



Councillor Howard Murray  
Chairman, Police and Crime Panel for Cheshire  
c/o Cheshire East Council  
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**David Keane**

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Date: 31 January 2018

Our Ref:  
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Dear Cllr Murray

## **PRECEPT 2018/19**

I enclose details of the proposed precept for 2018/19 for consideration at your meeting on 2 February 2018.

As my Chief Finance Officer, Liz Lunn, briefed the Panel informally on 10 January 2018, Cheshire Police have made £60m savings since 2010 which represents a cut of 37% in real terms. During this same period the operational demands facing the service have become increasingly complex. In announcing the 2018/19 Provisional Grant Settlement for the service on 19 December 2017, the Minister for State for Policing said *“we need to recognise there have been material changes in the demands on policing since the 2015 Spending Review. Demand on the police from crimes reported to them has grown and shifted to more complex resource intensive work such as investigating child exploitation and modern slavery. At the same time the terrorist crime has increased and there has been a 24% growth in recorded crime since 2014/15.”*

Although the Provisional Settlement stated an additional £450m had been provided to address these demands, it is held at a national level, and in fact includes an amount based on the presumption that all Commissioners will increase their policing precept by £1 per month. The Government’s cash grant to Cheshire police, as for all forces, will remain unchanged for 2018/19 and 2019/20 at £104.7m.

This means that the Government have provided no funding in 2018/19 to fund the cost of inflation, commitments nor to start to address the complex policing demands recognised by the Minister which are very much impacting in Cheshire. The attached 2018/19 budget report shows that inflation alone will cost an extra £3.8m in 2018/19 largely attributable to a 2% pay award. In Table 3 the outcome of our actuarial valuation and new borrowing costs will add just over a further £1m.

The only scope to fund these unavoidable costs and to start to address complex policing demands are the savings we can make ourselves and by increasing the precept by the amount suggested by the Government.

We have made significant savings but after eight years the task becomes ever more difficult, without reducing levels of service and losing police officers, PCSOs and staff.

We will continue to do whatever we can to maintain current services to the residents of Cheshire and that is very much a priority for me as Commissioner.

As you will note in the budget report, I am proposing almost £1m support service savings in Table 4 and have minimised the net cost of investment in complex policing demands by reprioritising resources from lesser priority areas.

In the face of these uncertainties and the fast moving pace of complex demands, it is vital that the Acting Chief Constable has the resources necessary to protect the public of Cheshire as well as deliver commitments at a national level.

In order to meet the identified threats and risks, and support investment in maintaining and improving critical services which are highly valued by the public of Cheshire, I am proposing to increase the police element of council tax by 7.3% or £12 per year for a Band D property, in line with Government expectations. I am not pleased that the Government has provided no additional core grant funding and that the burden of funding falls upon the Council taxpayer of Cheshire.

The decision to propose this increase has not been reached lightly and has followed consultation with both the public of Cheshire, local business leaders, and advice from the Acting Chief Constable on the resources needed to protect people.

More than 1,600 local people responded to the public consultation with 77 per cent of respondents supporting an increase to the precept, with many stating they would be happy to pay more than £1 per month to help ensure the police service in Cheshire is properly funded to tackle many of the growing issues we face.

This budget will ensure that the Acting Chief Constable has the resources needed to keep Cheshire safe. The result will be the ability to maintain services and to take on the new complex demands. This forms the basis of the Medium Term Financial Strategy that I approved for 2018-21 at Management Board today.

In accordance with legislation, I submit this precept proposal for the Panel's consideration on 2 February 2018 and should be grateful for your response by the statutory deadline of 8 February 2018.

Yours sincerely



David Keane  
Police & Crime Commissioner

**MANAGEMENT BOARD**

**DECISION NO. 2018/5**

**DATE: 31 JANUARY 2018**

**2018/19 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 grant funding which has been kept at 2017/18 levels for 2018/19 and 2019/20. Since 2010 Cheshire Constabulary, alongside most public sector providers, has been required to make significant savings equivalent to a real terms cut of 37%. The Constabulary has driven significant efficiencies saving over £60 million over the past seven years. Throughout this period the focus has been on the maintenance of service to the public of Cheshire to ensure we remain connected with communities. Investment decisions have focussed on improving efficiency and thereby releasing cashable savings. Innovation and collaboration have been at the forefront of planning to exploit the opportunities technology brings to make us a force fit for the future.

Demands on policing have grown throughout this period. New and emerging crime types, in particular crimes containing a cyber element are on the rise. The complexity of investigations and the support to vulnerable victims and those suffering from mental health illnesses are a growing proportion of the Constabulary's business.

The efficiencies and savings achieved over the last seven years have now reached the level that can no longer continue without an impact on services and this proposed budget recognises the need for additional funding to ensure sustainability.

The Constabulary's planning process has undertaken an assessment of the operational and organisational demand and resource requirement to deliver the Police and Crime Plan. The purpose of this report is to enable the Commissioner to finalise the budget based on that information and the emerging threat.

The detailed 2018/19 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 7.3% for a Band D equivalent property for 2018/19, from £164.44 to £176.44; i.e. by £1 per month, in line with the flexibility in precept increase permitted by the Government;
- (2) the net budget requirement for the financial year commencing 1 April 2018 be set at £169,794,097 together with the associated establishment:

Officers: 2003

PCSOs: 173 PCC Funded  
23 Partner Funded  
196

Staff: 1441.6  
54.3 Bluelight transfers 2018/19  
1495.9

(3) the proposed 2018/19 precepts be as follows:-

	Number of Band D equivalent houses	Precept on Collection Fund £
Cheshire East	147,003.8	25,937,350
Cheshire West and Chester	118,511.5	20,910,169
Halton	34,435.0	6,075,711
Warrington	67,492.0	11,908,288
Total	<u>367,442.3</u>	<u>64,831,518</u>

(4) the provisional surplus of collection funds allocated to the Commissioner of £200,000 included in the budget be noted with an update on the actual allocations presented to the Commissioner when known;

(5) net commitments and unavoidable demand pressures of £3,377,409 as set out in Table 3 of the report, be approved;

(6) the savings proposals for 2018/19, totalling £993,611 as set out in the budget report, be approved;

(7) 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 is 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 2018/19 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.

- (8) the proposed use of reserves as set out at Appendix 4, be approved; and
- (9) the 2018/19 capital programme of £14,211,000 and financing be approved.

I submit this recommendation for approval.

**Signature**

**Date 31 January 2018**



**Acting Chief Constable**

I have reached the following decision:-

Approval of the recommendations.

My rationale for this decision is:-

This decision provides a balanced budget for 2018/19. This will enable Cheshire Constabulary to meet increased costs due to inflation, to deliver policing services for the people of Cheshire in accordance with the priorities set out in the Police and Crime Plan and continue to address increasingly complex policing demands in a robust, sustainable and efficient way. The increase in the police element of Council Tax is necessary to maintain effective frontline policing in light of the ongoing underfunding of policing by the Government, and is supported by the outcome of public consultation.

**Signature**

**Date 31 January 2018**



**Police & Crime Commissioner**

## **PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE**

### INTRODUCTION AND BACKGROUND

1. The attached 2018/19 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 2 February 2018.
2. The Police & Crime Panel will then consider the proposed 2018/19 precept and either accept or veto it by 8 February 2018 in line with the statutory timetable. 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 2018. The Panel will then review the Commissioner's response and report back to him by 22 February 2018, at which point the Commissioner will finalise the budget and issue the precept by 1 March 2018.

### 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. There are no equality issues identified.

#### **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 – NO

Contact Officer: Julie Gill, Assistant Chief Officer & S.151 Officer

Tel. No.: 01606 362450 Email: [julie.gill@cheshire.pnn.police.uk](mailto:julie.gill@cheshire.pnn.police.uk)

#### **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 an appropriate request to be submitted to the Police & Crime Commissioner.*

**Signature**



**Date 29 January 2018**

**CHIEF OF STAFF 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.*

A handwritten signature in black ink, consisting of several overlapping loops and lines, positioned in the center of the declaration box.

**Signature**

**Date 29 January 2018**

## 2018/19 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 2018/19 and meet his statutory duty to set a precept. An overview of the statutory requirements regarding budget and precept setting and the interaction with the Police and Crime Panel is attached in Appendix 2.

### 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 2018-21 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.
4. On the 19 December 2017 the Government issued the 2018/19 Provisional Police Grant Settlement. The Minister of State for Policing and the Fire Service wrote to all Commissioners stating:

*'In the last two years, the Government maintained broadly flat cash force budgets by reducing Government grant as precept increased. Had we taken that approach to the 2018/19 settlement, Government grant would have reduced by over £60m. Given the increasing demands on you, I have decided not to take that approach. Instead, we are protecting Government grant. This means in 2018/19, each PCC will receive the same amount of core Government grant funding as they did 2017/18.'*

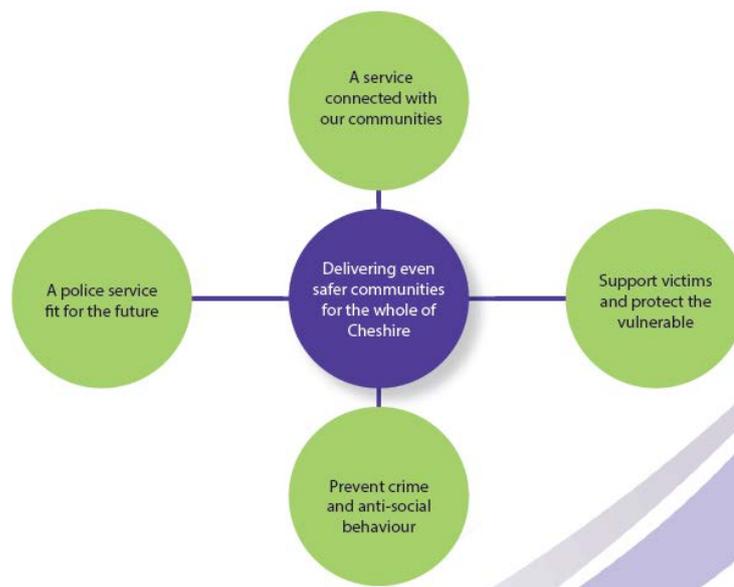
*'We received representations from a number of PCCs asking for more precept flexibility. In 2018/19 PCCs will be able to increase their council tax precept levels by £12 before the need to call a local referendum.'*

5. The Minister recognised in an accompanying written statement that "we need to recognise there have been material changes in the demands on policing since the 2015 Spending Review. Demand on the police from crimes reported to them has grown and shifted to more complex resource intensive work such as investigating child exploitation and modern slavery. At the same time the terrorist crime has increased and there has been a 24% growth in recorded crime since 2014/15."

6. Although the Provisional Settlement stated an additional £450m had been provided to address these demands, it is held at a national level. The sum also included an amount based on the assumption Commissioners would exercise their flexibility to increase their precept by £1 per month. Cheshire Police will receive the same level of cash funding as allocated in 2017/18. It therefore does not address the additional costs of the 2% pay award (£3.3m alone) nor the impact of commitments and the unavoidable additional operational demands referred to by the Government. In order to achieve this, savings are required together with an increase in the council tax (precept) to the full extent allowed within the settlement. Without this, further savings would be required and service levels will be reduced.

## POLICE & CRIME PLAN 2016-21

7. In the Police and Crime Plan, the Commissioner states his vision for policing in Cheshire. The plan sets out a vision in which Cheshire will have a Constabulary focused on community policing and putting victims first. The legacy will be a police service fit for the future which is connected with, based within and accessible to local communities – real neighbourhood policing. After consulting the public, the Commissioner set out four main priorities as follows:



## STRATEGIC POLICING REQUIREMENT

8. 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 a national cyber security incident 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 their view, the national threats at the time of writing and the appropriate national policing capabilities required to counter those threats.

9. The implementation of the SPR is the responsibility of the Chief Constable and the Commissioner. In reviewing the MTFs, the proposed budget and the proposed efficiency savings and investments, the Chief Constable is satisfied that this will enable them to meet the requirements of the SPR; protect the public of Cheshire and achieve the priorities of the Police & Crime Plan.

## 2018/19 BUDGET PROPOSALS

10. Table 1 shows the proposed revenue budget for 2018/19. The impact of the threats and demands place upon policing; commitments required; proposed savings and the total funding available to the Commissioner have been reflected within the proposals and are detailed in the following sections. The budget proposals have been developed as the product of a detailed prioritised based budgeting (PBB) process which examines all areas of the budget and matches resources according to risk. Government grant is unchanged for 2017/18. If the precept had remained unchanged for 2017/18 then the total available funding would be £165m. It is the increase in precept by £1 per month, internal savings and the estimated £200k surplus on collection funds (net £4.8m) which are the only sources of funding available to meet inflation, commitments and to start to address increasing the complex operational demands referred to by the Minister and identified also in the Constabulary's annual Strategic Threat and Risk Assessment.

Table 1: Proposed Revenue Budget 2018/19	£000
<b>2017/18 Gross Expenditure Budget</b>	<b>194,527</b>
Pay and Price Inflation	3,793
Commitments & Unavoidable Demand Pressures	3,378
Savings	(994)
Transfer to/(from) Reserves	(600)
<b>2018/19 Gross Expenditure Budget</b>	200,104
Other income and specific grants	(30,310)
<b>2018/19 Net Budget Requirement</b>	<b>169,794</b>
Financed by:	
Government Police Grant & Formula Funding	(104,762)
Council Tax Precept	(64,832)
Surpluses on Collection Funds	(200)
<b>2018/19 Net Budget Requirement</b>	<b>(169,794)</b>

## RISKS

11. For 2018/19 there is a reasonable degree of certainty within the Provisional Grant Settlement, but there remain some outstanding issues affecting next year such as counter terrorism grant and the 2018/19 Final Grant Settlement which will not be known until after the budget has been agreed by the Commissioner. Any changes to the funding will be reported to the Commissioner as soon as they are known together with the associated proposed changes to the budget.

12. There are several other risks including the delay to the Emergency Services Network (ESN) implementation and its potential impact on Government funding together with potential clawback of funding if Government's efficiency targets for the whole policing service are not met – the targets are yet to be set.

## INFLATION

13. Inflation in both pay and price terms is applied to budgets where appropriate. Pay inflation covers the September pay award for both officers and staff and changes to National Insurance etc., which Commissioners have had to self-fund. The 2017 police officers' pay award was 2% and is likely to be the same for police staff. Provision for future pay awards of 2% has therefore been made. For non-pay items, the inflation applied is based on the Office of National Statistics Inflation Report using the most applicable inflation factor. The following table shows the inflation applied.

Table 2: Inflation	2018/19 £000
Pay inflation (subject to national negotiations)	3,262
Price (non-pay) inflation	522
<b>Total Inflation</b>	<b>3,784</b>

## COMMITMENTS & UNAVOIDABLE DEMAND PRESSURES

14. Commitments come from two sources, the impact of decisions taken in previous years that have a financial impact in 2018/19 and the financial impact of external decisions and changes such as the introduction of a new financial burden or change in legislation. The following table shows the commitments and unavoidable operational demand pressures included within the 2018/19 proposed budget. The cost of investment in the demand areas has been reduced by reprioritising existing resources.

Table 3: Commitments & Unavoidable Demand Pressures	2018/19 £000
Full year effect of previous changes	(142)
Partnerships incl. Cheshire Fire & Rescue (part-funded)	1,869
Actuarial Valuation Employers contribution increase	249
Additional Borrowing / Capital costs	766
Demand – Vulnerability/Stalking	131
Demand – Increased Operational Demand	327
Demand – Regional Collaborations	152
Demand – Court Presentation Team & Debt Recovery	16
Demand – Operational Equipment	10
<b>Total</b>	<b>3,378</b>

15. Working in partnership with others allows services and support to be delivered in an efficient and effective way. Under the Bluelight Collaboration between Cheshire Constabulary and Cheshire Fire and Rescue Service, Corporate Services such as Finance, HR and IT will be provided by the Constabulary on a cost sharing basis. PCSOs are also provided in partnership with others on a full-cost basis. The income for both is reflected in 'other income and specific grants' shown in Table 1.
16. Within the above Commitments is an increase in the Local Government Pension Scheme (LGPS) employers' contribution due to the impact of the actuarial review in March 2016. This increase is permanent and spans the three years 2017-20. As such, it is proposed to use reserves earmarked for such purposes to smooth the increase over the three year period with £0.6m being used in 2018/19.
17. The level of Government funding for capital investment has considerably reduced under austerity with £647k provided for 2018/19. This does not cover the costs of the annual replacement cycle for vehicles, IT and equipment, let alone any additional investment.
18. To fund the proposed capital programme, shown later in this report, and allow for 'invest to save' schemes to be funded there is a need to borrow. Borrowing comes with two costs, the interest on the debt and the setting aside an appropriate amount each year to enable the loan to be repaid known as minimum revenue provision or MRP. These, together with support for the overall capital programme recognising the low level of the Government capital grant, form the £766k shown in Table 3.
19. One of the key priorities for the Commissioner is to support victims and protect vulnerable people. It is vital that support is provided for all victims of crime to help them cope and recover from their ordeal. As part of this budget proposal, additional funding has been invested in the Sexual Assault Referral Centre (SARC) in recognition of the increasing demands on this service.
20. Intermediaries are neutral and impartial service providers who facilitate communication between the police, the prosecution, defence legal teams and the court. They provide a voice for persons who would otherwise have great difficulty in providing evidence. The use of an intermediary enables the most vulnerable members of society to have access to justice and additional funding has been included in this budget to expand this service.
21. Being stalked is a terrifying experience. This budget proposes the provision of an Anti-Stalking Clinic in joint partnership with the 5 Boroughs Partnership NHS Foundation Trust, funded for an initial two year period with the potential to extend for a further year subject to available funding and success of the clinic.

22. Policing within communities is becoming increasingly diverse and complex, necessitating a more sophisticated response to the challenges faced now and in the future. Whether it is child sexual exploitation, domestic abuse, cybercrime or new threats from serious and organised crime like human trafficking or terrorism, it is acknowledged that if policing are to meet communities' needs, it must continue to adapt to the modern policing environment.
23. Funding has been allocated towards these demands by re-directing officers and staff to these priority growth areas together with investment in Intelligence gathering, training and crime recording enabling the Constabulary to adapt and evolve. In 2018/19 it is only possible to start to address the increasingly complex policing demands.
24. As part of providing the appropriate level of policing at an affordable level, some of the specialist policing services are provided in collaboration with other forces, for example Regional Organised Crime Team. Such services are not affordable or justified on an individual force basis. The cost of Cheshire Constabulary's share of these collaborations has increased due to pay and price inflation together with increased service provision.

## SAVINGS

25. With inflation rising and public sector pay increases on the horizon, maintaining Government grant 'flat-cash' funding for police services at the same levels for the 2018/19 means, in real terms, a cut to the Cheshire police budget and therefore savings are still required. The following table shows a summary of the proposed savings.

Table 4 – Savings	£000
Vacancy Management	(70)
Estates	(267)
Technology	(239)
HR (incl. Levy)	(136)
Temp project costs	(159)
Printing	(41)
Fleet - spare parts	(70)
External Audit – reduction in fees	(12)
<b>TOTAL</b>	<b>(994)</b>

26. A full review of all non-pay expenditure was undertaken during the budget setting process to identify any savings available that did not impact on staffing or service provision. The main areas of savings are detailed as follows.
27. Within the current establishment, all vacancies which have not been filled within 12 months were reviewed and two vacancies were deemed no longer required and have been removed. One further vacancy has been removed as part of the Bluelight Collaboration.

28. An 'invest to save' scheme to install photovoltaic panels on a number of police stations is now providing sufficient savings and income from the feed-in tariff to provide considerable Estates savings alongside reviews of contracts and energy supplies.
29. Technology is a fast and dynamic industry that supports modern policing. Investment of over £0.8m is proposed within this budget to support the introduction of a new command and control system, tri-force niche collaboration with North Wales and Merseyside Police forces and the transition to the new Emergency Service Network (ESN).
30. Given the challenging financial scenario, Information Technology have looked at savings that could be made to support this new investment. All contracts and levels of data usage have been reviewed and savings of £1.1m identified covering not only the new investment but contributing to the overall budget deficit.
31. The apprentice levy was introduced on 1 April 2017 with an estimate of its cost included in the 2017/18 budget but actual payments have been lower than expected resulting in savings of £0.1m. In addition, HR have reviewed all non-pay expenditure and additional savings have been identified.
32. Successful delivery of projects requires appropriate level of support. Investment of £0.3m is included to support the Estates Strategy, the transition to Oracle Cloud in partnership with MFSS and demand on training. This is offset with the removal of temporary funding previously assigned to projects which are now completed and those schemes which are now funded through capital and specific grant.

## COMMISSIONING

33. In 2018/19, the approach to commissioning will focus on victims of crime with the aim of ensuring that appropriate services are in place for those unfortunate enough to become victims of crime, in order to help them to cope with their ordeal and recover as best they can. The main supporting service for victims across Cheshire is Cheshire CARES and can be accessed by victims of crime whether or not they make a formal complaint to the police. Cheshire CARES supports victims from the outset and throughout any Criminal Justice process.
34. The Commissioner has additional responsibilities to have specialist services available, e.g. to support victims of Rape and Sexual Abuse, Domestic Abuse or Hate Crime as well as to provide a restorative justice service. The cost of Cheshire CARES and other commissioned services are funded through this allocation. The funding allocation for the 2018/19 Victims Grant is £1.2m. The Commissioner will continue to work with partners across all sectors to identify and address gaps and/or emerging areas for victims' services. To this end an interim victims' needs assessment has been completed in 2017/18 to inform the forthcoming years commissioning and further work is planned to build upon this to expand understanding of the Cheshire victim service landscape. The aim will be to maximise opportunities, both singularly and in partnership, to provide great value for money and better outcomes for our communities.

35. Since 2012/13, the specific community safety funding ceased and was incorporated into the main grant for policing. For 2018/19, despite the significant financial challenges faced by policing the Commissioner has protected the level of community safety funding at £1.02m. In Cheshire, the funding will continue to be focused on driving community safety and crime prevention initiatives to meet the priorities of the Police & Crime Plan 2016-21. This will include continued close working with partners across the criminal justice system, Cheshire's four Community Safety Partnerships, the local voluntary and community sector as well as the county's Youth Justice Service. The Commissioner will seek to allocate funding to deliver even better and more measurable outcomes from residents of Cheshire.
36. For 2018/19 the Commissioner has allocated £60,000 to his Safer Communities Fund, aimed at supporting local and community level initiatives across Cheshire. Work will be undertaken to incorporate lessons learned following an evaluation of the effectiveness and administration of the fund completed in 2017/18 to ensure that funding is targeted at community focused and where possible sustainable projects. Funding awards are capped at £5,000 and need to demonstrate the benefits to the local community through an application process

#### CAPITAL PROGRAMME

37. In addition to the revenue budgets, a programme of capital investment is proposed for 2018/19. This programme links to the 'invest to save' programmes such as new technology and the annual replacement cycle for assets such as vehicles.
38. Funding for these comes from Government general and specific grants, reserves held by the Commissioner, contributions and borrowing. Given that borrowing will need to increase to support this level of investment, it is vital that capital expenditure is prioritised to generate savings for future years, to help protect local policing services. Details of the proposed programmes and their associated funding are shown below.

Table 5: Capital Programme	£000	£000
Prior Years		5,163
Annual Replacement Schemes:		
Fleet Vehicles	2,077	
IT and Communications	1,025	3,102
New Schemes:		
Estates		3,641
IT and Communications		865
Equipment		1,121
Additional Vehicles		319
<b>Total Capital Programme</b>		<b>14,211</b>

39. Full details of the individual schemes within the capital programme are provided in Part 2 of this report. The proposed funding for the above capital investment is set out in the following table.

Table 6: Capital Financing	£000
Government Grants	500
Capital Receipts	4,305
Revenue Contribution to Capital	500
External Contributions to Capital	872
HQ IT Reserve	209
Borrowing Requirement	7,825
<b>Total Capital Financing</b>	<b>14,211</b>

## ROBUSTNESS OF ESTIMATES

40. 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 the preparation of this proposed budget. Details of how this requirement is met are in Appendix 3.

## RESERVES

41. 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.
42. 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. Under a recent review of all reserves held within the policing service, Cheshire was 6<sup>th</sup> lowest and below the average level.

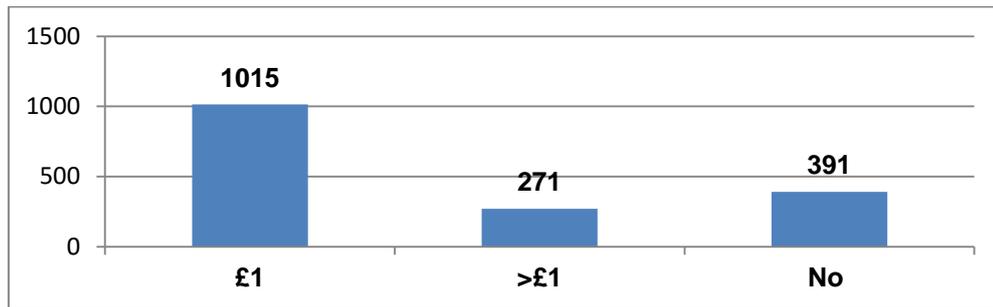
## CONSULTATION WITH THE PUBLIC AND BUSINESS RATEPAYERS

43. The Government announced in the Provisional Funding Settlement in December 2017, that Government police funding would remain at the same level as 2017/18. With inflation rising and public sector pay increases on the horizon, maintaining Government grant funding for police services at the same level means, in real terms a cut of around £5 million pounds to the Cheshire police budget.
44. The Commissioner has sought views from residents and business owners on whether the policing precept should be increased at the rate suggested by the Government; whether it should be increased further or whether there should not be an increase at all.

45. Prior to the formal consultation exercise, a quick online poll was undertaken to gauge views and opinions on whether the public would support an increase in the policing precept. In total, 79 responses were received, with 57 respondents in support of increasing the policing precept and the remaining 22 stating they would not support an increase.
46. A consultation exercise was then undertaken between 8 and 26 January 2018 using an online survey, social media such as twitter and Cheshire Police Alert and also going out to communities to seek views via face to face consultation at roadshows across the county.

Roadshows took place on the following dates in the locations as detailed:

- Monday 8 January – Shopping City, Runcorn
  - Thursday 11 January – The Market Centre, Crewe
  - Thursday 18 January – Golden Square Shopping Centre, Warrington
  - Saturday 20 January – Grosvenor Centre, Chester
  - Friday 26 January – Grosvenor Shopping Centre, Macclesfield
47. The key messages provided at the roadshows was that the £5 million pounds shortfall is equivalent to losing 100 police officers from Cheshire's communities and not investing in tackling new and growing threats such as rising crime levels, cybercrime and terrorism. The public were encouraged to have their say about how the Commissioner should plug this shortfall by way of stating which statement they agreed with from the following options:
- Pay an extra £1 per month in the precept to help maintain current policing levels and help to invest in tackling the growth areas of crime such as cybercrime and terrorism.
  - Pay more than an extra £1 per month in the precept to help ensure the police service in Cheshire is properly funded to tackle many of the growing issues we face (the public were informed that this option would require a referendum, imposed by the Government costing in the region of £1.2 million).
  - Do not wish to pay anything extra in the 2018/19 precept and Cheshire Police should find further savings of around £5 million in 2018/19 (equivalent to a reduction of up to 100 officers across Cheshire's communities).
48. The consultation ended on Friday 26 January. It received a total of **1,617** public responses, which were collated via the online survey and at the roadshow events.
49. The majority of the responses were received via online survey (1,101), while the remainder (576) were collated at the five roadshow events in Chester, Crewe, Macclesfield, Runcorn or Warrington.



- 1,015 (60.5%) of respondents were happy to support the £1 per month increase in the precept
- 271 (16.2%) of respondents were willing to pay more than an extra £1 per month towards the precept
- 391 (23.3%) of respondents did not want to pay anything extra towards the precept

## COUNCIL TAX PRECEPT

50. A precept is levied on the Council Tax for policing in Cheshire. It is the responsibility of the Commissioner to set the level of precept as part of the budget setting process. While the decision is the Commissioner's, the Government has placed a capping limit for a number of years on the level on year on year increase that can be applied. As part of the Provisional Settlement published in December 2017, the Minister of State for Policing and the Fire Service announced that Commissioners could raise their precept by up to £1 per month.
51. To calculate the level of Council Tax funding, each local authority calculates the taxbase (the assimilated number of council tax bills issued) taking into account changes in the number of houses, housing benefits etc. Compared to 2017/18, the overall taxbase has increased by 6566.79. The following table shows the proposed level of precepts for each local authority and the individual amount levied per each Council Tax band.

Table 7: Proposed Precepts 2018/19		Number of Band D Equivalentents	Precept on Collection Fund £
Cheshire East		147,003.80	25,937,350
Cheshire West & Chester		118,511.50	20,910,169
Halton		34,435.00	6,075,711
Warrington		67,492.00	11,908,288
<b>TOTAL</b>		<b>367,442.3</b>	<b>64,831,518</b>

Band	Proposed 2018/19 £	Actual 2017/18 £	Change per year £	Change per week £p
A	117.63	109.63	8.00	0.15
B	137.23	127.90	9.33	0.18
C	156.84	146.17	10.67	0.21
D	176.44	164.44	12.00	0.23
E	215.65	200.98	14.67	0.28
F	254.86	237.52	17.34	0.33
G	294.07	274.07	20.00	0.38
H	352.88	328.88	24.00	0.46

52. In addition to the above precept, each of the four local authorities holds a council tax collection fund which is a separate fund that records the income and expenditure relating to Council Tax and non-domestic rates. Any surplus or deficit on the fund is either due to or paid for by the individual authorities, the Police & Crime Commissioner and Cheshire Fire Authority. The amount declared surplus and payable to the Commissioner in 2018/19 amounts to £0.2m.

## BUDGET AND PRECEPT SETTING TIMETABLE

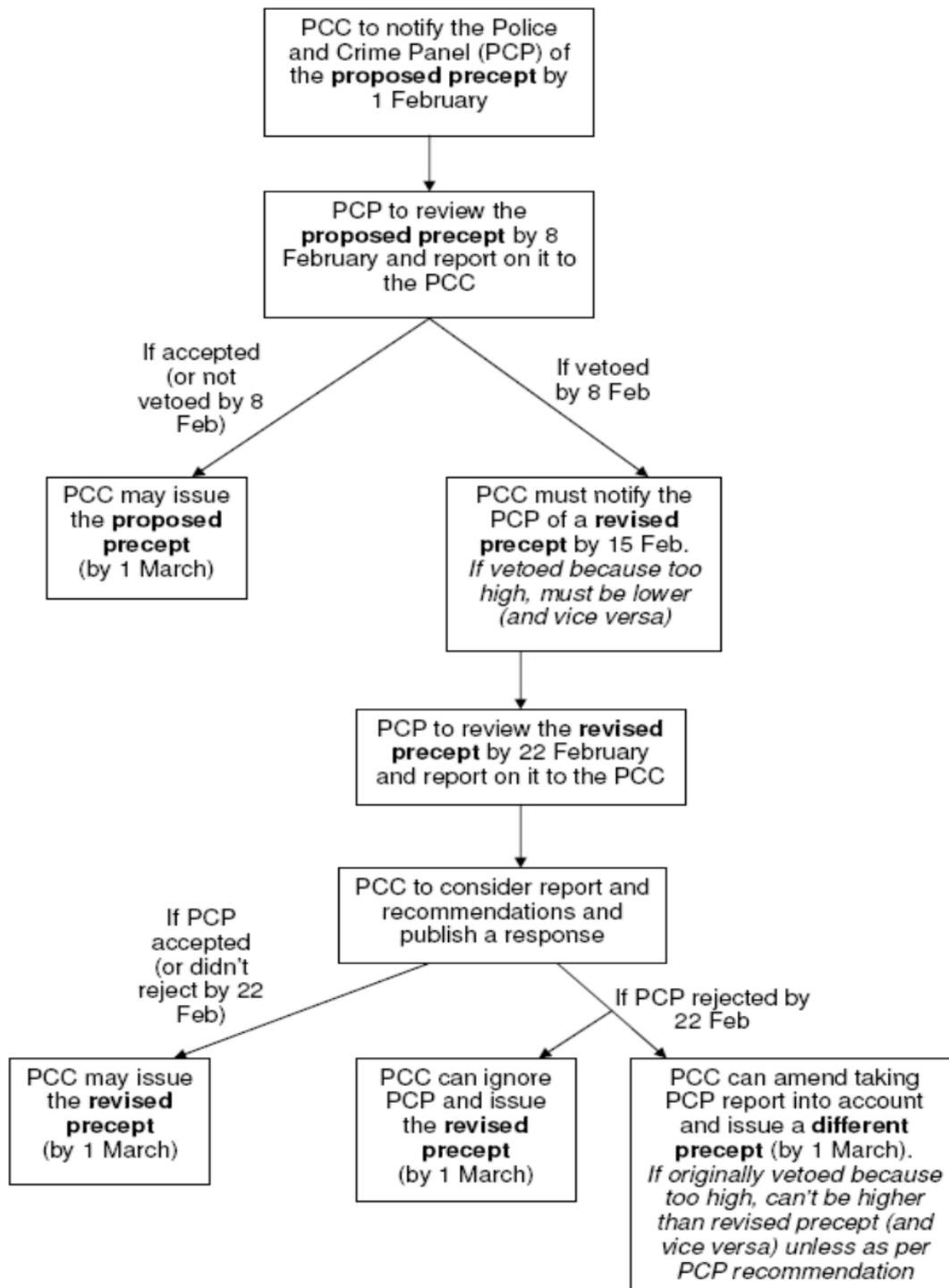
### PURPOSE

1. To provide the Commissioner with an overview of the statutory requirements regarding budget and precept setting and the interaction with the Police and Crime Panel. It also provides a copy of the internal timetable developed to enable the Commissioner to meet the statutory timetable.

### STATUTORY REQUIREMENTS

2. The statutory requirements for precepting authorities to set a budget and issue a precept for the next financial year are set out in Chapters 3, 4, and 5 of the Local Government Finance Act 1992. They include significant detail on how budget estimates and the precept must be calculated. The Police Act 1996 and the Police Reform and Social Responsibility Act 2011 amended these provisions for the change to police authorities and Police and Crime Commissioners respectively but the basic statutory requirements remain the same.
3. Schedule 5 of the Police Reform and Social Responsibility Act 2011 and The Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012 provide further detail on the process the Commissioner must follow for notifying the Police and Crime Panel of the proposed precept by 1 February of the relevant financial year (Section 3 of the 2012 Act). They also cover the interaction between the Panel and the Commissioner leading to the determination of the precept by the Commissioner by 1 March. The process is set out with the due dates diagrammatically in Annex A.

## PCC PRECEPT APPROVAL (Final Regulations)



## 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 2018-21. Alongside this, future capital programmes have been produced taking into account forecast Government funding, borrowing limits and council tax. For 2018/19 borrowing levels have also been guided by the prudential indicators for 2018-21.
3. For 2018/19, 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 2018/19 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 2018/19 £3.8m 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 by:
  - 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 and proportionate 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. A Reserves Strategy sets 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 2018/19, based on the proposed capital programme and expected usage of earmarked reserves.

Reserves	Apr-18 £000	Movement £000	Mar-19 £000
Redundancy Reserve	882	(250)	632
MTFS Reserve	1,136	0	1,136
LGPS Actuarial Reserve	600	(600)	0
Earmarked Revenue Reserves	2,618	(850)	1,768
Revenue Reserve for Capital	845	(845)	0
IT Reimbursement Reserve	0	0	0
Capital Receipts	0	0	0
Unapplied Capital Grants	0	0	0
Earmarked Capital Reserves	845	(845)	0
General Reserve	5,273	0	5,273
<b>Total Reserves</b>	<b>8,736</b>	<b>(1,695)</b>	<b>7,041</b>

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 2018.
5. The purpose of each reserve is set out below:

**Redundancy Reserve £0.6m**

It is recognised that the cost of reforms, efficiencies and restructuring can require changes to staffing levels. This reserve is held to meet any associated costs. It is anticipated that a small number of redundancies may occur in 2018 and estimated costs are included above subject to full consultation and only after any redeployment opportunities are fully explored.

### **Medium Term Financial Strategy (MTFS) Reserve £1.1m**

The origins of this reserve dates back to the start of the austerity programme and has been successfully used to support transition, implementation costs of transformational changes together with 'invest to save' projects. While the current 2018-20 Settlement has maintained the 2017/18 grant amount and allowed some further flexibility on the level of precept, there continues to be pressures and demands for which savings are required. Post 2020, there are no guarantees of Government funding and therefore there remains a need in the medium term to seek efficiencies and this reserve will enable such changes to be achieved.

### **Local Government Pension Scheme (LGPS) Reserves £nil**

Every three years the Actuary for the LGPS reviews the level of contributions made to the scheme against the forecast liabilities with any shortfall in funding resulting in increased employer's contributions. The LGPS was reviewed on 31 March 2016 and increased contributions are required over the next three years. To smooth the transition to the higher contribution rates, funds have been set aside within this reserve.

### **Revenue Reserve for Capital £nil**

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.

### **HQ IT Reserve £nil**

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 scheme's requirement and applied to finance relevant capital.

### **Capital Receipts £nil**

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.

### **Unapplied Capital Grants Reserve £nil**

This reserve contains the capital grant received by the Commissioner but not yet used to finance capital investment. Funding is now generally applied in full in the year it is received, with the exception of specific grants which are applied when expenditure is made – for example on the new Emergency Services Network.

### **General Reserves £5.3m**

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.

**CAPITAL PROGRAMME 2018/19**

	£000	£000
Prior Year - carry forward		5,163
<u>Annual Replacement Schemes:</u>		
IT & Communications:		
Ancillary Refresh	25	
Tablet Replacement	300	
Technology Refresh – E-Forensics	60	
Network Refresh	640	1,025
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Annual Vehicle Replacement Programme		2,077
<u>New Schemes</u>		
Estates Strategy Phase 1:		
Crewe LPU - Year 2	2,403	
Warrington LPU - Year 2	696	
Property & Exhibit Management (Phase 2)*	500	
Cleaning Model	42	3,641
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Digital Evidence (DETS)	65	
Forensic Data Store	400	
IT Capacity	250	
Airwave Security Cabinet	150	865
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Replacement of Body Armour	450	
Road Safety Equipment	60	
Breath Test Kits	30	
ANPR Regional Refresh	211	
ANPR Motorway Regional	370	1,121
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Armed Alliance Vehicles		319
		<hr/>
		<u>14,211</u>