
3. The MTFS covers the period 2016 to 2021 and contains a financial scenario which provides an overview of the financial assumptions made in developing each year's projected funding levels and overall financial plan. This is augmented by strategies relating to reserves, value for money and other associated documents which support financial planning and management. The current MTFS was approved by the Commissioner on 6 January 2016.
4. In November 2015, HMIC reported on police efficiency and found that Cheshire Constabulary is exceptionally well prepared to face its future financial challenges. It has a good understanding of demand and has processes in place to make informed choices about resources and levels of service across every business area. Workforce and financial plans are detailed and closely aligned and the Constabulary has a strong track record of achieving savings. Together, these provided HMIC with confidence that this performance can be sustained through to 2019/20. The outcome of this review was:

*'The extent to which the Constabulary is efficient at keeping people safe and reducing crime is **outstanding**'*

5. Fundamental to the financial scenario is the amount of Government funding allocated to Cheshire. On 25 November 2015, the Chancellor delivered his Autumn Statement which included the following:

'The Government will protect overall police spending in real terms over the Spending Review period, an increase of £900 million in cash terms by 2019-20. This provides funding to maintain overall police force budgets at current cash levels. The Government will allocate additional transformation funding to those forces which have strong proposals to support efficiency and reform and to help transition to new funding arrangements in future. This funding will also allow forces to train more firearms officers to ensure the country extends its capability to protect its citizens from terrorist threats.'

6. On 17 December 2015, the Provisional Police Grant Report 2016/17 was published confirming the funding available for police forces and the allocations to each force with the final Police Grant Report being announced on 3 February 2016.
7. A key point to note in the 2015 Spending Review and 2016/17 provisional Grant Report, is that the Chancellor's commitment to '*maintain overall police force budgets at current cash levels*' depends upon Commissioners increasing their council tax by 2% in each year through to 2020. Without this increase police budgets will not be maintained and savings will be required. The Chancellor also provided additional flexibility for the Commissioners in England with the 10 lowest council tax charge (including Cheshire) to raise their council tax by up to £5 per year which equates to a 3.2% rise for Cheshire.
8. The Home Secretary's letter of 25 November 2015 recognised that the '*total Government funding to policing, including funding for counter terrorism, will be reduced by 1.3% in real terms over four years. Taking into account the scope Commissioners have to raise council tax precept, this means a flat real settlement for policing as a whole.*' This clearly states that to avoid the reduction in funding, Commissioners are expected to increase their precept in line with the flexibilities afforded within the Autumn Statement and confirmed in a Written Ministerial Statement from the Minister of State for Policing, Criminal Justice and Victims dated 17 December 2015. For Cheshire, this assumes a £5 per annum increase in council tax.
9. It is recognised that working together with other forces, the fire service and other agencies, through collaboration, reduces costs, increases efficiencies and provides resilience together with value for money. The Commissioner and Cheshire Fire Authority have agreed an innovative collaboration that puts us at the forefront of joint working nationally. This will require initial investment to realise the on-going benefits and efficiencies.
10. There remain a significant number of outstanding issues which will impact on the budget such as the amount of capital grant allocation, the distribution and expectations around the enhanced firearms capacity and counter terrorism funding mentioned in the Chancellor's Spending Review, the new Emergency Services Network (ESN) funding details, details of the transformational fund created as part of the Autumn Statement and the level of grant from the Ministry of Justice for victims' services. Some of these are not expected to be finalised until after the Commissioner has set his 2016/17 budget. Finally there is no certainty about changes to the funding formula forecast to come into effect from 2017/18. The Government was required to halt its plans for the introduction of a new formula for 2016/17 and it is not clear how the issue will now be taken forward nor the impact on Cheshire.
11. In face of these uncertainties, the fast moving pace of crime patterns and the threat levels needing a strong focus on community intelligence, the Commissioner needs to ensure that the Constabulary has the resources necessary to protect the public of Cheshire as well as to deliver its commitments as part of the Strategic Policing Requirement.

POLICING THREATS AND DEMANDS

12. The Constabulary completes an annual Strategic Risk and Threat Assessment which considers information from a range of internal and external sources to provide an analysis of demands, threats and risks. The assessment is used as part of the budget setting process to inform how resources are prioritised and used and critically informs the Commissioner's budget making decisions. The current assessment highlights the following increasing threats and demands:
- The continued 'Severe' (an attack is highly likely) terrorist threat level within the UK and the capabilities required by the Constabulary in the Strategic Policing Requirement.
 - The increasing threat from new and emerging crimes such as cyber-crime and modern slavery and the potential involvement of organised crime groups.
 - The increasing demands in relation to offences, victims and offenders which involve risk and complexity. This includes areas such as child sexual exploitation, rape and sex offenders as well as arrangements with local authorities in relation to adult and child safeguarding.
 - The continued impact of drugs as a root cause of crime and the association with organised crime groups.
 - The threat to public confidence in policing resulting from the cumulative impact of changes to the way that the force is structured and to national changes to the way that complaints and discipline matters are dealt with.
 - Planned infrastructure changes within Cheshire including major projects such as the Atlantic Gateway, the Mersey Gateway, Cheshire Science Corridor, Crewe high growth city, M6 and M56 motorways and the HS2 Crewe 'superhub'.
 - The potential for greater devolution within Cheshire which would see a significant change to the way that public services are provided.
 - The impact of demographic changes such as an ageing population.

POLICE & CRIME PLAN

13. The Commissioner wants to make Cheshire a safer place to live and work and an area hostile to criminals. This is reflected in the Police & Crime Plan, which sets out the policing priorities for Cheshire. In developing the Plan, the Commissioner consulted the public, victims and young people and took into account the Chief Constable's views on key areas of threat and the priorities set by local councils, criminal justice partners and the Government.
14. The Commissioner is determined to place victims at the centre of the criminal justice system and commission services in Cheshire that may not only help victims cope and recover from their ordeal but also prevent people from becoming victims in the first place. This is at the heart of the Police & Crime Plan, which sets out priorities for policing Cheshire as summarised below:
- Enhance frontline policing to enable the Constabulary to prevent and further drive down crime.
 - Protect Cheshire's communities from harm.
 - Support victims and witnesses of crime; and take a robust stance in tackling those who offend, especially those who do so repeatedly.
 - Continue to build on the strong partnership between the police and the communities of Cheshire.

- Ensure the delivery of an efficient and effective police service. This will include building on the use of innovative technology to deliver better services to the communities of Cheshire.

15. The Commissioner recognises the critical impact and contribution that policing makes to vibrant communities in supporting and encouraging investment in Cheshire that drives economic development and prosperity through jobs, infrastructure and housing, making Cheshire one of the most sought after places to live, work and visit.

STRATEGIC POLICING REQUIREMENT

16. Whilst many threats can be tackled by individual police forces within their own force areas, national threats such as terrorism, civil emergencies, serious and organised crime, public order, and national cyber security incidents require a coordinated or aggregated response in which resources are brought together from a number of police forces. Forces often need to work collaboratively, and with other partners, national agencies or national arrangements to ensure such threats are tackled effectively. The Strategic Policing Requirement (SPR) is the outcome of the Home Secretary's statutory duty to set out what are, in her view, the national threats at the time of writing and the appropriate national policing capabilities required to counter those threats. The implementation of the SPR is the responsibility of the Chief Constable and the Commissioner. The Chief Constable is satisfied that the proposals contained in this budget reflect the Constabulary's requirements under the SPR.

2016/17 BUDGET PROPOSALS

17. Table 1 shows the proposed revenue budget for 2016/17. The impact of the threats and demands placed upon the police, the level of commitments required and the total funding available to the Commissioner has been reflected within the proposal and are detailed in the following sections.

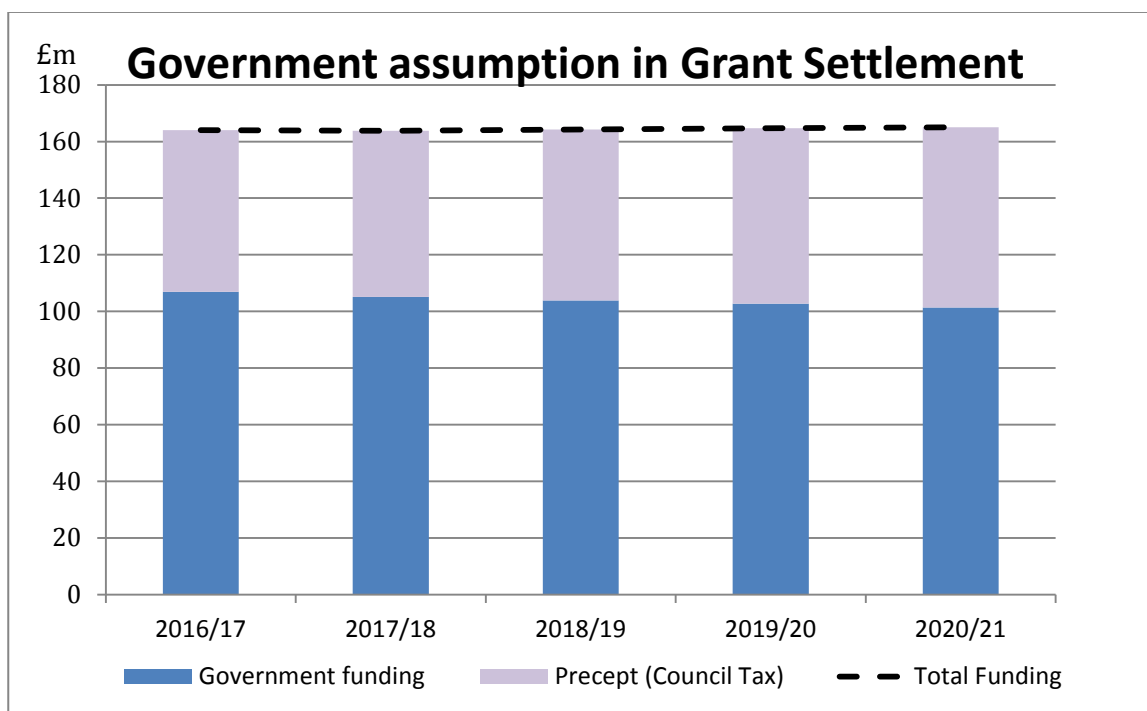
Table 1: Proposed Revenue Budget 2016/17	£000
2015/16 Gross Expenditure Budget	189,236
Pay and Price Inflation	1,919
External Commitments	3,365
Priority Development Proposals	7,003
Savings	(6,867)
Transfer from Reserves	(2,116)
2016/17 Gross Expenditure Budget	192,540
Financed by:	
Government Police Grant	106,249
Council Tax Precept (including surpluses on Collection Fund)	58,159
Net Budget Requirement	164,408
Other income and specific grants	28,132
Total Funding and Income	192,540

FUNDING

18. Government funding is received through a general police grant with the other major source of funding from locally raised council tax. Based on the Provisional Police Grant Settlement together with the Government's assumptions on council tax levels, the following table and chart show the maximum forecast level of funding available through to 2020/21.
19. As shown in Table 2, the total amount of funding going forward is stable in line with the Chancellor's commitment to '*maintain overall police force budgets at current cash levels*'. However, it should also be noted that Government funding decreases each year and in order to maintain the overall funding level the precept needs to increase year on year. Whilst this has been assumed by the Government in their funding allocations, this is, of course, a matter for the Commissioner to decide and is discussed in more detail later in this report.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Government funding	106.9	105.1	103.9	102.7	101.4
Precept (Council Tax)	57.1	58.7	60.3	62.0	63.7
Total Funding	164.0	163.8	164.2	164.7	165.1

20. The following chart shows the Government's assumption in the grant settlement that Commissioners will protect policing, by increasing council tax up to the maximum permitted.



21. For 2016/17 there is a reasonable degree of certainty due to the Provisional Grant Settlement, but there remain a number of outstanding issues affecting next year such as counter terrorism grant which will not be known until after the budget has been agreed by the Commissioner. Beyond 2017 there is increasing uncertainty until some key factors such as the formula for allocating Government funding and further top-slicing are clarified or approved.

COMMITMENTS AND INFLATION

22. The budget is subject to price inflation, the impact of pay awards and commitments arising from new legislation or regulation. While inflation is currently low and is forecast to remain so in the short term, the funding from Government grant is not increasing in line with inflation so any impact of inflation and unavoidable commitments will need to be funded by savings and efficiencies from within the current budget. For 2016/17 inflation costs £2m (£1.6m pay and £0.4m non-pay). Pay inflation is the nationally agreed increase currently 1% for officers and 2.2% for staff which covers the period March 2015 to August 2016) Non-pay inflation is calculated based on expenditure type and in line with data provided by Office of Budget Responsibility. Inflation is only applied where there is clear justification or contractual obligation, otherwise no inflation is applied.
23. In addition to inflation, there are several changes to legislation that have a direct financial impact on the budget. The main changes are:

Table 3: Commitments	2016/17 £m
Increase in employer's NI to fund single state pension payment	2.4
National changes to terms & conditions / ruling on holiday pay	0.5
Fluctuation of bank holidays over financial year	0.2
Impact of injury pensions	0.1
Other commitments and permanent changes during 2015/16	0.2
Total Commitments	3.4

24. While the chart in paragraph 20 shows broadly stable funding over the next 4 years, in 2016/17 the requirement to absorb £5.3m of unavoidable costs (inflation and known commitments) requires the Constabulary to make equivalent savings before any further investment can be considered. In addition, with the number of outstanding issues, it is likely that further costs will need to be absorbed within this funding. For example, ESN transition costs are estimated at £1.2m and indications are that these costs will need to be absorbed by the Commissioner.

SAVINGS AND PRIORITY DEVELOPMENT PROPOSALS

25. Priority Based Budgeting (PBB) provides a robust process for reviewing demand, service provision and methods of delivering such services across the entire organisation. This in depth scrutiny enables increases in demand to be validated, efficiencies in methods of service delivery to be recognised and levels of service provision to be set in line with the Commissioner's priorities and the Constabulary's threats and demands.
26. A full review of all the services provided was undertaken during Summer 2015 by the Constabulary, led by the Deputy Chief Constable and observed by the Office of the Police & Crime Commissioner, the Police Federation and Unison. Each budget manager presented their service demands, proposed efficiencies and service levels. These were subsequently scrutinised by the Constabulary and the Commissioner and resources allocated in line with priorities based on threats and demands. The outcome of this in-depth scrutiny forms the basis of this budget proposal.

27. As part of the PBB process efficiency savings of £6.9m have been identified. The changes contributing the more significant savings are listed below:
- Full year effect of 2015/16 efficiency savings
 - Reversal of 2015/16 temporary & implementation costs
 - Review of the financial impact of staff turnover and recruitment profiling
 - Reduction in the contribution to capital funding
 - Efficiency savings from the review of contracts
 - Efficiency savings on energy usage and estates
 - Efficiency savings from a review of back office service levels
28. These savings together with the use of £2m from reserves to fund temporary implementation costs within 2016/17 covers the unavoidable costs of inflation and commitments and enables the Commissioner to consider investment in the key priority development areas to address the increasing threats and demands.
29. The Constabulary is proposing investment to support further an additional 70 police officers and a number of additional police staff roles. These resources will enable a more effective response to the key threats and demands outlined above, and in particular will enable an enhanced capability within the Public Protection Directorate, specifically to respond to threats around recorded sexual offences including rape, offender management, modern slavery and people trafficking. The Constabulary is also proposing further resources to enhance its proactive capabilities to respond to organised crime, drugs and cyber-crime and additional resources to respond to counter terrorism threats, specifically in emergency planning.

STAFFING

30. Police Officers
The total establishment including officers posted to regional collaborations (currently 86), leavers and recruitment for 2016/17 is as shown below. This shows the net increase in officers of 70 by March 2017:

	2016/17
Budgeted baseline 31 March 2016	1983
Anticipated Leavers	111
Anticipated Recruitment	181
Budgeted baseline 31 March 2017	2053

31. Police Staff
It is anticipated that the police staff establishment will remain broadly stable at 1270. This will be monitored through Constabulary's People Board with any changes to the police staff budget agreed by the Commissioner.
32. The Commissioner recognises the role and community value placed on Police Community Support Officers (PCSOs). They are funded by the Commissioner with a number partially funded by partner agencies throughout Cheshire. The establishment for 2016/17 is currently 211 PCSOs, reduced from 220 based on known partner decisions to withdraw their funding. The remaining partners are presently reviewing their requirements and the establishment will be adjusted when their decisions on funding are finalised.

COMMISSIONING

33. In 2016/17, the approach to commissioning will continue to focus on victims of crime with the aim of preventing people becoming victims in the first place and ensuring that appropriate services are in place for those unfortunate enough to become victims of crime. The transition from nationally to locally commissioned services has taken place and the EU Directive on victims' rights and entitlements addressed. This places greater responsibility on the police to ensure that victims are assisted through the criminal justice process.
34. The Commissioner has additional responsibilities to have services available to support victims of crime whether or not they make a formal complaint and has commissioned Cheshire Cares; a service supporting victims across Cheshire to cope and recover from their ordeal. The Commissioner has an allocation of £1.2m from the Ministry of Justice for victims' services and restorative justice; this represents an increase of 6.6% (£76,518). The cost of Cheshire Cares is funded through this allocation. The Minister of State for Policing, Fire, Criminal Justice and Victims announced on 22 January 2016 that he had been able to protect the budget for victims' services across the Spending Review period. For 2016/17, Commissioners' Victims Services budgets had been protected at 2015/16 levels and the child sexual abuse provision would continue. The Minister also indicated that he would consider a longer term allocation from 2017/18 to aid the commissioning of services and would explore options for future devolution of national commissioned victims' services.
35. The former community safety funding is now incorporated into the main grant for policing. The Commissioner is committed to the amount of funds allocated last year of £983,000. This includes funding for Cheshire's Community Safety Partnerships, substance misuse services and Cheshire's Youth Offender Teams. The Commissioner will continue to set clear outcomes focused on victims to be achieved from this funding in the forthcoming year and continue to promote greater joint working amongst the four Community Safety Partnerships. The allocations will be discussed at the next meeting the Commissioner has with Community Safety Partnership chairs on 19 February 2016.
36. The Commissioner has allocated a further £80,000 to Participatory Budgeting initiatives following the successful projects across each of the borough council areas this year. This is aimed at supporting a further four initiatives of £20,000 each, one in each borough.

CAPITAL PROGRAMME

37. As part of the annual replacement programme, capital investment is required to support the Estates, Fleet and IT strategies. In addition, the Commissioner has supported a number of innovative investment opportunities including the collaboration with the Cheshire Fire Authority through grant bids to the Home Office Innovation Fund. The proposed capital programme totals £14.6m of which £2.2m is for schemes already started in 2015/16; £2.4m for essential replacements; and £9.9m is in support of the Innovation Fund bids and 'invest to save' schemes. Table 4 provides a summary of the proposed 2016/17 capital programme.

Table 4: 2016/17 Capital Programme		£000	£000
Prior Years			2,200
Annual Replacement Schemes:			
Estates Essential Maintenance		419	
Technology Refresh		296	
Fleet Vehicles		1,709	2,424
New Schemes:			
Fire Collaboration		3,568	
IT and Communications		5,886	
Equipment		240	
Vehicles		283	9,977
Total Capital Programme			14,601

38. Full details of the capital programme are provided in Part 2 of this report. The proposed funding for the above capital investment is set out in the Table 5 below.

Table 5: 2016/17 Capital Financing		£000
Government Grants *		1,900
Capital Receipts		7,685
Revenue Contribution to Capital		3,568
External Contributions to Capital		1,240
HQ IT Reserve		208
Total Capital Financing		14,601

*subject to Government confirmation on capital funding

INNOVATION FUND BIDS

39. Four Innovation Fund bids were submitted to the Home Office on 4 January 2016 - Fire Collaboration, Force Control System Additional Functionality, CCTV and Air Support (on behalf of partners nationally). In addition, Cheshire is included in the Tri-Force Niche Collaboration bid which is led by Merseyside Police. Early indications are for the results to be announced in March 2016.
40. The table below summarises the impact on the 2016/17 revenue budget, capital programme and expected revenue savings together with the grant bid.

Table 6: Innovation Fund Bids	2016/17 Revenue	2016/17 Capital	Indicative Saving (2017-19) ¹	2016/17 Grant bid
	£000	£000	£000	£000
Collaboration with Fire	0	3,568	1,646	2,908
Force Control Centre	0	618	184	378
CCTV	113	80	1,800	73
Air Support	140	0	0	120
Tri-Force Niche Collaboration ²	360	0	806	0
Total	613	4,266	4,436	3,479

¹ Due to the profile of the delivery of savings for each bid, it is expected that benefits will start to accrue from 2017/18 but there are some schemes where the full saving will not be delivered until later years.

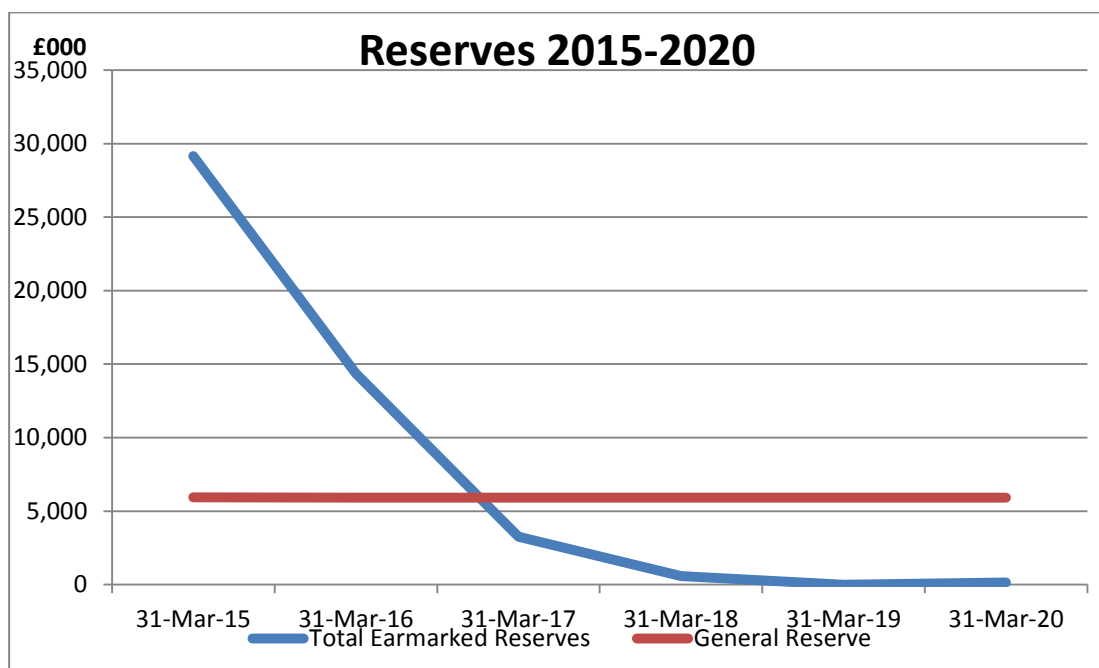
² Funding received by Merseyside. The amount shown is Cheshire's contribution to the overall scheme.

ROBUSTNESS OF ESTIMATES

41. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in prepared the budget. Details of how this requirement is met are in Appendix 3.

RESERVES

42. Section 25 of the Local Government Act 2003 also places a requirement on Chief Finance Officers to formally report on the adequacy of the reserves. The Chief Finance Officers assess this in the context of the strategic, operational and financial risks and opportunities facing the Commissioner and the Constabulary. Details of these reserves are shown in Appendix 4.
43. While holding reserves is a recognised and recommended financial management tool, the levels of such reserves must remain prudent, appropriate to the level of risk and opportunity and not excessive. The level of reserves forecast at the end of the year are £5m revenue reserves, £10m capital reserves and £6m general reserves – totalling £21m.
44. The revenue reserves are forecast to decrease to £1m by the end of 2016/17. The cost of implementation and invest to save schemes taking place in 2016/17 will utilise the remaining balance of the Medium Term Financial Strategy Reserve. The final amount due on current LGPS deficit payments will also be paid during 2016/17, leaving the £1m remaining within the Redundancy Reserve. This particular reserve is currently under review to ensure its level remains appropriate with any surplus being transferred in line with organisation demand.
45. Capital reserves begin the year at an estimated £10m of which all but £0.5m is forecast to be used in 2016/17. Borrowing will be required to support future years' investment. Details of the 16/17 capital schemes can be found in the capital programme section of this report. The final year end position will depend on the actual outturn capital expenditure and the outcome of the £3.5m Innovation Fund bids.
46. The overall picture of the reserves held is illustrated in the graph below which clearly shows the level of earmarked reserves, both revenue and capital have and are forecast to be fully utilised in the following year.



CONSULTATION WITH THE PUBLIC AND BUSINESS RATEPAYERS

47. During 2015, the Commissioner consulted with 5,352 members of the public on their priorities for policing, the police budget and potential council tax options. Overall the responses supported increasing the council tax to fund policing with 52.2% surveyed supporting the £5 per annum increase and in the specific council tax survey after the Autumn Statement, 56.3% supported the £5 per annum increase. Full details of these consultations are shown in Appendix 1.

COUNCIL TAX PRECEPT

48. Since his election the Commissioner has been very mindful of both the cuts to police funding under austerity and the cost to local taxpayers. Where possible and with the support of council tax freeze grant, the Commissioner has kept the council tax the same, only increasing in two years when the protection of front line policing was required. At £156.23 per annum for a Band D property, the Commissioner has one of the 10 lowest council taxes for all police forces.
49. Within the 2015 Spending Review and 2016/17 provisional Grant Report, the Chancellor's committed to '*maintain overall police force budgets at current cash levels*' dependent upon Commissioners increasing their council tax by 2% in each year through to 2020. The Chancellor also provided additional flexibility for the Commissioners in England with the 10 lowest council tax charge (including Cheshire) to raise their council tax by up to £5 per year. This was further reinforced in the Home Secretary's letter of 25 November 2015 which recognised that the '*total Government funding to policing, including funding for counter terrorism, will be reduced by 1.3% in real terms over four years. Taking into account the scope Commissioners have to raise council tax precept, this means a flat real settlement for policing as a whole.*' This clearly states that to avoid the reduction in funding, Commissioners are expected to increase their precept in line with the flexibilities afforded within the Autumn Statement and confirmed in the Written Ministerial Statement from the Minister of State for Policing dated 17 December 2015. This assumed a £5 per annum increase in council tax for Cheshire.
50. Any increase in council tax is not considered lightly and can only be justified if the threats and demands placed upon the police cannot be met without such an increase. Given the expectations of the Home Office and Government grant settlement, if the Commissioner did not increase the council tax in 2016/17 by £5 per year as assumed in the Government's funding, savings of £1.8m will be required with further savings each year thereafter.
51. While efficiencies have been achieved wherever possible to meet the threats and demands highlighted in this report and the expectations of the Government, to maintain funding at current levels the Chief Constable has asked the Commissioner to increase the precept by £5 per annum to £161.23 per annum for a Band D property – equivalent to a 3.2% increase.
52. The amount of precept raised is subject to the taxbase provided by the local authorities. For 2016/17 the overall taxbase has increased by 7,521.11 Band D equivalents. The precepts for each of the local authorities are set out below which excludes the collection fund surpluses declared by the local authorities.

Table 7: Proposed Precepts 2016/17	Number of Band D Equivalents £	Precept on Collection Fund £
Cheshire East	142,186.60	22,924,746
Cheshire West & Chester	115,125.00	18,561,604
Halton	32,948.00	5,312,206
Warrington	65,156.00	10,505,102
	355,415.60	57,303,658

Band	Proposed 2016/17 £	Actual 2015/16 £	Change per year	Change per week
A	107.49	104.15	£3.34	£0.06
B	125.40	121.51	£3.89	£0.07
C	143.32	138.87	£4.45	£0.09
D	161.23	156.23	£5.00	£0.10
E	197.06	190.95	£6.11	£0.12
F	232.89	225.67	£7.22	£0.14
G	268.72	260.38	£8.34	£0.16
H	322.46	312.46	£10.00	£0.19

CONCLUSION

53. The Commissioner recognises that the financial impact of inflation and unavoidable commitments totalling £5.3m need to be absorbed within the overall funding levels. In line with the Home Secretary's expectation and in line with the Commissioner's drive for value for money, through the robust PBB process, efficiency savings of £6.9m have been identified. In response to the Strategic Risk and Threat Assessment the Commissioner intends to invest funding in the priority development proposals of £7m to meet the growing threats and demands to protect the public of Cheshire.

CONSULTATION WITH THE PUBLIC AND BUSINESS RATEPAYERS

1. During 2015, the Engagement Department consulted with members of the public on their priorities for policing, police budgets and views on potential council tax increases, on behalf of the Police & Crime Commissioner.
2. Through the 'Have Your Say' surveys, **2,255** 'conversations' took place with Cheshire residents at a variety of large public events, such as the Cheshire, Nantwich and Peover shows, at roadshows in key towns across the county, and through focus groups with diverse community representatives (including LGBT&Q, people with disabilities, race and faith groups), and also through a social media trial (see below). Surveys were also sent to members of the Constabulary's citizens' panel.
3. As part of this, Facebook advertising was trialled to increase the reach of the 'Have Your Say' survey. The advertising (which ran from 14 August until 30 September 2015) reached 189,427 people across Cheshire, and resulted in 764 completed surveys.
4. In addition, questions were asked as part of the Constabulary's regular public perception telephone surveys of Cheshire residents; **625** people answered questions relating to the council tax increases.
5. Please note that some surveys were partially completed, or multiple responses provided.

Policing priorities

6. In both the 'Have Your Say' and the public perception surveys, respondents were asked "If you had to think of just ONE thing that the police needed to deal with as a priority in your local area, what would this be"? Despite asking for one priority, we received multiple responses from many of the surveys resulting in 4,285 priorities, and all have been included for completeness.
7. The top 10 priorities are ranked in order below:

	Priority	Number of responses	Percentage
1	Roads Policing	748	17.45%
2	Visibility	534	12.46%
3	Drugs	444	10.36%
4	Crime	312	7.28%
5	Youths	270	6.30%
6	Burglary	138	3.22%
7	Anti-Social Behaviour	136	3.17%
8	Council Issues	134	3.12%
9	More Police	95	2.21%
10	Alcohol related issues	84	1.96%

- 1) 'Roads policing' (748) was the largest category, with people citing speeding as their top priority. Other related issues include: dangerous driving, mobile phone use while driving, joy riders and youths on motorcycles.

- 2) Under the 'Visibility' category, (534) people want to see and speak to officers out on foot on the beat, with comments about having fewer in cars and more PCSOs.
- 3) The 'Drugs' category is inclusive of (444) responses about drug dealing and drug taking
- 4) The responses for 'Crime' included (312) responses both about minor and major crimes.
- 5) 'Youths' included (270) responses about youth crime, youth nuisance, and youths "hanging around".
- 6) 'Anti-social behaviour' (136) responses listing ASB as a concern in their area
- 7) 'Burglary' responses (138) were mostly comments about shed and house breaks
- 8) 'More police' (95) people wanting to see more officers on the streets, mostly on foot patrol, and there were strong feelings about not cutting police numbers and recruiting more.
- 9) 'Alcohol' includes (84) responses about policing the night time economy, drinking in public areas, disorderly behaviour after licensed premises have closed and alcohol misuse.

Police budgets

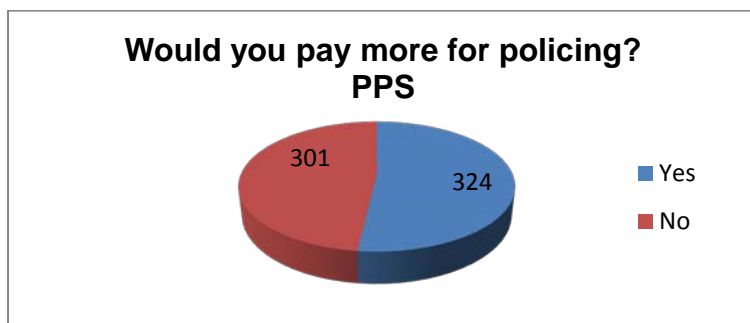
8. Respondents were also asked in both the 'Have Your Say' survey and the public perception survey for their views on potential future cuts to the police budget, as was expected at that time. **2,239** people responded to the question "As budgets are being cut by the Government, where do you think money could be saved?" The top ten responses are ranked in order below:

	Priority	Number of responses	Percentage
1	Administration	235	10.50%
2	No cuts	206	9.20%
3	No PCC	116	5.18%
4	Cars	74	3.31%
5	Management	66	2.95%
6	Roads policing	54	2.41%
7	MP wages	49	2.19%
8	Bureaucracy	48	2.14%
9	Wages	37	1.65%
10	Benefits	35	1.56%

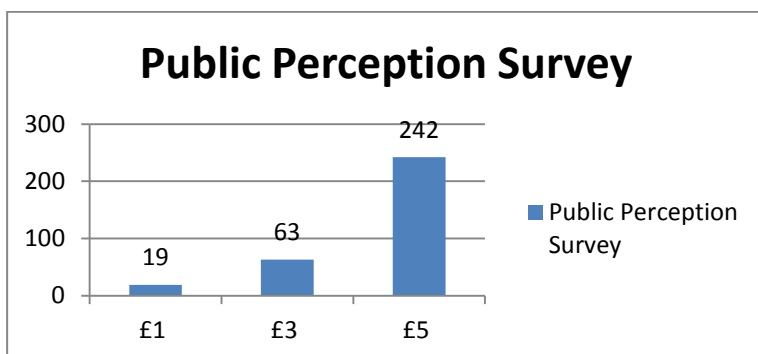
9. The biggest proportion of respondents at 10.5% (235) wanted any further cuts to policing budgets to be targeted at 'administration' as opposed to frontline policing.
10. The second largest category, with 9.20% (206) of responses, was those that said police budgets should not be cut any further.

Paying more for policing

11. In the public perception survey uniquely, 625 respondents gave their view on whether they would pay more for policing.



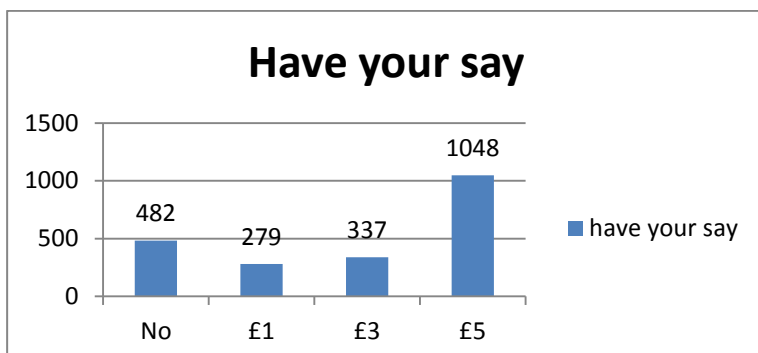
- 324 (51.8%) people voted yes for an increase.



12. Those who indicated that they would be willing to pay more council tax were then asked to indicate what level of increase they would be willing to pay.

- 5.8% (19) people said they would be happy to pay up to £1 more per year
- 19.4% (63) people said they would be happy to pay up to £3 more per year
- 74.6% (242) people said they would be happy to pay up to £5 more per year

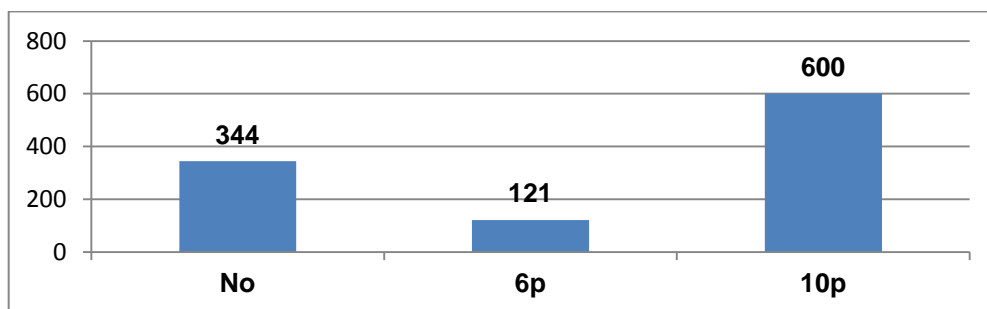
13. In the 'Have Your Say' survey, respondents were asked a similar question on paying more for policing. 2,146 completed this question as follows:



- 22.5% (482) people said 'no' to any increase
- 13% (279) people said they would be willing to pay up to £1 more per year
- 15.7% (337) people said they would be willing to pay up to £3 more per year
- 48.8% (1,048) people said they would be willing to pay up to £5 more per year

Council Tax Precept Consultation

14. Following the Government's announcement in the Autumn Statement that Commissioners would be required to increase police precepts to maintain policing budgets, and that those Commissioners with the lowest historic increases would be able to levy a maximum £5 annual increase, the Commissioner requested an additional consultation exercise to enable Cheshire residents to identify their preference.
15. This consultation ran from 6 December 2015 to 14 January 2016, using online and social media channels to maximise responses during the consultation window. It differed from the 'Have Your Say' surveys undertaken earlier in the year by asking specifically whether residents would be prepared to pay either nothing extra (and thereby cutting policing budgets), 6p per week (2%) extra, or 10p per week (3.2%) extra.
16. This last increase is equivalent to an annual £5 increase in the police precept.
17. **1,065** people completed the council tax precept consultation, providing a 95% confidence interval with an error margin of +/- 3%.

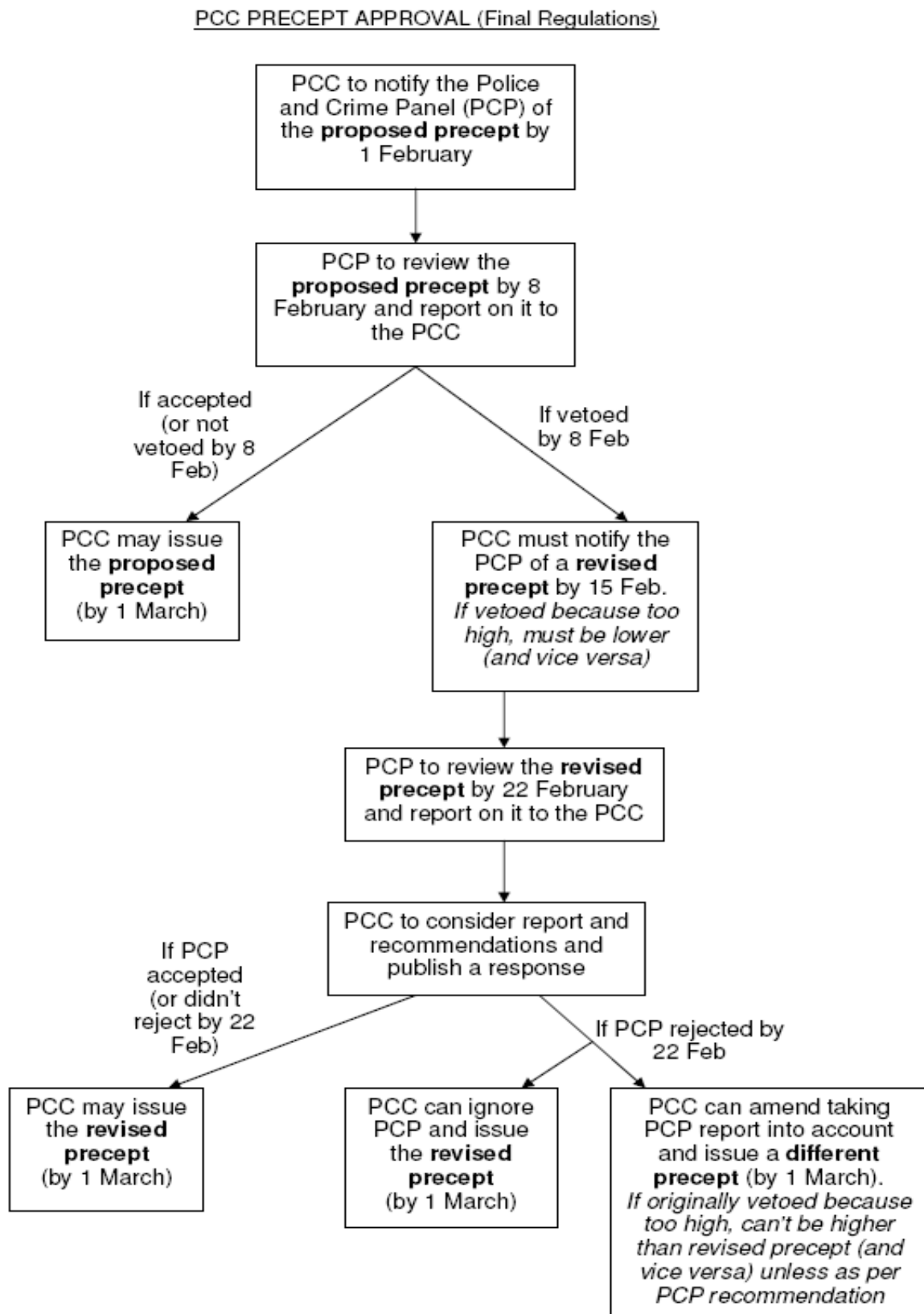


- 344 (32.3%) of people stated they would not be prepared to increase the precept at all
- 121 (11.4%) of people were happy with a 6p per week increase
- 600 (56.3%) of people were happy to pay a 10p per week increase

Consultation with Business Ratepayers

18. The Commissioner also consulted business representatives on the 2016/17 budget and precept at a meeting on 12 January 2016. A small number of representatives from the business community met with Commissioner and Chief Constable. All the representatives supported an increase in the policing precept of 10p per week.
19. Representatives were also asked for their views on policing priorities. In summary, they wished to see the Constabulary:
- Provide information about how to access cybercrime prevention advice, and more information of online risks.
 - Offer opportunities for business representatives to attend police.
 - Constabulary to circulate more focused business crime messages via alert and clarify who to contact for future advice and information.

PRECEPT PROCESS



ROBUSTNESS OF ESTIMATES

1. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in preparing the budget.
2. The Commissioner has a policy and expenditure planning process which takes account of the service scenario and financial scenario in some detail for 2016-21. Alongside this, future capital programmes have been produced taking into account forecast Government funding, borrowing limits and council tax. For 2016/17 borrowing levels have also been guided by the prudential indicators for 2016-19.
3. For 2016/17, full consideration of these issues had led to:
 - Policy and expenditure proposals that reflect the Government's Provisional Police Grant Settlement together with the on-going revenue impact of new capital projects, whilst recognising the outstanding issues and uncertainties.
 - A proposed capital financing budget based on prior years' and the 2016/17 capital programme.
4. When using estimates in preparing the budget every effort is taken to ensure that they take into account the most up to date data. However, it should be noted that there are a number of areas where the actual impact could vary from the estimates used in setting the budget. The main areas are:
 - Pay awards, pension increases, national reviews of pay & inflation
 - Service financial performance (i.e. variances on budgets)
 - Ability to achieve projected savings
 - Operational demands
5. To provide for all potential scenarios that may arise would be prohibitively expensive and result in demands on council taxpayers considerably higher than likely need. For 2016/17 £1.9m has been provided for pay and price increases.
6. There are many factors that can affect financial performance in year including under or over-achievement of efficiency savings, income and other financial targets. The Commissioner takes a number of steps to minimise the impact including:
 - Seeking wherever possible to explore in full the implications and achievability of policy and expenditure options before the budget is set.
 - Promoting a robust approach to financial management requiring budget holders to monitor expenditure against budget and to take early action in reporting and responding to projected variances.
 - Quarterly reporting of the projected budgetary outturn supplemented by monthly exception reports to prompt remedial action if necessary.
 - Creation of appropriate contingencies.
7. It should be noted that while every effort is taken to ensure the budget is balanced, there is always the possibility of variances to the budget occurring. This is one of the reasons why the Commissioner holds reserves against unanticipated cost pressures

RESERVES

1. In addition to the requirements covering the robustness of estimates, Section 25 of the Local Government Act 2003 also requires the Chief Finance Officers to present a report assessing the adequacy of the unallocated reserves in the context of policing threats and demands together with corporate and financial risks facing the organisation. The Commissioner needs to balance the necessity for reserves against the cost to council taxpayers and arrive at a level that is both prudent and adequate for the current climate but not excessive.
2. As part of the Medium Term Financial Strategy, a Reserves Strategy was approved by the Commissioner and the Chief Constable on 6 January 2016. This set out the reserves held, their intended usage and the strategy for ensuring the funds are maintained at an appropriate level.
3. The following table shows the estimated reserve levels at the start and end of 2016/17, based on the proposed capital programme and expected usage of earmarked reserves.

Table 8: Reserves

	Estimated 1 Apr 16 £000	Net Movement £000	Estimated 31 Mar 17 £000
Redundancy Reserve	800	(400)	400
MTFS Reserve	2,925	(2,116)	809
LGPS Reserve	1,205	(1,205)	0
Total Revenue Earmarked Reserves	4,930	(3,721)	1,209
Capital Receipts	6,472	(6,140)	332
Unapplied Capital Grants Reserve	0	0	0
HQ IT Reserve	11	(11)	0
Revenue Reserve for Capital	3,192	(3,191)	1
Total Capital Earmarked Reserves	9,675	(9,342)	333
General Reserve	5,906	0	5,906
Total Reserves	20,511	(13,063)	7,448

4. The opening balances shown in the table are based on the three-quarter year review of revenue and capital budgets. The final figures will be known once the accounts have been verified by External Audit as part of the Statement of Accounts – published July 2016.
5. The purpose of each reserve is set out below:

Redundancy Reserve £0.8m

It is recognised that the cost of reforms, efficiencies and restructuring will require changes to staffing levels. This reserve is held to meet such costs. A review is currently underway to ensure the level is appropriate, with any surplus funding released for investment in line with demand and organisational objective.

Medium Term Financial Strategy (MTFS) Reserve £2.9m

The origins of the reserve dates back to the start of the austerity programme and has been successfully used to support implementation costs of transformational changes and to support 'invest to save' projects. The aim is to fully utilise this reserve during 2016/17 with the closing amount currently being held pending the outcome of the final settlement and grant allocations. Once these are known the reserve will be reviewed and the outcome reported as part of first quarter review.

Local Government Pension Scheme (LGPS) Reserves £1.2m

The level of assets held to fund the current forecast pension requirements is reviewed every three years and a plan set up to cover any deficit over an agreed period of time. This is the final amount due based under the current three year review and will be fully utilised in 2016/17.

Capital Receipts £6.5m

Capital Receipts represents the net proceeds from the sale of assets. The use of this funding is limited by regulation to re-investment in the purchase of new assets or the repayment of debt. The forecast net movement represents capital financing of the 2016/17 proposed capital programme.

Unapplied Capital Grants Reserve £nil

This reserve contains the capital granted received by the Commissioner but not yet used to finance capital investment. For specific grants the funding is held until the associated expenditure is incurred. Funding is now generally applied in full in the year it is received.

HQ IT Reserve £11k

This reserve was created as part of the private finance initiative (PFI) scheme to support the replacement of computer equipment. It is supplemented each year in line with the schemes requirement and applied to finance relevant capital.

Revenue Reserve for Capital £3.2m

In recognition of the decreasing level of Government Capital Grant and in order to meet the minimum asset replacement cycles, a revenue contribution is made into this reserve each year and used to finance that year's capital programme.

General Reserves £5.9m

The purpose of general reserves is to provide funding to cover specific and general risks identified in setting the budget but also in recognition of unforeseen risks and expenditure that may arise in year. Given the current levels of threats and demands facing the organisation the amount held in this reserve is deemed both prudent and adequate.