



COMMUNITY JUSTICE SECURITY

EXECUTIVE ORDER 0069

BUDGET AND COUNCIL TAX PRECEPT 2017-18, and MEDIUM TERM FINANCIAL PLAN 2017-22

By the authority of the Police and Crime Commissioner as designated by the Police Reform and Social Responsibility Act 2011, and, by democratic mandate invested in me by the electorate of Northamptonshire, I have taken the following decisions:

1. To approve my formal response to the Northamptonshire Police and Crime Panel's report of 6th February 2017 following the Panel's review of my proposed precept for 2017-18;
2. To approve the publication of that report prior to notifying the relevant billing authorities of the Council Tax precept for 2017-18;
3. To note the report of the Director for Resources and Governance as required by section 25 of the Local Government Act 2003 regarding the robustness of the Budget estimates and the adequacy of financial reserves;
4. To approve the net revenue budget for 2017-18 of £123.106m;
5. To approve a Band D Council Tax level of £209.04p for 2017-18, representing an increase of 1.99% over 2016-17. Accordingly, no referendum on this increase is required;
6. To approve Council Tax precepts for 2017-18 totalling £48.966m on the relevant billing authorities, as shown overleaf;
7. Approve the Force's delegated budget of £115.656m.
8. To approve the Medium Term Financial Plan 2017-22.

District / Borough Council	Tax base [£]	Precept [£]
Corby	18,336.00	3,832,957.44
Daventry	29,857.91	6,241,497.51
East Northamptonshire	30,781.00	6,434,460.24
Kettering	31,234.00	6,529,155.36
Northampton	65,709.00	13,735,809.36
South Northamptonshire	34,474.00	7,206,444.96
Wellingborough	23,849.00	4,985,394.96
TOTAL	234,240.91	48,965,719.83

Signed.....

STEPHEN MOLD
 NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER
 15th February 2017

Equality, Diversity and Human Rights

Individual aspects of the budget plans will be subject to their own equality and diversity assessments.

Other Advice Taken

Advice was taken from the Director for Resources and Governance, in his report attached dated 8TH February 2017

The Police and Crime Panel have scrutinised and commented on the draft Precept and Budget



COMMUNITY JUSTICE SECURITY

NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER

15th February 2017

Report of the Director for Resources and Governance

BUDGET and COUNCIL TAX PRECEPT 2017-18, and MEDIUM TERM PLAN 2017-22

Recommendations

The Commissioner is RECOMMENDED to:

1. Have regard to the report made by the Northamptonshire Police and Crime Panel following its meeting on 2nd February 2017 to review the Commissioner's proposed precept for 2017-18 [paragraph 1.7 and appendix 1];
2. Approve the formal response to the Northamptonshire Police and Crime Panel's report referred to in recommendation 1, above [paragraph 1.8 and appendix 2];
3. Approve the publication of that report prior to notifying the relevant billing authorities of the Council Tax precept for 2017-18; [paragraph 1.9];
4. Note the report of the Director for Resources and Governance as required by section 25 of the Local Government Act 2003 regarding the robustness of the Budget estimates and the adequacy of financial reserves [paragraph 2.20 and appendix 3];
5. Approve the net revenue budget for 2017-18 of £123.106m [paragraphs 2.6 and 2.17];
6. Approve a Band D Council Tax level of £209.04p for 2017-18, representing an increase of 1.99% over 2016-17. Accordingly, no referendum on this increase is required.[paragraph 3.1];
7. Approve Council Tax precepts for 2017-18 totalling £48.966m on the relevant billing authorities [paragraph 3.1 and appendix 4];
8. Approve the Force's delegated budget of £115.656m [paragraph 2.17]
9. Approve the Medium Term Financial Plan 2017-22 [paragraph 2.6 and appendix 6]
10. Approve the Commission's Reserves Policy for 2017-18 [appendix 5].

1. INTRODUCTION

- 1.1 This is the first Budget and precept to be proposed by the current Commissioner.
- 1.2 This report sets out the proposed Revenue Budget and Council Tax precept for Northamptonshire Police and Crime Commission for 2017-18 and the proposed Medium Term Financial Plan [MTFP] for 2017-22. The Budget and MTFP provide the financial resources through which the Commissioner's Police and Crime Plan will be delivered.
- 1.3 Under schedule 5 of the Police Reform and Social Responsibility Act 2011, the Commissioner must notify the Northamptonshire Police and Crime Panel of the precept the Commissioner is proposing to issue for the financial year 2017-18.
- 1.4 This was done through the report to the Panel on 2nd February 2017, which has been published on the Commission's website, and which included the formal report of the Director for Resources and Governance as required under section 25 of the Local Government Act 2003.
- 1.5 The Panel must review the proposed precept, and make a report to the Commissioner on the proposed precept, which may include recommendations, including recommendations on the proposed precept.
- 1.6 The Panel may veto the proposed precept, and must so report to the Commissioner.
- 1.7 The Panel at its meeting on 2nd February 2017 resolved the Northamptonshire Police and Crime Commissioner's proposed precept for 2017-18 be supported. They have also made their statutory report to the Commissioner, attached as **appendix 1**.
- 1.8 Under section 5 of schedule 5 of the Police Reform and Social Responsibility Act 2011, the Commissioner must give the Panel a response to their report. That draft response is included in this report for the Commissioner's approval, as **appendix 2**. That response must be published. It is for the Police and Crime Panel to determine the manner in which the Commissioner's response is published.
- 1.9 As in previous years, the Commissioner has been requested to send his response to Northamptonshire County Council. They will publish the response on their website and also circulate it and the Panel's report on the Commissioner's precept proposals to all the District and Borough councils in the county. The Commissioner has also been requested to publish his response on the Commission's website.
- 1.10 Having so responded to the Panel and following the publication of his response as stated above, the Commissioner must issue the precept for 2017-18 by 1st March 2017.
- 1.11 The details of the calculation of the precept are set out in **appendix 4**.
- 1.12 A summary of the overall spending and financing assumptions of the Medium Term Financial Plan 2017-22, is set out at **appendix 6**.

1.13 The Commissioner is also required to approve an Annual Treasury Management Strategy each year, setting out the details of his policy and approach to managing investments, borrowing and cash management. The Commissioner will receive recommendations on such a strategy for 2017-18 before the end of this financial year.

2. PROPOSALS FOR THE BUDGET 2017-18 AND MEDIUM TERM FINANCIAL PLAN 2017-22

2.1 It is now necessary for the Commissioner to approve his Budget proposals for 2017-18, having regard to the Police and Crime Panel's report, and having made a formal response to that report.

2.2 The government published the Final Police Grant Finance Settlement for 2017-18 on 1st February 2017. No material changes are required to the assumptions previously made by the Commissioner on the basis of the provisional settlement announced in December 2016.

2.3 However there are changes in the assumptions previously made regarding the Collection Fund surplus and the Council Tax Base, informed by the definitive data recently received from the Council Tax Billing Authorities. These changes are summarised below.

Council Tax Collection Fund

2.4 The surplus on the Fund that can now be used to support the Budget in 2017-18 is £1.088m. This compares to £0.750m assumed in the consultation report to the Police and Crime Panel.

Council Tax Base

2.5 Final figures received from the all seven Billing authorities now result in a revised Council Tax base of 234,241 resulting in a total precept £48.966m. This compares to the assumed corresponding in the Police and Crime Panel report of Council Tax Base of 233,530 and precept of £48.817m.

Affordable budget 2017-18

2.6 Consequently, the affordable level of the Northamptonshire Police and Crime Commissioner's net budget for 2017-18 is £123.106m. This represents an increase of £0.487m compared to the estimate reported to the Police and Crime Panel. It also represents an increase of £1.111m on the approved 2016-17 budget. The revised funding of the budget is summarised in Table 1, below.

Table 1

Financing	2016-17 £000	Change £000	2017-18 £000
Police Grant	67,350	-942	66,408
Council Tax support grant	5,053	-	5,053
Council Tax Freeze grant	1,591	-	1,591
Government grants	73,994	-942	73,052
Collection Fund surplus	1,075	+13	1,088
Council Tax requirement	46,926	+2,040	48,966
TOTAL	121,995	+1,111	123,106

- 2.7 The equivalent overall forecast affordable budgets for the medium term planning period are summarised below; further detail is set out in **appendix 6**. The additional tax revenues now identified will mitigate the required drawdown from reserves over the MTFP period.

Table 2

Financing	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
TOTAL	123.1	123.4	124.2	125.0	126.0

Spending proposals

- 2.8 In the Commissioner's report to the Police and Crime Panel on 2nd February 2017 it was noted the proposed budget for 2017-18 fully met the requirements of the Chief Constable, including the first stages of implementing the Service Delivery Model.
- 2.9 The Police and Crime Commissioner has supported the Force in a review of its current delivery model, the manner in which it provides frontline delivery to local communities. The Chief Officer Team have a high level of confidence that the recommendations in the review will support the Force in a more productive management of demand, improve efficiency and better protect people from harm. Following the review the Commissioner has agreed to additional funding for an increase in Police Officer and frontline operational Police Staff numbers.
- 2.10 Some of the key elements of the Service Delivery Model review include:

Neighbourhood Policing – an ongoing commitment to locally identified officers and PCSOs. There will be a reduction in the headcount of these staff, however a reduction in their abstraction for other matters will mean no reduction in the total hours allocated to neighbourhood policing. These dedicated teams will have a stronger focus on community engagement, localised problem solving, partnership working and visibility. They will carry a reduced crime workload, concentrating on those involving local solutions and interventions. Police Community Support Officers will undertake enhanced responsibilities in relation to neighbourhood issues.

Response Policing – staff will be based out of, but will not remain at, four hubs. They will patrol within their local communities. They will not carry an ongoing investigatory workload, allowing them to be available for a more effective response to incidents requiring immediate or urgent attendance. These staff will have greater capacity to manage incidents relating to missing people and to undertake proactive policing activities.

Safeguarding and Investigations – an improved process of crime allocation will be introduced, allowing early resolution of reported crimes where appropriate as well as more effective allocation of crimes, to officers skilled to undertake those investigations. The new operating model will see a more cohesive and joined up approach to issues relating to domestic abuse support and investigations and a strengthened safeguarding structure.

Demand and Contact Management – a new managed appointment unit will be created to better respond to incidents that require a face to face interaction but do not require an immediate or urgent response. Members of the public not requiring an immediate response will be encouraged to attend a planned appointment at police premises or other location to allow better management of this demand, subject to issues of vulnerability or evidence collection from a scene.

- 2.11 The Commissioner also stated Northamptonshire already is leading nationally in the establishment of the integrated 'Voice' service. Existing contracts within 'Voice' begin to end during 2017 and so the OPCC is beginning the process of re-commissioning. Commissioning intentions will be published before the end of 2016-17. This will build on the progress made in the past few years. This will be the main call on the Commissioning budget in 2017-18.
- 2.12 The Commissioner also drew attention to the unprecedented level of change the Force are facing over the medium term, including the Tri Force, Estates Strategy and proposed Funding changes. For this reason the Commissioner has decided to continue with the reserve strategy approved as part of the 2016-17 MTFP.
- 2.13 In his formal report to the Commissioner under s25 of the Local Government Act 2003, shared with the Police and Crime Panel, the Director for Resources and Governance, noted there will need to be effective action and strong governance by the Commission and Force throughout the year to ensure the effective delivery of the 2017-18 Budget. On the basis of those assumptions the level of reserves was deemed to be adequate. The report went on to conclude that the Reserves Strategy was crucial to the realisation and effective management of the Commission's and Force's future strategic and financial plans.

- 2.14 The Commissioner may only issue a different precept to that consulted upon with the Panel only if a different recommendation is in accordance with a recommendation made in the Panel's report. The Panel made no recommendations in their report on the 2017-18 proposed precept and formally supported the Commissioner's proposed precept.
- 2.15 This is the context in which the Commissioner has considered his strategy regarding the use of the additional funding now available to him as a consequence of the revised Collection Fund data.
- 2.16 It is proposed the precept for 2017-18 will be increased as previously consulted upon; and that the additional revenue from the collection fund (£338k) and precept (£149k) be added to the Capital/Transformation Reserve. This increased resource provides additional resilience to the delivery context of major transformational change over the medium term.
- 2.17 Spending proposals for 2017-18 are summarised below.

Overall budget

Table 3

Spending OPCC and Force	2016-17 £000	Change £000	2017-18 £000
Gross Budget 2015-16	134,850		134,850
Inflation		2,309	2,309
Commitments		1,751	1,751
Growth		1,109	1,109
Service Delivery Model		574	574
New proposed savings		-1,010	-1010
Gross Budget 2015-16	134,850	-4,733	139,583
Income	-17,782	295	-17,487
Specific grants	-844	-4	-848
Net Budget	116,224	5,024	121,248
Movement in Reserves	5,771	-3,913	1,858
TOTAL REVENUE BUDGET	121,995	1,111	123,106

Budget delegated to the Chief Constable

Table 4

Force Spending	2016-17 £000	Change £000	2017-18 £000
Gross Budget 2016-17	129,802		129,802
Technical Adjustment	-918		-918
	128,884		128,884
Inflation		2,296	2,296
Commitments		1,797	1,797
Growth		271	271
Service Delivery Model		574	574
New proposed savings		-679	-679
Gross Budget 2016-17	128,884	4,259	133,143
Income	-17,487	0	-17,487
Net Budget	111,397	4,259	115,656

Reserves

- 2.18 The report to the Police and Crime Panel noted the following forecast level of cash-backed reserves at 31st March 2017:

Table 5

Usable Reserves Forecast at 31st March 2017	£000
General Reserves	3,904
Carry forward of underspends:	
OPCC	806
Force	0
Initiatives Fund	1,437
Capital/Transformation	5,204
Pensions	1,180
Decant	4,445
Other	1,277
TOTAL	18,253

- 2.19 As can be seen from Table 3 it is proposed to add a further net £1.858m to reserves during 2017-18. However there are also planned drawdowns and the forecast position as at 31st March 2018 is given below:

Table 6

Usable Reserves Forecast at 31 st March 2018	Forecast AT 31.03.17	ADDITIONS 2017-18	DRAWDOWN 2017-18	FORECAST AT 31.03.18
	£000	£000	£000	£000
General Reserves	3,904		-300	3,604
Carry forward of underspends:				
OPCC	806		-500	306
Initiatives Fund	1,437	910	-735	1,612
Capital/Transformation	5,204	3,790	-8,994	0
Pensions	1,180			1,180
Decant	4,445		-3,110	1,335
Other	1,277	500		1,777
TOTAL	18,253	+5,200	-13,639	9,814

2.20 The scale of the changes since the report to the Panel are considered to be both favourable and immaterial and the Chief Financial Officer does not consider it necessary for a revised report as required by section 25 of the Local Government Act 2003 regarding the robustness of the Budget estimates and the adequacy of financial reserves to be issued.

2.21 The Commissioner is now **recommended** to approve the net revenue budget for 2017-18 of £123.106m.

2.22 The overall spending and financing assumptions for the Medium Term Plan 2017-22 are shown in **appendix 6**.

3 COUNCIL TAX PRECEPT PROPOSAL 2017-18

3.1 The Commissioner is now **recommended** to approve a Council Tax requirement of £48.966m as shown in Table 1, above resulting in a Band D Council Tax of £209.04p and the respective precepts on the relevant billing authorities as set out in **appendix 4**.

4 CAPITAL PROGRAMME

4.1 There are no changes to the proposed Capital Programme as reported to the Police and Crime Panel on 2nd February 2017;

4.2 The tables below summarise the previously approved programme.

Table 7

CAPITAL PROGRAMME 2016-20	Prior Years £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	TOTAL £000
FINANCING						
Grants	1,827	500	500	500	500	3,827
Innovation Fund	2,421					2,421
Capital Receipts	335		3,180	1,644	1,650	6,809
Revenue Funded	931	648	66	66	66	1,777
Capital Reserve	3,400					3,400
Borrowing	5,589	17,984	1,427			25,000
External Funding	1,399					1,399
Reserves		11,016	2,237	583	1,700	15,536
TOTAL	15,902	30,148	7,410	2,793	3,916	60,169

Table 8

CAPITAL PROGRAMME 2016-20	Prior Years £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	TOTAL £000
SPENDING						
Change Programme	8,461	27,209	2,697	980	1,961	41,308
Replacement and Rolling programmes	3,422	2,469	1,728	1,728	1,930	11,277
Other Schemes	4,019	470	2,985	85	25	7,584
TOTAL	15,902	30,148	7,410	2,793	3,916	60,169

Developing the new Capital Programme 2017-22

4.3 From 2017-18 the Capital Programme will be presented as a five year programme to align with revenue plans. It has previously been presented as a four year programme.

5 LEGAL CONSIDERATIONS

5.1 The Commissioner may not issue a precept under section 40 of the Local Government Finance Act 1992 until the end of the scrutiny process as set out in schedule 5 of the Police Reform and Social Responsibility Act 2011.

5.2 The Police and Crime Commissioner must notify a precept to the Billing authorities prior to 1st March each year and in so doing must set a realistic revenue budget.

6 CONCLUSION

- 6.1 This report sets out recommendations to the Police and Crime Commissioner regarding the Revenue budget, precept, Council Tax requirement and Reserves policy 2017-18, together with the Medium Term Financial Plan 2017-22.

JOHN NEILSON
Director for Resources and Governance

Appendices

1	Formal report of the Northamptonshire Police and Crime Panel on the Commissioner's proposals on the Council Tax precept for 2017-18
2	Commissioner's formal response to the report of the Northamptonshire Police and Crime Panel
3	Report of the Director for Resources and Governance, under section 25 of the Local Government Act 2003
4	Precepts for 2017-18 on relevant billing authorities
5	Reserves Policy 2017-18
6	Summary of the Medium Term Financial Plan 2017-22

Author: John Neilson – Director for Resources and Governance

Background Papers: Commissioner's report of 2nd February 2017 to the Police and Crime Panel regarding the Budget 2017-18 and Medium Term Financial Plan 2017-22

Police Grant Report 2017-18 and associated papers.

END

NORTHAMPTONSHIRE POLICE & CRIME PANEL

REPORT TO THE NORTHAMPTONSHIRE POLICE & CRIME COMMISSIONER

6TH FEBRUARY 2017

Subject:	Review of the Northamptonshire Police & Crime Commissioner's Proposed Precept for 2017/18
Recommendations:	<p>That the Northamptonshire Police & Crime Commissioner:</p> <p>a) Has regard to this report by the Northamptonshire Police & Crime Panel arising from its review of the proposed precept for 2017/18 in accordance with the Police Reform & Social Responsibility Act 2011 Schedule 5 Paragraph 5(2)(a).</p> <p>b) Gives the Panel a response to this report in accordance with the Police Reform & Social Responsibility Act 2011 Schedule 5 Paragraph 5(2)(b).</p>

1. Purpose of Report

- 1.1 The report is intended to set out the results of the review by the Northamptonshire Police & Crime Panel of the Northamptonshire Police & Crime Commissioner's proposed precept for 2017/18.

2. Background

- 2.1 The Police Reform & Social Responsibility Act 2011 specifies that a Police & Crime Commissioner may not issue a precept under Section 40 of the Local Government Finance Act 1992 until it has been subject to scrutiny by the relevant Police & Crime Panel according to the process specified in Schedule 5 of the 2011 Act.
- 2.2 Schedule 5 of the 2011 Act, supporting Regulations, and the Rules of Procedure for the Northamptonshire Police & Crime Panel require:
- a) The Commissioner to notify the Panel of his proposed precept by 1st February of the relevant financial year.
 - b) The Panel to review the proposed precept.
 - c) The Panel to resolve to:
 - i) Support the proposed precept without additional qualification or comment; or
 - ii) Support the proposed precept and make additional recommendations on it; or
 - iii) Veto the proposed precept provided that the Panel makes that decision by the required majority of at least two thirds of Panel members.
 - d) The Panel to make a report to the Commissioner on the proposed precept, setting out the results of its review, by 8th February of the relevant financial year.

- 2.3 If the Panel does not veto the proposed precept the Commissioner must:
- a) Have regard to the report made by the Panel
 - b) Give the Panel a response to its report and to any recommendations in the report. The response should also be published in a manner determined by the Panel.
- 2.4 The scrutiny process concludes at this point. The Commissioner may then issue the proposed precept as the precept for the next year, or issue a different precept but only if it would be in accordance with a recommendation made in the Panel's report.
- 2.5 If the Panel vetoes the proposed precept the Commissioner is required to produce a revised precept, which is then subject to further scrutiny.

3. Review of the Proposed Precept

- 3.1 The Northamptonshire Police & Crime Panel met in public on 2nd February 2017 to review the Commissioner's proposed precept and budget for 2017/18.
- 3.2 The Commissioner presented the proposed precept and budget, which was his first in the role. In doing so he stated that he wished to put on record that the current government funding settlement was unsustainable in the medium- to long-term due to the government's flat cash assumption. Any further reductions in real-term funding would raise the need to make proportionate reductions in services in future years, unless other sources of funding were available. For 2017/18 he proposed to increase the police precept by 1.99%, which represented an increase in Council Tax of 8p per week, £4.16 per year, at Band D. This would enable him to increase the funding provided to Northamptonshire Police to implement the new Service Delivery Model. A fundamental review of all revenue and capital expenditure would then follow in the coming year to ensure that all resources were being used to best effect. He had made various representations to the Minister for Policing about the need for a new funding formula that would recognise the situation in Northamptonshire, including the impact of demographic growth. The Minister had committed to review the funding formula and new proposals were expected in March / April 2017. The Panel could be updated on these as necessary.
- 3.3 The Panel questioned the Commissioner on whether there was flexibility within the budget to deal with unexpected issues that could cause additional pressures. The Panel was advised that there was a very small amount of flexibility. Northamptonshire Police had a small contingency reserve for emergencies in operational policing and there were other specific reserves, although these were limited. The delivery of specialist functions on a regional basis maximised the resources available to the force, whilst other forces would also contribute mutual aid in a major emergency. However, increasing pressures on resources meant that there was a continual need to ensure that resources were used as effectively as possible and opportunities to innovate were considered.
- 3.4 The Panel sought further information on the Commissioner's assumptions about future funding. The Panel was advised that the Office of the Police & Crime Commissioner had modelled the future funding position out to 2030, based on the assumption that the current flat funding arrangement would continue. The Commissioner emphasised that an overall reduction in funding was just one aspect of the final pressures currently being faced. The Police Transformation Fund had been increased from £40m to £175m for 2017/18: this effectively re-deployed resources from individual forces, which were then

required to bid for funding and commit to match any funding that they received. The police pay award was an example of a cost that was set nationally but had to be met by individual forces. Current population growth in Northamptonshire helped to mitigate these pressures to a degree, but this could not be relied upon in the longer term.

- 3.5 During discussion by the Panel the Commissioner was commended for the prudence of his budget and it was felt that the proposed precept was fair, although the need for robust monitoring and control of budget delivery was also emphasised. The view was given that Northamptonshire Police had been historically under-funded and, therefore, undervalued by national governments and was now working well with the resources available to it. The Commissioner’s apolitical approach to his role and commitment to ensuring that money was put where it was needed most for the people of Northamptonshire were also welcomed.

Outcome of the Review

- 3.6 At the conclusion of discussion the Panel ultimately resolved unanimously:

To support the Northamptonshire Police & Crime Commissioner’s proposed precept for 2017/18.

Author:	Name: Kirk Harrison / James Edmunds Team: Democratic Services Northamptonshire County Council
Contact details:	Tel: 01604 366053 Email: jedmunds@northamptonshire.gov.uk
Background Papers:	Police Reform & Social Responsibility Act 2011 The Police & Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012 Northamptonshire Police & Crime Panel Rules of Procedure



COMMUNITY JUSTICE SECURITY

NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER

The Police and Crime Commissioner's Formal Response to the Report of the Police and Crime Panel on its Review of the Commissioner's proposed Precept for 2017-18

1. I thank the Panel for its report of 6th February 2017 which sets out the results of its review of my proposed precept for 2017-18.
2. This report is the response I am required to give to the Panel in accordance with the Police Reform and Social Responsibility Act 2011. This response is required to be published in a manner which is to be determined by the Police and Crime Panel, in accordance with schedule 5, paragraph 5(4).
3. I am grateful to the Panel for its unanimous support for my proposals for an increase in the Council Tax Band D level to £209.04p for 2017-18; this represents an increase of 1.99% [£4.08p] on the 2016-17 level of £204.96p
4. I note the points the Panel made at its meeting; summarised at paragraph 3 of the Panel's report.
5. Following publication of this response I shall approve and issue the precept based on a Band D Council Tax of £209.04p.

Stephen Mold

**Northamptonshire Police and Crime Commissioner
7th February 2017**

END

REVENUE BUDGET ESTIMATES 2017-18 AND RESERVES

Report of the Director for Resources and Governance, as required by Section 25 of the Local Government Act 2003.

1 SUMMARY

- 1.1 To advise the Northamptonshire Police and Crime Commissioner on the robustness of the estimates in the proposed Budget and the adequacy of the proposed reserves before he makes decisions in respect of the Revenue Budget for 2017-18 and the Police and Crime Commission's financial reserves.

2 BACKGROUND

- 2.1 The Chief Financial Officer of the Commission is required to report to the Commissioner when setting the Precept and Council Tax on:

- (a) the robustness of the estimates in the budget, and
- (b) the adequacy of the proposed reserves.

- 2.2 The Commissioner must have regard to this report when making decisions in respect of the Budget, Precept and Council Tax (Section 25(2) Local Government Finance Act 2003).

- 2.3 The Chief Financial Officer of the Northamptonshire Police and Crime Commission is the Director for Resources and Governance.

3 2017-18 REVENUE BUDGET PROCESS

- 3.1 The 2017-18 Revenue Budget is the first to be proposed by the current Commissioner, who took office in May 2016.

- 3.2 The Provisional Funding Settlement was announced on the 15th December 2016. For Northamptonshire the outcome was slightly more favourable than had been anticipated

- 3.3 The Commissioner has provisionally proposed a Revenue Budget for 2017-18 which increases the Band D Council Tax level by 1.99% from £204.96p to £209.04.

- 3.4 Following receipt of final figures from the seven billing authorities there has been an increase of 2.3% in the tax base compared to 2016-17. Taken together the increase in tax base and the level of Council Tax

result in additional Precept income in 2017-18 of £2.040m [4.3%] compared to 2016-17.

- 3.5 This increase in local taxation income compares to a reduction of £0.942m [1.3%] in government funding.
- 3.6 A surplus of £1.088m on the Council Tax Collection Fund has been confirmed by the district councils.
- 3.7 In determining his final MTFP decisions, the Commissioner has had regard to the approved MTFP 2016-21, agreed in February 2016 by the former Commissioner.
- 3.8 Since that MTFP was agreed, some planning assumptions made at the time have changed, which now place additional financial pressure on the funding available to the Commissioner.
- 3.9 Firstly, the agreed Revenue budget for 2016-17 delegated to the Chief Constable included an unfunded savings target of £1.8m. The intention was that those savings would be found through the implementation of a revised Service Delivery Model for operational policing. That model has only recently been agreed by the current Commissioner and the Chief Constable advises the model requires £0.5m additional financial investment in 2017-18. Consequently the 2017-18 budget requires an upward adjustment to recognise the non-achievement of those savings in 2016-17.
- 3.10 Secondly, a key planning assumption for the decant plan from the Wootton Hall site by April 2020 was that the Northamptonshire, Nottinghamshire and Leicestershire forces would develop a proposal to re-locate the Northamptonshire Control Room. It is now unlikely that such a proposal will be agreed – and alternative arrangements are currently being explored. However, this will result in additional costs to Northamptonshire compared to the previous planned approach.
- 3.11 Thirdly – the current Commissioner is currently undertaking a fundamental review of the Estates Strategy and the Capital Programme. The Commissioner therefore intends to approve a revised Capital Programme later in the year as the review is finalised and a revised Estates Strategy and associated capital investment and savings plans agreed.
- 3.12 Consequently the figures included in the proposed MTFP 2017-22 for revenue spending in 2018-19 and beyond are indicative figures only at this stage and are subject to change later in the year and through next year's budget process.
- 3.13 These additional financial pressures have been mitigated to some extent by including upward revisions to assumptions over the MTFP period relating for precept income – as a consequence of more Council

- taxpayers in the county. This revision is justified by the recent history of those increases and by the plans to increase the number of houses in the county very significantly every year to 2030.
- 3.14 Similarly, the funding forecasts of the surplus on the Billing authorities 'Council Tax Collection Fund' have now been included at £750k in 2018-19 to 2021-22 financial years. This again is reasonable in light of recent and current performance.
- 3.15 Both of the above assumptions will be closely monitored and reviewed each year.
- 3.16 Prudently, no assumption for the potentially favourable funding changes for Northamptonshire arising from prospective changes in the government's formula for distributing Police Grant is included in the proposed MTFP 2017-22.
- 3.17 In the above context, the Police and Crime Commissioner is proposing a budget and MTFP that ensures the limited financial resources available to him are aligned to his priorities as set out in the Police and Crime Plan. The Commissioner has made proposals that allocate resources across the Force and OPCC operating budgets, and made prudent assumptions regarding potential capital financing costs.
- 3.18 The Commissioner's proposals include a significant increase in the Force Revenue budget.
- 3.19 Of the total £123.106m revenue budget for 2017-18, £115.656m (~94%) will be delegated to the Chief Constable.
- 3.20 The Force budget represents an increase of £4.259m (3.8%) over the equivalent budget for 2016-17. This is the increase the Chief Constable advised the Commissioner is required for 2017-18. This increase can be contrasted with the government's spending plans and grant settlement which envisage 'flat cash' policing budgets over the period to 2021.
- 3.21 The OPCC also controls a commissioning budget – this is £2.2m net which is equivalent to spending of £3.0m when income of £0.8m of government grant is taken into account. This grant allocation is announced annually so there is a perennial risk of change to that income. The 2017-18 allocation was in the event very similar to the previous year.
- 3.22 In addition to the sums provided in the revenue budget, there is provision within the Reserves strategy to provide additional funding to support the Police and Crime Plan Delivery Plan.

4 RESERVES

- 4.1 The Northamptonshire Police and Crime Commissioner's Reserves Policy sets out the level of General Reserves should be between 2% and 3% of net budget requirement. This equates to £2.45m to £3.68m in 2017-18. The proposed level of General Reserves at 1st April 2017 is proposed to be £3.604m (2.9%). This level at the higher end of the range in the OPCC policy is prudent given the continuing conditions of austerity, ambition and pace of change, and risk inherent in the environment in which the OPCC and Force operate.
- 4.2 As noted above the Reserves strategy provides some resource to support additional investment in the Police and Crime Plan throughout the MTFP period to 2021-22.
- 4.3 The total of General and all Earmarked Reserves at 31st March 2017 is forecast to be some £18.3m, which is deemed to be adequate.

5 FUTURE YEARS

- 5.1 The Commissioner is facing a period of considerable uncertainty and change. On funding, the government grant settlement relates only to 2017-18, and although the Home Office has stated that funding will be reduced by 1.3% in real terms over the period to 2020, they have also indicated that top slicing will increase to allow for such items as Emergency Service Network, Counter Terrorism and Transformation Fund. The Home Office has also consulted on the Funding Formula, and indicated changes in Police grant allocations to Police and Crime Commissions may change from 2018-19. It might reasonably be anticipated Northamptonshire would be a beneficiary of such changes although the proposed MTFP makes no such assumption.

6 CONCLUSION

- 6.1 The Chief Financial Officer considers that the 2017-18 Revenue Budget proposals are robust and the total proposed level of reserves is adequate. There will however need to be effective action and strong governance by the Commission and Force throughout the year to ensure the effective delivery of the Budget. The level of General Reserves is judged to be at a suitable level to meet unforeseen requirements during 2017-18 assuming that implementation of the 2017-18 Revenue Budget is robustly managed and monitored. The Reserves Strategy is crucial to the realisation and effective management of the Commission's and Force's future strategic and financial plans.
- 6.2 No new proposals are being made at this stage for the Capital Programme. A review of potential spending is being undertaken. It will

be vital to ensure any proposals brought forward are affordable and aligned with the Revenue budget.

- 6.3 The key challenges inherent in the proposed 2017-18 Revenue Budget relate to future years. The ongoing 'austerity' conditions exemplified by the government's Police funding plans contrast sharply with the upward cost implications of pay awards and the risk of higher inflation and interest rates, together with increasing needs for capital investment.
- 6.4 Accordingly, it is essential the Commissioner and Chief Constable undertake a fundamental review of all prospective spending plans for 2018-19 onwards to develop an affordable and deliverable MTFP 2018-23.

John Neilson
Chief Financial Officer
Northamptonshire Police and Crime Commission
8th February 2017.

END

Revenue Budget 2017-18

	£'000	£
Net Revenue Budget	123,106	123,106,459.83
<i>less</i>		
Police Grant	73,053	73,052,881.00
Council Tax Surplus	1,088	1,087,859.00
Council Tax Requirement	48,966	48,965,719.83
divide by Northamptonshire Tax Base		234,240.91
Band D Council Tax 2017-18		£209.04

Taxbase and Precept on District and Borough Councils

Council	Taxbase	Precept (£)
Corby	18,336.00	3,832,957.44
Daventry	29,857.91	6,241,497.51
East Northamptonshire	30,781.00	6,434,460.24
Kettering	31,234.00	6,529,155.36
Northampton	65,709.00	13,735,809.36
South Northamptonshire	34,474.00	7,206,444.96
Wellingborough	23,849.00	4,985,394.96
TOTAL	234,240.91	48,965,719.83

Taxbase is the number of equivalent Band D dwellings, after discounts, exemptions and estimates for non-collection of Council Tax

Council Tax for the Police and Crime Commissioner 2017-18

Council Tax Band	Annual cost £	Weekly cost £
A	139.36	2.67
B	162.59	3.12
C	185.81	3.56
D	209.04	4.01
E	255.49	4.90
F	301.95	5.79
G	348.40	6.68
H	418.08	8.02

Appendix 5

NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION RESERVES AND PROVISIONS POLICY FOR 2017-18

1. The importance of a Reserves and Provisions Policy

- 1.1. Reserves are a key part of medium-term financial planning – other components include revenue spending plans, income forecasts, potential liabilities, capital investment plans, borrowing and council tax levels. Decisions on these are inter-linked. Consequently some organisations will need to maintain reserves at higher levels than others.
- 1.2 All publicly funded organisations should have a reserves policy to demonstrate transparency and accountability, to comply with best practice financial management and to justify the levels of reserves held.
- 1.3 The Commission maintains reserves to provide a measure of protection against risk. Without this protection, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels).
- 1.4 The term "reserves" has a variety of technical and every day meanings, depending on the context in which it is used. For the purposes of this policy it is taken to mean funds set-aside at the Commission's discretion for general or specific future purposes.
- 1.5 Reserves are required to protect and enhance the financial viability of the Commission and in particular:
 - To maintain a degree of in-year financial flexibility;
 - To enable the Commission to deal with unforeseen circumstances and incidents;
 - To set aside monies to fund major developments in future years;
 - To enable the Commission to invest to transform and achieve improved service effectiveness and efficiency;
 - To set aside sums for known and potential liabilities;
 - To provide an operational contingency at service level.
- 1.6 Reserves should not be held to fund ongoing revenue expenditure as this is unsustainable in the long term; however they may be important in smoothing a major financial imbalance (revenue or capital) over a longer timescale. CIPFA guidance LAAP 77 published November 2008 states:

“Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However it is not normally prudent for reserves to be deployed to finance recurrent expenditure. Where such action is to be taken this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term”

- 1.7 The Reserves Policy assumes that the Medium Term Financial Plan [MTFP] is broadly balanced on a sustainable basis across the five year planning period. Reserves should reflect the agreed financial strategy and should represent the quantified impact of risks and opportunities over the planning period, weighted for their probability.
- 1.8 Provisions are required for any liabilities where the timing of the payment or the amount is uncertain.

2. Aspects to consider

- 2.1 The policy should specifically consider the aspects set out below.

Rationale

- 2.2. The purpose behind each reserve should be clearly stated. The policy should also state how and when the reserve may be used.

The adequacy of Reserves

- 2.3. There is no prescribed level of reserves that Police and Crime Commissions should hold and this is influenced by individual discretion, local circumstances, advice from external auditors, risk management arrangements and risk appetite. CIPFA guidance in LAAP Bulletin 77 specifically cautions against prescriptive national guidance for a minimum or maximum level of reserves and states:

*“The many factors involved when considering appropriate levels of reserves can only be assessed properly at a **local** level. A considerable degree of professional judgement is required”*

- 2.4. Factors to be taken into account include:

- The general economic conditions;
- The financial impact of service and business risks specific to the Commission, including cost and demand fluctuations during the planning period, and the inevitable uncertainty as to the financial impact of major changes currently being progressed.
- The extent to which fixed or semi-fixed costs reduce the flexibility to respond to financial shocks.

- 2.5. Some risks facing the Commission are 'involuntary' or inescapable; others are voluntarily taken by the Commission. An example of an involuntary risk might be the government's public spending policy. An example of a voluntary risk might be a major change programme.
- 2.6. Currently there is significant uncertainty regarding future government funding. The Home Office has not announced funding allocations beyond 2017-18. There is to be a review of the distribution formula of Police Grant, and there is no certainty that Council tax freeze grant will be continued in respect of precept decisions from April 2018.
- 2.7. The proposed Tri Force agreement between Northamptonshire, Nottinghamshire and Leicestershire could be a major change programme, in the delivery back office support. Currently this has approval to the detailed design stage and should the go ahead be given, would involve a considerable amount of investment before the savings start to materialise.

The opportunity cost of holding Reserves

- 2.8. This represents the opportunity foregone by maintaining a level of reserves.

Procedures for management and control

- 2.9. Generally these will be the same for all reserves. Procedures for approval and drawdown are set out in Financial Regulations and any exceptions should be clearly explained.
- 2.10. The Local Government Act 2003 requires the s151 officer (currently the Director for Resources and Governance), to report annually on the adequacy of the reserves.

Risk

- 2.11. The risks of not having a Reserves policy that is reviewed on a regular basis include auditor and other stakeholder criticism, higher levels of funds might be held than necessary, without a clear rationale, and the possibility that some reserves might become dangerously low.

- 2.12. Conversely any approved policy should not be allowed to act as a straitjacket, constricting the essential element of judgement in determining the appropriate level of reserves.

Reviewing the policy

- 2.13. Regular reviews of the policy are important to ensure its continuing relevance and adequacy.
- 2.14. It is proposed that the Commission's Reserves and Provisions Policy is normally reviewed annually.

3. Northamptonshire Police and Crime Commission Reserves and Provisions

- 3.1. During 2016-17 a Decant Plan reserve was created to provide for the costs in moving off the Wootton Hall site. Consequently the approved Reserves of the Police and Crime Commission are:
- General
 - Capital and Transformation
 - Pension (ill health and injury awards)
 - Insurance
 - Expenditure b/f from previous years
 - Initiatives Fund
 - Safety Camera
 - Decant Plan
- 3.2. These reserves represent an accumulated surplus of income over expenditure.
- 3.3. Any drawdown from Reserves is subject to the approval of the Commissioner, on advice from the Commission's Chief Finance Officer or Deputy Chief Finance Officer; or under the delegated authority of the Commission's Chief Finance Officer or Deputy Chief Finance Officer as specified in Financial Regulations.
- 3.4. The Police and Crime Commission inherited from the former Police Authority an Insurance Provision in respect of Motor, Property, Public and Employers Liability claims. The Police and Crime Commission intend to continue with this provision. Additional provisions will be established, if required in accordance with the criteria set out at paragraph 1.8 of this policy
- 3.5. The attached appendix details the proposed Reserves for 2017-18.

February 2017

RESERVES OF THE POLICE AND CRIME COMMISSIONER
2017-18

	Rationale	How and when used	Level	Opportunity Cost	Management and control	Risk	Review
GENERAL RESERVE	<p>To maintain a degree of in-year financial flexibility;</p> <p>To enable the Commission to deal with unforeseen circumstances and incidents;</p> <p>To set aside sums for known and potential liabilities;</p> <p>To provide an operational contingency at service level.</p>	<p>To meet exceptional spending needs or overspends which are unable to be otherwise financed at the year end.</p> <p>To smooth the profile of tax revenue over a medium term financial period</p> <p>To allow higher spending without raising council tax on a one-off basis</p>	<p>Typically between 2% and 3% of net budget requirement</p>	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	<p>Set out in Financial Regulations, and summarised in text above.</p>	<p>May be inadequate for major catastrophe, which could jeopardise financial status and reputation of the Commission.</p> <p>The Commissioner would have recourse to Home Office discretionary special grant if costs exceed 1% of budget or CLG Bellwin scheme for natural disasters</p>	<p>Annual</p>
Capital/Transformation	<p>To cover:</p> <ul style="list-style-type: none"> O Unachievable savings. O Tri Force Investment (revenue and capital). O Capital Programme pressures. O Estates Programme investment O Government funding fluctuations <p>Can be either capital or one-off revenue costs</p>	<p>As required – typically informed by approved business cases for bids on the Fund.</p>	<p>Estimated £5.204m at 31.3.17</p>	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	<p>Set out in Financial Regulations, and summarised in text above</p>	<p>If Fund was not maintained then the investments in to the pressures noted would not be able to be financed.</p> <p>The Force have unrealistic expectations of c/f requirements.</p> <p>Actual delivery and expenditure is above or below reserve level.</p>	<p>Annual</p>

Appendix

	Rationale	How and when used	Level	Opportunity Cost	Management and control	Risk	Review
PENSIONS	<p>To meet the costs of any ill—health or injury retirements which are unbudgeted and fall directly on the Commission..</p> <p>Also to cover any significant overspend on the employer contributions to the Pension Account</p>	Annually as required.	Estimated £1.180m at 31.3.17	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	Set out in Financial Regulations, and summarised in text above.	<p>Significant ill health or injury awards beyond normal profile create pressure on reserve or leave excess funds unused.</p> <p>Significant change in officer numbers or grades lead to unbudgeted employer pension contributions in-year.</p>	Annual
INSURANCE	To cover the potential and contingent liabilities of uninsured risks as assessed annually by our insurers based on claims outstanding.	Balance will increase or reduce annually dependent on the Commission's outstanding claims record	Will vary according to annual risk assessment	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	Set out in Financial Regulations, and summarised in text above.	<p>If no reserve is held the Commission is potentially open to significant excess and claims payments in year beyond available revenue budgets.</p> <p>Assessment by insurers needs to be realistic not unduly pessimistic.</p>	Annual
EXPENDITURE b/f	<p>To hold year-end under spending by the Force and PCC as agreed by the Commissioner to be carried forward to the next financial year.</p> <p>Promotes best use of limited resources.</p>	<p>To be used or returned to General Reserve.</p> <p>Any excess unspent from reserve would require further justification for c/f</p>	Should not exceed 1% of budget as a benchmark	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	Set out in Financial Regulations, and summarised in text above.	<p>The Force have unrealistic expectations of c/f requirements.</p> <p>Actual delivery and expenditure is above or below reserve level.</p> <p>Reserve is used as a buffer without realistic assessment of need.</p>	Annual

Appendix

	Rationale	How and when used	Level	Opportunity Cost	Management and control	Risk	Review
INITIATIVES FUND	<p>To deliver funding to for specific initiatives of the Commission arising from the Police and Crime Plan</p> <p>To provide funding to deliver radical solutions to deliver the Police and Crime Plan</p>	As required – typically informed by approved business cases for bids on the Fund.	Estimated £1.437m at 31.3.17	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	Set out in Financial Regulations, and summarised in text above.	Initiatives not adequately defined or delivered hence poor VFM	Annual
Safety Camera	For surpluses of fines and speed awareness course income over expenditure that is reinvested in replacement equipment and road safety initiatives.	As required – typically informed by approved business cases for bids on the Fund.	Estimated £1.194m at 31.3.17	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	Set out in Financial Regulations, and summarised in text above	If Fund was not maintained then safety initiatives would have to be funded from the revenue budget or not implemented.	Annual
Decant Plan	<p>To contribute to the costs of moving off the Wootton Hall site and consequential costs of the Estates Development programme.</p> <p>Can be either capital or one-off revenue costs</p>	As required – typically informed by approved business cases for bids on the Fund.	Estimated £4.445m at 31.3.17	<p>This sum could otherwise be used to reduce taxation and /or increase spending on a one off basis; and may prejudice arguments for more third party investment or government grant</p> <p>This sum is invested which earns income to be used for revenue spending.</p>	Set out in Financial Regulations, and summarised in text above	<p>If Fund was not maintained then the investments in to the pressures noted would not be able to be financed.</p> <p>The Force have unrealistic expectations of CfI requirements.</p> <p>Actual delivery and expenditure is above or below reserve level.</p>	Annual

Medium Term Financial Plan 2017-22
Financing the Budget 2017-18 and Forecasts to 2021-22

	2017-18 proposed £'000	2018-19 plan £'000	2019-20 plan £'000	2020-21 plan £'000	2021-22 plan £'000
NNDR (DCLG) Home Office					
Police Grant	66,408	65,080	63,780	62,500	61,250
CT Support Grant	5,053	5,053	5,053	5,053	5,053
CSF					
sub-total	71,461	70,133	68,833	67,553	66,303
CTFG 2011-12	1,131	1,131	1,131	1,131	1,131
CTFG 2013-14	460	460	460	460	460
CTFG 2014-15	0				
CTFG	1,591	1,591	1,591	1,591	1,591
Collection Fund	1,088	750	750	750	750
Use of Reserves	0	0	0	0	0
Precept	48,966	50,939	52,991	55,127	57,348
TOTAL	123,106	123,413	124,165	125,021	125,992
TAX BASE	234,241	238,926	243,705	248,579	253,551
Precept (£)	£209.04	£213.20	£217.44	£221.77	£226.18

