

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE DECISION RECORD

To be completed in cases where a decision is required

DECISION OF POLICE AND CRIME COMMISSIONER

Date: 6/4/2016.

Officers present: Andrew Dale, Deputy s151 Officer

Received in OPCC Date:

OPCC Ref: EX20005/16

Title: Budget & Precept 2016/17

Summary of Issue:

Following confirmation by local authorities ('billing authorities') of their council tax base and collection fund surplus/deficit figures, the decision requested is to:

- a. Re-confirm the Band D Precept (unchanged)
- b. Re-confirm the budget and precept proposals (unchanged)

On 2nd February 2016, the PCC presented details of his proposed Band D Precept to the Police & Crime Panel together with further background information on the budget for both the Chief Constable's and PCC's planned activities in 2016/17. The Panel unanimously supported the PCC's proposal to increase the Band D by 1.99% to £183.5770. The Panel also noted the background information that was provided on how the budget would be utilised during 2016/17 and the wider medium-term financial strategy.

Confirmation of the PCC's Band D (and Bands A-H) was formally sent to the billing authorities on 10th February 2016.

The PCC (and his directly-elected successor) will continue to hold the Chief Constable to account during 2016/17 on the application of the budget in pursuance of the Police & Crime Plan. The PCC (and his directly-elected successor) will also ensure that his own budget is appropriately applied in pursuance of both the Police & Crime Plan and the Commissioning Framework.

Recommendations presented:

1. To formally re-confirm the 2016/17 Band D Precept of **£183.5770** (representing a **1.99%** increase on the 2015/16 equivalent) as described to the Police & Crime Panel on 2nd February 2016 and later confirmed to Billing Authorities on 10th February 2016.
2. To formally re-confirm the contents of the report to the Police & Crime Panel on 2nd February 2016 entitled "**Proposed Precept 2016/17 and Medium Term Financial Strategy**" (attached).

Key discussion points at meeting

It was confirmed that no changes had taken place to either the council tax base / collection fund figures provided by billing authorities and therefore the Band D of £183.5770 remained correct.

It was resolved that :

1. The Band D Precept be formally re-confirmed at £183.5770 (a 1.99% increase on the 2015/16 equivalent), and
2. The contents of the "Proposed Precept 2016/17 and Medium Term Financial Strategy" report (attached) be formally re-confirmed as the final position for 2016/17.

OFFICE OF PCC APPROVAL

Chief Executive or Chief Finance Officer:

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

Signature



Name Andrew Dale (Deputy s151 Officer)

Date 6th April 2016

Publication Scheme

Decision of Monitoring Officer:

As Monitoring Officer for the Office of Police and Crime Commissioner for Leicestershire I have determined that :

It is appropriate to publish this record of decision made by the Police and Crime Commissioner : **Yes / Part Redacted / No**

It is appropriate to publish the contents of the assessment of the decision by either of the senior post holders in the Office of the Police and Crime Commissioner for Leicestershire (i.e. either the Chief Executive or Chief Finance Officer) : **Yes / Part Redacted / No**

It is appropriate to publish details of the decision by the Police and Crime Commissioner for Leicestershire : **Yes / Part Redacted / No**

Reasons for any non Publication (referencing appropriate legislation):

Signature



Name

PAUL STOCK

Date

6/4/16

Police and Crime Commissioner for Leicestershire

Having received the advice set out above and reviewed relevant documentation my decision in regard of this matter is:

Supported / ~~Not-Supported~~

Signature



Date

6th 16

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE & CRIME PANEL

PAPER MARKED

Report of	POLICE & CRIME COMMISSIONER
Date	TUESDAY 2 nd FEBRUARY AT 1:00PM
Subject	PROPOSED PRECEPT 2016/17 AND MEDIUM TERM FINANCIAL STRATEGY
Author :	CHIEF FINANCE OFFICER

Purpose of the Report

1. To present the 2016/17 Precept Proposal and the additional considerations contained within it.
2. To present the Medium Term Financial Strategy (MTFS).

Recommendation

3. The Police and Crime Panel is asked to:
 - a. Note the information presented in this report, including the total 2016/17 net budget requirement of £170.840m, which includes a council tax requirement for 2016/17 of £55.714m.
 - b. Support the proposal to increase the 2016/17 Precept by 1.99% (£3.58 per annum) for police purposes to £183.5770 for a Band D property.
 - c. Note the future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational mitigations and additional considerations identified.
 - d. Note that any changes required, either by Government grant alterations notified through the final settlement or through council tax base and surplus/deficit notifications received from the collecting authorities, will be balanced through a transfer to or from the Budget Equalisation Reserve (BER).
 - e. Note the current MTFS, the savings already achieved, and plans to identify further solutions alongside the requirements of the Police and Crime Plan.

Executive Summary

4. This report, and the Precept proposal within it, is the culmination of several months' work by the Office of the Police and Crime Commissioner (OPCC), supported by Force colleagues and taking account of key government announcements.

5. Following the announcement of the provisional Police Grant settlement, the PCC (Sir Clive Loader) has considered current and future funding levels, together with the factors included within the Chancellor's 2015 Autumn Statement.
6. The PCC has also reviewed the track record of the Force in delivering (and at times exceeding) the savings plans prior to his tenure and the savings achieved in excess of the £20m required by the Police and Crime Plan.
7. The PCC has been fully briefed on the current and emerging operational challenges, both nationally by the Home Secretary and the Home Office and locally by the Chief Constable, particularly in those areas included within the Force's Draft Strategic Policing Requirement Assessment for 2016/17.
8. The PCC has read in full the content of the Chancellor's 2015 Autumn Statement, information provided by the Home Secretary and the provisional grant settlement and acknowledges the assumption that PCC's will increase their precept locally at 1.99% each year for the period of the CSR to ensure that police spending is protected in real terms.
9. The PCC has reviewed the significantly better than anticipated grant settlement over the period of the CSR, which, together with the savings realised by the Force, have enabled a reinvestment into key operational areas in 2016/17 and future years as follows:
 - Built into the baseline budget permanently, the additional 28 Police Community Support Officers (PCSO) identified in the PCC's precept announcement in 2014/15 (and which were supported until March 2017 by an earmarked reserve) at an establishment level of 251. PCSOs will continue to be deployed by the Chief Constable to address areas of threat, risk and harm and be focussed towards core neighbourhood policing, prevention of significant harm and local safeguarding;
 - Provided additional specialist resources to continue to build capacity, resilience and capability in the areas of Child Sexual Exploitation (CSE), Child and Adult Abuse, Rape, Domestic Violence and Sexual Violence and Cybercrime;
 - Additional specialist resources to build capacity and resilience and develop new ways of dealing more efficiently with complaints and investigations within the Professional Standards Department;
 - One off investment into additional Automatic Numberplate Recognition (ANPR) capabilities to support both mobile and covert operations.
10. Furthermore, building on the success of the work by partners on identifying joint partnership solutions in line with the Strategic Partnership Development Fund (SPDF), the PCC will transfer a further £0.5m to this fund to support proposals from within the following priority areas:
 - Partnership response to Cybercrime
 - Partnership response to Counterterrorism, Extremism and Radicalisation
 - Further partnership responses to the Police and Crime Plan priority on Vulnerability, to include Drug and Alcohol misuse, Street Drinking and other areas to be identified by Strategic Partnership Board (SPB).

As with the current £2m SPDF, oversight of this additional funding will be the responsibility of the Strategic Partnership Board and its supporting structures and, whilst the detail needs to be fully scoped, this funding will only be released if there is a clear, costed business case that supports the achievement of improved outcomes in the areas identified above. It will also be important for partners to identify potential match-funding opportunities in order to generate a larger pool of financial resource to support these major strategic challenges.

11. These new commitments amount to a significant reinvestment in frontline operational capacity and capability so as to address the challenges from these new, emerging or increasing areas and can be summarised as follows:
 - 38 additional permanent Police Officers included in the Base budget – targeted towards the most vulnerable areas of Child Sexual Exploitation, Child and Adult Abuse, Rape, Domestic Violence and Sexual Violence, together with a joined up Cyber and Sex Offender Protect and Prevent Team;
 - 28 permanent PCSOs included in the base budget targeted towards enhancing neighbourhood, harm reduction and local safeguarding;
 - An initial £1.7m one-off investment to support the Force's set up costs in these areas to build resilience and capability and to invest in additional Automatic Number Plate Recognition (ANPR) equipment;
 - A further £0.5m to build on the Strategic Partnership Development Fund (SPDF) work priorities;
 - Ensuring funds are still available within the Budget Equalisation Reserve to support investment required for the proposed Strategic Alliance.
12. The PCC has taken into account the anticipated reduction in Capital Grant available to him in 2016/17 and future years and has reviewed this together with the investment requirements of the Capital Programme and potential Strategic Alliance requirements.
13. The PCC has taken into account the adequacy and level of reserves and the impact of future financial challenges and opportunities in the Medium Term Financial Strategy.
14. The PCC has conducted, and been informed by, a survey of 1,112 residents of Leicester, Leicestershire and Rutland (863 in 2015/16). The views received have contributed to make the final Precept decision.
15. After careful consideration of these factors, the PCC is proposing a precept increase of 1.99% for the 2016/17 financial year in order to build a sustainable base budget, not only to maintain and safeguard policing services across the entire Force area of Leicester, Leicestershire and Rutland but also to make significant, and permanent, increases in capability where so advised by the Chief Constable.

Previous Precept Strategies

16. This precept proposal will also build on and maintain previous year's precept strategies which:

a. For 2014/15, the PCC:

- Increased the precept by 1.5% to help build the base budget following the unprecedented and unexpected additional top slicing of £1.6m applied to the Police grant settlement for 2014/15;
- Increased and maintained PCSO resources to 251 over three years in order to maintain operational resilience and minimise the impact of any Project Edison structural changes on neighbourhood policing, with resources targeted towards prioritising community and neighbourhood safety, particularly in regard to ASB hotspots; and
- Secured a commitment from the Force to deliver the Volunteers (ViP) Strategy over 3 years.

b. In 2015/16, the PCC's precept:

- Produced savings plans which prioritised a minimum of a further £2.5m in revenue savings to be released in 2016/17 and future years in the following areas:
 - Further recommendations into Force structural reform
 - A review of productivity across the Force
 - Proposals for savings in middle and back office functions
 - Further demand management benefits
 - Continued vigour with the Volunteers in Policing (ViP) strategy
 - Wider local public sector "join up";
- To reflect the importance the PCC places on partnership working to deliver key priorities, the sum of £2m was set aside from Reserves to support 'invest to save' or seed funding, on partnership challenges through the Strategic Partnership Board. The key areas supported by this funding include:
 - £1.2m which has already been approved for the Child Sexual Exploitation (CSE) Partnership programme;
 - The balance of £0.8m is anticipated to be utilised on the work being finalised on two further bids covering Integrated Place Management (Braunstone Blues) and Integrated Vulnerability across LLR.

The Comprehensive Spending Review 2015 and the Provisional Grant Settlement

17. On 25 November 2015 the Chancellor of the Exchequer announced the outcome of the Comprehensive Spending Review 2015 (SR2015). The SR2015 details the spending settlements for each government department over the next four years (2016/17 to 2019/20).
18. Despite previous guidance from the Home Office for PCCs and Forces to model and prepare for reductions of between 25% and 40% over the period of the spending review, it was unexpected but welcome that the Autumn Statement considered the emerging issues faced by PCCs and Forces and the Chancellor's Autumn Statement (source: Hansard) specifically addressed police funding as follows:
 - a. *".....but security starts at home. Our police are on the frontline of the fight to keep us safe."*
 - b. *"now is not the time for further police cuts, now is the time to back our police and give them the tools to do the job."*
 - c. *"I am today announcing that there will be no cuts in the police budget at all. There will be real-terms protection for police funding. The police protect us, and we are going to protect the police."*
19. Following the Chancellor's Statement, the Home Secretary provided further detail to Police and Crime Commissioners and Chief Constables on the 25th November 2015 and advised the following:
 - a. *"Total central Government resource funding to policing, including funding for counter terrorism, will be reduced by 1.3% in real terms over four years. Taking into account the scope that you have to raise local council tax, this means a flat real settlement for policing."*
 - b. *"The public should be in no doubt that the police will have the resources they need to respond to new threats rapidly and effectively to keep people safe."*
 - c. *"This is a tough but fair settlement for the police"*
20. In her address to the Police Reform Summit on the 8th December 2015, the Home Secretary advised that *"every Force will still need to make savings year on year ... this settlement is not a reprieve for reform ... quite the opposite."*
21. Contained within both the detail of the Chancellor's Autumn Statement and the provisional grant settlement is the assumption that PCCs will increase their precept locally at 1.99% each year for the period of the CSR to ensure that police spending is protected in real terms.

Provisional Police Settlement

22. Since 2014/15, policing bodies have received their formula funding solely from the Home Office which subsumed the former DCLG grants (including previous funding from Business Rates). The grant allocation continues to be calculated through the four-block model, which has been subject to limited technical and data updates but work has been undertaken nationally (and is currently paused) on a review of the funding formula with a view to implementation for 2017/18.

23. Ministers have indicated that the funding formula review will continue, and have been reviewing options with the Home Office. However, further detail and timescales are still not available. As discussed at the Panel meeting in December 2015, the last two iterations of the model have suggested reductions in overall funding for Leicestershire.
24. The Police and Crime Commissioners Treasurers Society (PACCTS) has scrutinised the key elements of the Police Grant Settlement and, whilst not all of the detail is yet available, has identified that one of the most significant impacts is the top slicing of Police Grant to fund central initiatives.
25. PACCTS has advised that top slicing nationally is £218.4m (excluding PFI and Ordnance Survey), where Leicestershire's element is estimated at approximately £3.28m. In 2015/16, the comparative top slice for these elements was over £159.6m (of which Leicestershire's element was approximately £2.39m). In the current settlement, a large number of these were foreseen and prudently included within the forecasting for 2016/17.
26. Main issues in relation to the top-slice elements include the following:
 - a. Some of the top slice elements, the Innovation Fund, Emergency Services Network (ESN), Special Grant and Transformation Fund (details awaited) may be returned to Forces, some as competitive funding pots;
 - b. One of the top slices, the Transformation Fund, is worth £76.4m in 2016/17 (£34m is for firearms and £4.6m Digital Justice);
 - c. The revenue element of the Counter Terrorism Top slice was increased from £564m to £640m in 2016/17 and Police Special Grant from £15m to £25m;
 - d. Discussions are currently underway between Chief Constables and Ministers regarding how the critical areas of Firearms and Counter Terrorism can best be addressed and the most appropriate use (and level) of investment required in 2016/17 and future years (it is widely anticipated that additional resources may be required or the top slice increased in future years). This has been highlighted and recognised as both an operational and financial risk following the Chancellor's Autumn Statement, the provisional police grant allocation and throughout the recent budget and precept discussions with the Force;
 - e. At this stage, however, it is unclear whether ESN costs will be met in full by the Home Office and whilst £80m has been top sliced in 2016/17, ESN costs are anticipated to significantly exceed this sum; there are no details in respect of how these funds will be allocated nationally to meet the investment or how much additional financial burden will fall locally in 2016/17 and future years. It is widely anticipated that the level of top-slice will rise significantly in 2017/18 and future years;
 - f. Police Innovation Fund has reduced from £70m to £55m;
 - g. HMIC Police Efficiency, Effectiveness and Legitimacy (PEEL) is supported by a £9.4m top slice, consistent with 2015/16;
 - h. The Independent Police Complaints Commission (IPCC) top slice has increased from £30m in 2015/16 to £32m in 2016/17.

27. Whilst the total value of top slicing for 2016/17 is known (and it is assumed this reduction from top-sliced elements is permanent), as explained in paragraphs a to h above, there remains a high level of uncertainty about the impact on Police Grant of future years' top slices (which are anticipated to increase). Therefore, the long term impact on the MTFS must be considered alongside the precept options presented in this report.
28. A summary of the settlement (based on a 1.99% precept increase) is shown in the table below:

Funding Source	2015/16 Final (£'m)	2016/17 Planned (£'m)
Police Grant	65.720	65.345
Business Rates & Revenue Support Grant	39.876	39.649
Precept (Proposed 1.99% increase in 2016/17)	53.216	55.714
Localised Council Tax Support	7.020	7.020
2011/12 & 2013/14 Council Tax Freeze Grants	1.911	1.911
Council Tax Collection Fund Surplus (estimate)	0.817	1.201
Total	168.560	170.840

29. The allocations have been based on the existing police funding formula. As has been highlighted in the budget reports of previous years, Leicestershire Police is currently disadvantaged by this arrangement as it would receive about £5.6m more each year if the formula were allowed to work in full, i.e. the floor was funded from sources other than those policing bodies whose formula increases are capped.
30. The Office of the Police and Crime Commissioner (OPCC) will also receive a specific grant for the Localisation of Council Tax Support (LCTS). This scheme replaced the council tax benefit scheme (CTB) in 2013/14, and is administered locally by council tax collecting authorities. As a local scheme, the grant previously given to collecting authorities to reflect actual expenditure on LCTS is distributed to collecting and precepting authorities. The sum allocated to the OPCC for Leicestershire for 2016/17 is £7.02m which is the same amount allocated in 2015/16.
31. Although PCC grants after 2016/17 have not been provided at a local level, there is an indication of the total grant available; albeit there is no detail of the level of top slices (which are anticipated to increase each year and national information in this regard is awaited).
32. As a prudent approach, and in line with regional and many national colleagues, the MTFS assumes a 1% reduction of police grant year on year to Leicestershire. This is in line with the assumptions being made across other Force areas, although there is no national guidance in this respect at the present time.

Police and Crime Plan - Precept Considerations

33. The Police and Crime Plan and the Medium Term Financial Strategy (MTFS) have been prepared in line with the plans outlined by the PCC to the Police and Crime Panel in January 2013.
34. The precept proposals which underpin the 2013/17 Police and Crime Plan and MTFS and their comparison with actual precept decisions and the MTFS are detailed below:

	Increase in precept (%)			
	13/14	14/15	15/16	16/17
MTFS and Police and Crime Plan January 2013	0%	0%	2%	2%
Precept Determination Implemented	0%	1.5%	1.99%	
2016/17 Planned Precept - MTFS				1.99%

35. As shown in the above table, the Panel will note that the precept proposal within this report is consistent with the plans underpinning the Police and Crime Plan 2013/17, with the exception of 2014/15 where the PCC increased the precept as a result of the unexpected reduction in the settlement, due to the implementation and impact of top slicing to central government departments (in 2014/15 the Home Office).
36. Furthermore, the 2016/17 precept proposal is consistent with the plans submitted, and informed discussions held with the Police and Crime Panel throughout 2015/16.

Council Tax Referendum Limit

37. The Localism Act 2011 requires authorities, including Police and Crime Commissioners, to determine whether their "relevant basic amount of council tax" for a year is excessive, as such increases will trigger a council tax referendum. From 2012/13, the Secretary of State is required to set principles annually, determining what increase is deemed excessive.
38. "The Referendums Relating to Council Tax Increases (principles) (England) Report 2016/17" (draft) was issued on the 17th December 2015, and this is in line with the guidance issued by the Home Secretary, in her letter to Chief Constables and Police and Crime Commissioners on the 25 November 2015 where she advised that "*you should plan on the basis that the overall referendum limit for Police Precept will be maintained at 2% over the Spending review period for Police and Crime Commissioners in England*".
39. The level of precept proposed is below this threshold.
40. The cost of a referendum for a proposal to set a Council Tax increase in excess of 1.99% is significant and this would fall to the PCC (and more importantly the residents of Leicester, Leicestershire and Rutland) thus needing to be built into the increase sought.
41. If a referendum were held to increase the Policing precept above 1.99%, on the same day as the local elections in May, it would cost approximately £650k. That would rise to £1.2m if held on an alternative day.
42. Furthermore, if a "no" vote was returned in such a referendum, there could be a further cost of £1 million to re-issue council tax bills to every home. This would increase the total potential cost to between £1.650m and £2.2m if the referendum were unsuccessful.

43. The Panel will, therefore, be unsurprised that the PCC has no intention to propose a precept which will trigger a referendum. Therefore, once all the tax base levels have been formally authorised by the District and Borough Councils, should there be any subsequent revisions which affect the above calculation, the Budget Equalisation Reserve will be used to balance the impact of any changes.

The Financial Challenge – Savings Achieved during the Police and Crime Plan Period

44. At the time of the PCC's commencement in office, Leicestershire Police had already demonstrated a good record in achieving efficiency savings, with some £23m being removed from the base budget in the two years to 31 March 2013.
45. However, as highlighted to the Panel in January 2013, the financial challenge continued and the MTFs which underpinned delivery of the Police and Crime Plan, and which, at that time, showed a significant shortfall each year to 2016/17 as follows:

2013/14	2014/15	2015/16	2016/17
£0.446m	£6.085m	£12.820m	£20.260m

46. The Police and Crime Plan recognised this increased financial challenge to its delivery and included within it Strategic Priority 18 which stated:

“with our staff and partners, transform the way we protect our communities and deliver over £20m in (revenue) savings by 2016”.

47. The PCC set the Chief Constable the challenge of developing a change programme which would address the gaps identified following the CSR in June 2013 (which revised the figures in the MTFs). The Police and Crime Panel at its meeting in August 2013 received a presentation, on the change programme. This included the table below, which demonstrated the identified gap and the proposal to close this gap by 2016/17.

2014/15	2015/16	2016/17
£4.4m	£8.6m	£19.9m

48. Since January 2013, the Police and Crime Panel have received regular reports on the Medium Term Financial Strategy and Strategic Priority 18 as stated above.
49. In September 2015, the Panel were advised that the total value of savings required from the budget requirement since 2013/14 had increased to over £27.8m over the duration of the Police and Crime Plan and at that stage, all but £3.7m of the 2016/17 savings required had been identified. Furthermore, the report added that it was: *“anticipated that the challenge of realising over £27.8m in savings by the end of the Police and Crime Plan in 2016/17 will be met.”*
50. This report details that in fact, the savings required for the duration of the Police and Crime Plan have been met. Nonetheless, later in the report, the updated MTFs will highlight the financial challenges which remain post 2016/17.

51. The table below shows the savings achieved over the full term of the Police and Crime Plan 2013/17 equate to over £31m, whilst some were already in train before the PCC took up office and some savings have been reinvested, this is still a very significant achievement:

	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Transformational	1.4	5.4	4.3	4.9
(Project Edison and East Midlands Operational Specialist Services (EMOpSS))				
Transactional:				
Police Pay	2.3	1.1	0.8	2.0
Police Staff	0.4	0.2	0.6	0.7
Non Pay	2.4	1.6	1.2	2.3
	6.5	8.3	6.9	9.9

52. The Police and Crime Panel have received regular updates on the Medium Term Financial Strategy and Savings proposals, including updates on Project Edison the new operating model which was implemented in February 2015 and which released a large proportion of the savings required during the period of the Police and Crime Plan, Output Based Budgeting and, more recently, Blueprint 2020.
53. Additionally, the Panel has been updated on regional work and collaborations and, more recently, work has commenced on a Full Business Case to consider a proposed Strategic Alliance with Northamptonshire and Nottinghamshire to address better operational ways of working and achieve synergistic and financial benefits – both the Strategic Alliance and the MTFs are outlined further within the report.
54. The work undertaken by the Force, led by the Change Team, Project Edison and latterly Blueprint 2020 has led to the identification and delivery of strong and sustainable efficiencies. This, together with the better than anticipated Grant settlement, has enabled the PCC to reinvest in operational priorities identified by the Chief Constable for 2016/17 into the new, emerging and increasing operational threats highlighted nationally and by the Force; these are detailed further within this report.

Future Risks, Challenges, Uncertainties and Opportunities

55. Whilst the savings required under the PCC's Police and Crime Plan Strategic Priority 18 intention have been achieved (enabling a balanced budget for 2016/17), the MTFs, together with the future risks, challenges and uncertainties show how this important area of work must continue. The PCC and his office will continue to work with the Force to ensure that their continued excellent track record in identifying and implementing efficiencies will continue.

56. This cultural change remains critical in that after 2016/17, even with a more favourable than anticipated settlement, savings will still be required to address the known risks and uncertainties.
57. Some of the further financial and operational risks and challenges are as follows:
- a. The unknown impact of any Future Funding Settlement, anticipated to be implemented in 2017/18, where all options have shown a detrimental impact for Leicestershire. Adding to this is the impact of the assumed reduction in Capital Grant by £0.53m (40%) in 2016/17 and a similar level of reduction is anticipated in future years.
 - b. The impact of a different grant assumption to that estimated in the MTFS for the years after 2016/17. Of note, every 0.5% reduction in grant equates to £0.525m less in available revenue (running) costs per year.
 - c. The uncertainties surrounding the national firearms and counter terrorism capabilities to address the threats – what these final intentions when proposals have been considered and determined by Ministers in late February/March 2016 will look like, and the impact regionally and locally of those intentions, whether this means an increase on the frontline or additional contributions.
 - d. The full impact of costs and funding arrangements for the new Emergency Services Network (ESN) are still unknown and, although the £1bn cost across all Emergency Services is included within their settlements, it is widely anticipated that the topslices for these will increase significantly in 2017/18 and future years, until the national financial benefits start to accrue in later years, in line with the cost profile of the national arrangements.
 - e. The operational and financial impact of the new, emerging and increasing areas of threat, including the locally reflected national concern and increasing demands of Child Sexual Exploitation, Adult and Child Sexual and Violent crimes, and increasing Cybercrime and extremism. From initial work on the Force's Strategic Assessment for 2016/17, which is in keeping with the national themes, it is clear that these areas of operational threat require more targeted investment and resources - some are one off and some ongoing requirements.
 - f. The capital programme requirements and the investment required to take the Strategic Alliance forward in advance of the timings of savings – whilst this may attract National Innovation Funding, these would still need match funding and financing.
 - g. Even under the "best case" scenario, a shortfall in resources of £1.1m in 2017/18 will increase to £4.6m by 2020/21 if no further action is taken. Under the "worst case" scenario, this range increases from £3.3m in 2017/18 to £10.6m by 2020/21.
58. However, these risks, challenges and uncertainties are under regular review and the steps already in train to mitigate these include:
- a. Re-investing savings to build in some of the Operational Requirements identified nationally and locally in the Draft Strategic Policing Requirement Assessment, as identified within this report within the baseline budget;

- b. To reflect the potential reduction in Capital Grant of 40% in each year, an additional Revenue Contribution to Capital Outlay of £0.815m as a one off transfer in 2016/17;
- c. The continuation of Outcome Based Budgeting (OBB) which commenced in 2015/16 and identified further savings across already lean back office functions. The OBB process will continue during 2016/17;
- d. PCC and OPCC oversight to ensure continued rigour and commitment takes place in meeting and identifying savings and efficiencies, at a regional and local level;
- e. Following a decision by the three PCCs and Chief Constables in Leicestershire, Nottinghamshire and Northamptonshire, work is already underway to develop a more detailed business case for a Strategic Alliance which will bring operational resilience and long term savings;
- f. Regular review of the Reserves Strategy to ensure sufficient earmarked reserves are in place and utilised appropriately, to ensure that the General Reserve is sufficient and that a suitable level of reserves is contained within the Budget Equalisation Reserve (BER) to enable targeted investment and the smoothing of additional costs before longer term realisation of savings.

2016/17 – Base Budget preparation, approach and scrutiny

- 59. In 2008/09 the Force introduced a risk-based approach to budget setting which sought to align the budget process with identified strategic operational priorities and risks.
- 60. The Force continues to consider key corporate risks when setting the budget. Essentially these risks are operational and organisational around managing people, infrastructure assets, information etc. The Force has maintained and kept up to date its Corporate Risk Register that sets out how it intends to control and mitigate these risks.
- 61. The Force continues to identify its Strategic Operational Risks as part of the National Intelligence Model (NIM). This has been used to inform resourcing strategies at both Directorate and Departmental level.
- 62. Each year, the Force undertakes a major exercise to review its operational risks which are set out within the “Force Strategic Policing Assessment”. This work was also informed by the work of the Regional Collaboration Project Team looking at the extent of collaborative opportunities across the East Midlands.
- 63. The purpose of the Force Strategic Assessment is to identify those areas of greatest risk. Essentially a high risk area is where only limited resources had been allocated to address a substantial risk i.e. this creates a significant risk gap.
- 64. A key part of this work was to bring together the Office of the Police and Crime Commissioner and Senior Officers across the Force, to consider the key risks that the Force faces and how best to address them.
- 65. The revised five-year financial forecast and, in particular, the 2016/17 budget contained within this report aligns the Force’s financial resources to risk and therefore is fundamental to the Force’s performance management regime.

66. The budget also takes into account the fact that the Force has delivered over £38m in cashable efficiency savings since 2009/10 in response to Home Office funding reductions arising from the Government's austerity measures.
67. The CFO has worked closely with the Force finance team throughout the year during the budget monitoring process and in the preparation of the budget for 2016/17. In respect of the budget, this has included (but was not limited to), the identification and agreement of assumptions and methodology and challenge and scrutiny of the budget workings. In addition, where the CFO has sought clarification, or changes, these have been discussed and amendments made where appropriate.
68. The PCC, together with the CFO and his Chief Executive have held regular discussions with the Chief Constable and his team throughout the year, particularly prior to and throughout the budget preparation process and the announcement and interpretation of the settlement.
69. These discussions have culminated in a number of full and robust discussions of the budget requirement, the national and local operational and financial challenges, the precept options available and a review of the MTFs and associated risks.
70. Furthermore, there has been a significant degree of scrutiny and challenge undertaken by the PCC and his team, prior to, during and post the Strategic Assurance Board on the 15th January 2016, culminating in final discussions on the 21st January 2016 (to obtain the most up to date information from the National Police Chiefs Council) to ensure the proposed precept has been informed by relevant information.

2016/17 Revenue Budget

71. The base budget for 2016/17 has been built based upon the 'budget rules' which are consistent with previous years and the risk based approach outlined earlier in the report.
72. In line with this approach, the Panel is advised that the total net budget requirement in 2016/17 is £170.840m. This equates to an increase of £2.28m from the 2015/16 net budget requirement level of £168.560m.
73. The budget requirement is detailed in Appendix 1 and the OPCC has undertaken full scrutiny of the detailed budget workings and the budget options with the Force and not least in discussions at the Strategic Assurance Board.
74. There are a number of areas where it may be helpful to highlight significant variations to the Panel in respect of the budget as the 2016/17 Budget includes operational reinvestment requirements to address the new, emerging and increasing threats and operational imperatives identified nationally and locally within the Strategic Policing Requirement Assessment. More specifically, these areas of reinvestment and their impact on the Base Budget include:
 - **Police Officers** - Increasing the Police Officer Establishment to 1,764 within the baseline budget to reflect an additional 38 Police Officers targeted towards building capacity, capability and resilience in the areas of Child Sexual Abuse, Child and Adult Abuse, Rape, Domestic Violence, Sexual Violence, Professional Standards and bringing together the Cyber and Sex Offender Protect and Prevent Teams.

- **Police Community Support Officers (PCSOs)** - Maintaining within the baseline budget the additional 28 PCSOs identified in the PCC's precept announcement in 2014/15 (and supported until March 2017 by an earmarked reserve) at an establishment level of 251. PCSOs deployed operationally by the Chief Constable will continue to be deployed in order to address areas of threat, risk and harm and be focussed towards core neighbourhood policing, prevention of high harm issues and local safeguarding.
- **Support Staff** – an additional permanent 35 support staff will be recruited to target working towards the most vulnerable areas of Child Sexual Exploitation, Child and Adult Abuse, Rape, Domestic Violence and Sexual Violence, together with a joined up Cyber and Sex Offender Protect and Prevent Team;
- Mindful of the future investment requirements of the Capital Programme and potential Strategic Alliance requirements and reflecting the reduction in Capital Grant for 2016/17 and anticipated in future years, the budget for 2016/17 includes a Revenue Contribution to Capital of £0.815m made to ensure borrowing costs are kept to a minimum.
- Funding for one off investment costs will be met from Reserves for non-recurring cost pressures for the above operational challenges and additional investment in mobile and covert Automatic Number Plate Recognition arrangements.
- Further efficiency savings of £0.599m from Outcome Based Budgeting have recently been identified within Back Office functions and these will be refined and implemented, reducing the cost of the Back Office arrangements even further below the national and most similar groups.

Office of the Police & Crime Commissioner (OPCC)

75. As highlighted to the Police and Crime Panel in December 2015, the table below shows how the OPCC net budget has consistently reduced year on year from £1.077m in January 2013 to £0.998m for 2016/17, a reduction of £48k (over 4.5%) since 2014/15 and £79k since January 2013.

	2013/14		2014/15		2015/16	2016/17
	Budget £000	Outturn £000	Budget £000	Outturn £000	Budget £000	Budget £000
Staffing, and Comms/PR	834	876	807	792	841	822
Force shared Exec Support, and Comms/PR	-	-	-	-	64	64
Misconduct Tribunal Costs, Audit Fees	105	79	101	101	97	82
Transport, Independent Custody Visitors ,training etc.	21	57	31	32	23	23
Ethics Committee	-	-	-	-	15	20
Policy Advisor , JARAP and Office costs	86	76	92	85	64	51
Cost before funding and reserve	1,046	1,088	1,031	1,010	1,104	1,062
V&W Grant funding	-	-	-	-	(64)	(64)
Use of Transitional Reserve	-	(42)	-	-	(15)	-
Net of funding and reserve	1,046	1,046	1,031	1,010	1,025	998

76. The following changes have been incorporated into the 2016/17 draft budget to ensure savings on 2015/16 budget of £27k as follows:
- a. Staffing costs have been updated to include the restructure changes previously advised;
 - b. The additional costs of pay awards, inflation and employer's additional national insurance costs totalling £10k have been absorbed in the OPCC budget;
 - c. A contingency of £15K has been set aside;
 - d. Savings in respect of contracts for internal and external audit fees of £15K have been realised in the budget;
 - e. The sum of £7.5K (50% of the Joint Audit Risk and Assurance Panel) costs has been transferred to the Force to reflect the Joint Panel arrangements;
 - f. The cost of the Ethics Committee of £20K has been mainstreamed within the budget (in 2015/16 the cost of setting up the Committee was funded from the transitional reserve);
 - g. The grant contribution towards Victims and Witness Administration and Management costs has been maintained at £64K to maximise the resources available to support Victim First and Commissioning Services.
77. In addition to the OPCC and Commissioning budgets, there is an OPCC Transition Reserve which was used to fund the necessary set up and transitional arrangements (as highlighted in the report to the Panel in June 2013). The balance on this reserve is contained within the Budget Equalisation Reserve (BER) and was provided to use towards set-up costs and new initiatives and the costs of recruitment and significant structural changes.
78. The PCC has determined that the balance remaining on the reserve at the end of his term, (anticipated at c.£115k by 31/3/16) will be set aside to support the new PCC in developing their office moving forwards from May 2016.

Commissioning

79. The Commissioning Framework was reviewed and refreshed in 2015/16 following detailed consultation to identify the PCC's Commissioning priorities for the remaining term of the Police and Crime Plan.
80. In his 2014/15 Precept, the PCC set aside the sum of £1m to supplement the Commissioning budget in delivering these priorities throughout the term of the Plan.
81. In 2016/17, £0.442m is included as a transfer from reserve and it is envisaged that there will be an unallocated balance of £0.901m as at 31/3/17 which the PCC has determined will be set aside for the incoming PCC to determine in line with their priorities moving forward from May 2016.
82. The Strategic Partnership Development Fund of £2m will be transferred from the BER to the Commissioning reserve, together with an additional £0.5m as identified within this report.

83. At the time of writing this report, the Ministry of Justice Victims and Witnesses Grant is in the process of being finalised for 2016/17. The MTFs assumes that funding will reduce by 15% over the period of the CSR in line with the MoJ Departmental reductions highlighted in the CSR. The Panel will be updated at the meeting.

Strategic Alliance

84. At a meeting of PCCs and Chief Constables on Thursday 17 December 2015, it was agreed that there is a real potential for the creation of a single policing model for the three Forces of Leicestershire, Northamptonshire and Nottinghamshire.
85. As a result it was agreed that a more detailed business case will now be developed to define what such an Alliance could constitute, with an intention to introduce unified leadership, a single way of working, uniformity in systems, training, policy and procedures, to ensure a consistently high quality standard of service across the three Forces.
86. The first phase of the Strategic Alliance will look at early alignment across the contact management functions by June 2017 and if the detailed business case proves viable, a full Alliance could be in place by 2020.
87. Where possible, the budgets for Leicestershire, Northamptonshire and Nottinghamshire have been prepared on common assumptions for Pay Awards, and inflation, creating a common baseline. Discussions continue nationally with the Home Office, PACCTS and the three Forces/PCCs finance teams to determine common grant assumptions.
88. Work on the full Business Case will be completed in Spring 2016 and this will include detailed work on the costs and timings of the Strategic Alliance, together with a preferred funding methodology.
89. Given these timescales, and that some investment is also subject to Innovation Fund Bids, it is not possible to include this information within the three PCC budgets or Precept reports for 2016/17. Therefore, in respect of Leicestershire, costs for Strategic Alliance work will be met from the BER once identified by the full Business Case. It is intended that an update will be provided on the MTFs to the June 2016 Police and Crime Panel meeting.
90. The Panel are advised that the three PCC precept reports across the three Force areas will all include a similar narrative for the Strategic Alliance.

Capital Programme 2016/17 to 2018/19 and Treasury Management - Investment Strategy

91. The Capital Programme is set out in Appendix 2 to this report. The revenue consequences of the proposed programme have been taken into account in the development of the revenue budget, and the required prudential indicators are set out in a separate report on this agenda. This was considered by both the OPCC and the Force at the Strategic Assurance Board on the 15th January 2016.
92. The Treasury Management report is set out at Appendix 3. This is required by the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and explains the Investment Strategy in relation to reserves and balances. This was considered by both the OPCC and the Force at the Strategic Assurance Board on the 15th January 2016.

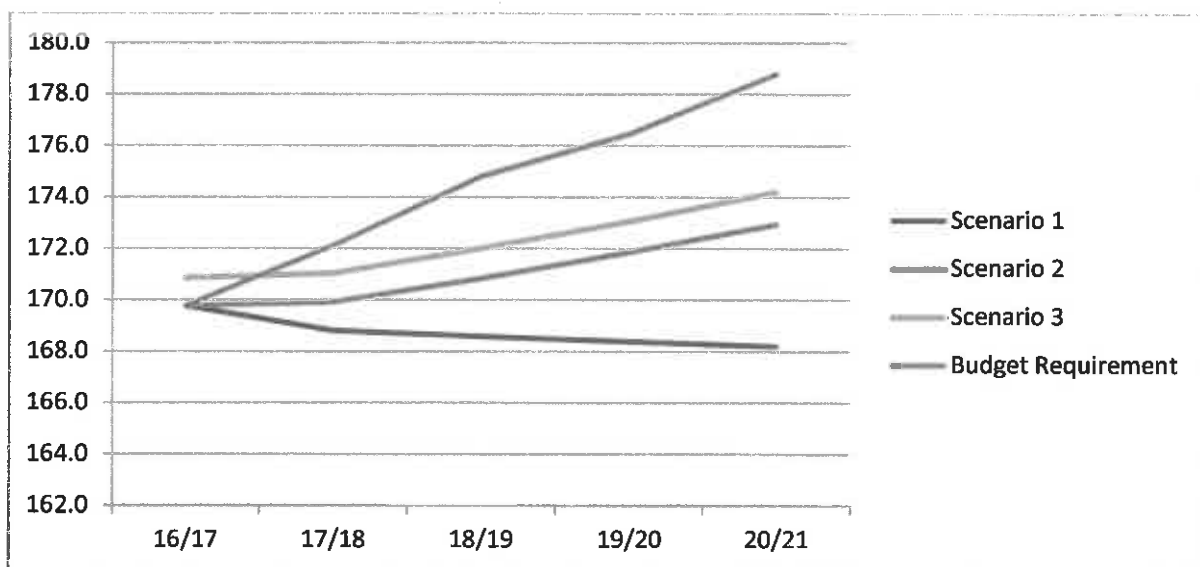
Medium Term Financial Strategy (MTFS)

93. It is a legislative requirement that the Police and Crime Plan must cover the period until the end of the year of the next election for PCCs, in this case to 31 March 2017.
94. However, it is appropriate that the MTFS covers not just the same period but extends this to 2020/21 to provide a longer term view to enable informed decision making to take place. This is not without its challenges, given that there is only a firm Government announcement of funding for 2016/17, together with the risks, challenges and uncertainties highlighted earlier within this report.
95. Due to the proactive work undertaken in Leicestershire in line with the previous MTFS, savings had already been identified and implemented for 2016/17 and future years. These savings (in addition to the grant settlement being more positive than previously anticipated), have enabled targeted reinvestment into operational areas identified within this report to take place and to ensure a balanced budget for 2016/17.
96. Key assumptions that have been included in seeking to outline the financial challenge for the medium term are:
 - a. That the council tax base grows at 1% per annum (source: professional prudent estimate based on the local position which is in excess of the 0.5% assumed by the Home Office nationally);
 - b. There is no new council tax freeze grant from 2016/17 onwards (source: as detailed within the provisional police settlement);
 - c. All existing council tax freeze grants continue up to and including 2020/21 (source: as detailed within the provisional police settlement);
 - d. Government funding reductions are 1% each and every year from 2016/17 onwards (source: in line with regional PCC and the majority of national estimates);
 - e. The collecting authorities' LCTS schemes deliver a cash neutral position when combined with the council tax support grant from the Government;
 - f. Pay and price increases are assumed at realistic levels (source: Pay increases of 1% were announced in the Chancellor's Autumn statement and price increases are consistent with other PCCs regionally and locally);
 - g. No additional, unfunded responsibilities are given to the PCC; and
 - h. The BER can fund any necessary invest to save projects and further borrowing beyond the capital programme is not required.

97. With the above assumptions, following the detail of the provisional grant settlement, the MTFs has been modelled on a number of scenarios to reflect the best (scenario3) and worse (scenario1) cases and a shortfall/funding gap across the scenarios is set out in the table below:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Scenario 1: (0% Increase, per year)	0	(3.320)	(6.236)	(8.088)	(10.609)
Scenario 2 (0% 16/17, 1.99% thereafter)	0	(2.217)	(3.973)	(4.609)	(5.854)
Scenario 3 (1.99% Increase, per year)	0	(1.092)	(2.809)	(3.044)	(4.606)

98. Taking the above assumptions, the MTFs reveals a funding gap across the three scenarios as set out in the graph below:



Note: Scenario 3 requires a lower use of reserves to be utilised in 2016/17

99. The graph highlights that whilst there are still shortfalls at scenarios 2 (0% 16/17, 1.99% thereafter) and scenario 3 (1.99% per year), these scenarios do track closely the budget requirement trend, whilst still providing an ongoing, small requirement for further efficiencies.
100. However, under scenario 1 (0% increase per year), this reveals a funding shortfall by 2020/21 of £10.6m and produces a much larger requirement for efficiencies.
101. As part of his 2016/17 budget intentions, the PCC has reaffirmed his commitment to support the Force and the Chief Constable in seeking to identify and implement plans and efficiencies for 2017/18 and future years. The Chief Constable, his officers and the OPCC will continue to prioritise this work throughout the remainder of his term in office in order to provide a sustainable legacy to support the incoming PCC in May 2016.

Use of Reserves and Balances

102. In considering the precept options, it is important to look closely at the size, level and type of reserves to ensure that they are adequate to cover the purposes for which they are held and to provide some safeguards against the future risks identified within the budget.
103. Three types of Reserve are held: the General Reserve, Earmarked Reserves and the Budget Equalisation Reserve. These are explained further below:

a. General Reserve

There is a General Reserve held at £6m. This represents 3.5% of the net budget requirement for 2016/17 and is within recommended external audit and CIPFA levels of 3-5%. It is prudent to have such a reserve at this level to enable the organisation to withstand unexpected events which may have financial implications. There is no planned use of this reserve during 2016/17.

b. Earmarked Reserves

The PCC currently holds twelve Earmarked Reserves which at 31/3/15 amounted to £9.506m and those to note are as follows:

OPCC Commissioning Reserve £1.3m – this will reduce to £0.9m by 31/3/17 to support the Commissioning Framework and will be available for use by the incoming PCC. Funding for the SPDF will be both transferred and utilised from the Reserve.

PCSO Reserve £2.2m – in line with the determination to baseline the additional 28 PCSOs at the level of 251, this reserve will be applied to support that expenditure and will be fully exhausted by 2019/20.

Carry Forwards £2.6m – This reserve includes funds committed at year end to finance specific expenditure in future years.

Jointly Controlled Operations £0.9m – this relates to regional activities where the financial arrangements are managed by Leicestershire.

Civil Claims £0.7m – This reserve holds funds set aside where considered prudent for Civil Claims (Public and Employer liability) in line with professional advice.

Capital Reserve £0.4m – to support future Capital expenditure.

Proceeds of Crime Act - £0.7m – reserve funded from proceeds of crime, used to support Force's capability in specific investigative areas.

Juniper Lodge £0.4m – unspent funds from partners in respect of the Juniper lodge facility and being utilised to develop the New Parks SARC facility.

c. Budget Equalisation Reserve

Over recent years, due to the impact of effective efficiency programmes and through financial prudence, a Budget Equalisation Reserve (BER) has been created. This reserve is currently estimated to be £10.5m at 31/3/16, and its purpose when established in line with the Reserves Strategy was twofold:

1. To fund invest to save and other new initiatives and investments (for example the Change Programme)
2. To recognise that some savings would take time to implement (particularly in respect of Police Officers where attrition is at a lower level than reductions required) and to smooth the impact of these changes

To support the operational investment requested by the Force, the PCC has agreed the following use of the reserve:

- to earmark up to £1.7m for one off investment to colocate staff together in a cyber/sex offender prevention protect and prevent team, purchase Automatic Numberplate Recognition Equipment (ANPR) and fund set up costs and build resilience, capacity and capability in the ongoing operational requirement areas supported in this precept proposal.
- Furthermore, as highlighted earlier in this paper, the PCC will transfer a further £0.5m to the Commissioning reserve which will be used to support proposals from within the following priority areas:
 - Partnership response to Cybercrime
 - Partnership response to Counterterrorism, Extremism and Radicalisation
 - Further partnership response to Vulnerability, to include Drug and Alcohol misuse, Street Drinking and other areas identified by SPB.

As at 31/3/17, there will be an estimated balance on the reserve of £9m which will be utilised primarily towards investment and transformational costs associated with the proposed Strategic Alliance and match funding for Home Office Innovation Fund bids reported on elsewhere.

104. The OPCC receives regular updates on the level and use of Reserves, together with the Capital Programme and Treasury Management Strategy as part of the budget monitoring process and both of these areas were fully considered in the budget and precept discussion at the Strategic Assurance Board on 14th January 2016.

Precept Options – Council Tax Consultation

105. Throughout December 2015 and closing on the 6/1/16, a survey of 603 residents of Leicester, Leicestershire and Rutland were undertaken by telephone, together with an online survey running simultaneously which attracted 509 responses, providing a total number of 1,112 respondents (as compared to 863 in 2015/16).

106. The survey advised that:

“.....the Commissioner is continuing to seek to drive efficiencies through the Force to minimise the council tax burden on local residents, but should this not be possible, he is seeking your views on what you should pay towards policing for 2016/17.”

107. The survey highlighted the savings already identified for the period of the Police and Crime Plan and sought views on options of 0%, 1.5% and 2% increases.
108. The survey was undertaken in two ways, through the Force's external survey company, and via an online form on the Force webpage and the OPCC webpage. The survey was emailed to key partners and stakeholders, including the Chamber of Commerce and Police and Crime Panel members.
109. The PCC is appreciative of the time taken by respondents to complete the survey. Their views have been critical in informing his proposed precept decision for 2016/17. A copy of the survey results will be available on the OPCC website shortly.
110. The methodology applied to the survey was consistent with that applied in 2015/16 and is detailed within the survey results as follows:
 - It is often impractical to collect the opinions of every single person in a population. However, it is possible to assess opinion by gaining the views of a representative sample of the population and hence gleaning an understanding of what overall opinion is likely to be.
 - This is done by use of statistical sampling whereby one can calculate (by comparing the size of the total population to the size of the sample), and obtain confidence that the opinions of the sample are reflective of the opinions of the whole population. The greater the proportion of people surveyed, the greater the confidence received that the collective view of those surveyed is reflective of the population as a whole.
 - This level of assurance is expressed in terms of the confidence that the true result is within a certain latitude of an actual numeric average of what the sample shows.
 - Equally, if one knows what level of assurance is required, the sample size that would be required to achieve this can be calculated.
 - Both the Home Office and HMIC have determined that, in terms of information relating to policing, the acceptable level of confidence is to aim to have a sample that will provide 95% confidence that the average results in the sample are within +/-4% of what the average of the overall population would be were everyone in that population surveyed.
 - Therefore, this consistent methodology has been applied to the analysis required for local consultation.
 - The methodology for the outsourced survey aimed to be statistically representative of the population at Force level (603), by gender age and ethnicity. The number of respondents for each of the former LPU areas aimed to be proportionate to the population of that area (Census 2011).
 - The online survey completed by 509 respondents, (163 in 2015/16) was not subject to the sampling methodology therefore the sample collected from this survey method is not entirely proportionate. As identified later in the report, this is most evident in the over representation of the 45 (and above) age brackets.

111. Using the methodology given, this means that since 70.7% of residents indicated an increase of 2% in the precept level is acceptable, this option was the preferred one for between 68.2% and 73.2% of the population.
112. The results of the survey show an even greater preference for a 2% increase than in 2015/16 where 56.1% of those who responded said that they would pay an increase of 2% on the current amount.
113. The table below shows that the telephone survey showed an overwhelming level of support (at 81%) for a 2% increase when compared to the online survey. However, the opposite was true in 2015/16 where 74.2% online respondents supported a 2% precept compared to 51.7% for the telephone survey.

	Survey		Online		Combined	
	No.	%	No.	%	No.	%
Freeze	45	7.5%	159	31.2%	204	18.4%
Increase by 1.5%	69	11.5%	51	10.0%	120	10.9%
Increase by 2%	484	81.0%	299	58.8%	783	70.7%
Total	598	100%	509	100%	1,107	100%

Note: Declined/Refused of 5 are excluded from the results

114. In Council boundaries, due to lower levels of responses, confidence levels varied, but in all instances, the majority of respondents preferred an increase of 2% as follows:

	Preferred Option						Total	
	Freeze		+1.5%		+2%		Consultees	C.I.+/-%
City Council	59	19.9%	35	11.8%	202	68.2%	296	4.9%
Charnwood	28	16.6%	18	10.7%	123	72.8%	169	6.5%
Melton	9	14.3%	8	12.7%	46	73.0%	63	10.7%
Rutland	9	15.5%	6	10.3%	43	74.1%	58	11.1%
NW Leics	18	20.0%	7	7.8%	65	72.2%	90	8.9%
Blaby	18	16.7%	10	9.3%	80	74.1%	108	8.2%
Harborough	13	12.3%	12	11.3%	81	76.4%	106	8.2%
Hinckley & Bosworth	18	15.0%	18	15.0%	84	70.0%	120	7.7%
Oadby & Wigston	8	13.3%	4	6.7%	48	80.0%	60	10.9%
Unknown	24	64.9%	2	5.4%	11	29.7%	37	N/A
Total	204	18.4%	120	10.9%	783	70.7%	1,107	2.5%

Note: C.I. confidence level

115. In line with the methodology highlighted above, the total survey provided a confidence level of over 95% to be representative at Force level by gender, age and ethnicity. Key information is as follows:
- Although numerically at first sight there appeared to be an underrepresentation by BME respondents in the survey when compared to the population, statistically it is within reasonable parameters.
 - In terms of gender, there was a little variation between the preference for a 2% increase for female (73.9%), compared to male respondents (71.9%), although it is not statistically significant.

- In terms of age range, there are slightly more respondents between the age range of 45-64 who said that they support the increase compared to respondents between the age of 25-44.

In all instances, a 2% increase was supported by the majority of respondents.

116. Residents were asked to provide comments under key categories, and the responses can be grouped as follows:

Comment/Theme	Freeze	1.5%	2.0%	Total
The increase is not a large amount to pay	0	3	236	239
The Police Service has been cut enough/More police presence needed not less/the level of service should be maintained	0	4	215	219
Can not afford to pay/No increase in income/Already pay too much	86	14	0	100
Already pay a lot but can afford a bit more/costs are still increasing	0	57	0	57
The police need more money to provide the level of service they provide	0	1	50	51
Police are needed to keep communities safe	0	0	50	50
The police do a good job and need the support	0	1	42	43
With current threats and issues the police are needed	0	0	34	34
Government should pay for the police/funding should come from elsewhere/other agencies waste money	13	2	6	21
Have been a victim of crime/crime rate is low need the police to keep it like that/if police service reduced crime would increase	2	0	16	18
The Force should budget more/waste less money/make cuts in senior roles	12	0	1	13
Don't pay the bills, but choice seems fair	1	2	1	4
Total	114	84	651	849

117. In summary, the survey shows that an increasing majority of residents of 70.7%, compared to 56.1% in 2015/16 are in favour of increasing the precept by up to 2%. This reaffirms the precept strategy adopted on which the Police and Crime Plan and associated MTFs were based.

118. The results from the survey are in keeping with the early results being shared from other national surveys being undertaken nationally by other PCCs.

Precept Options

119. In order to calculate the precept increase required for 2016/17 to fund the budget requirement, after taking account of the Government formula grant and the use of reserves, it is necessary to have regard to two figures. Firstly, the value of the council tax base for the area and secondly, the Police and Crime Commissioner's share of the estimated surpluses (or deficits) on the billing authorities' collection funds for the preceding financial year (2015/16).

120. At the time of writing this report, provisional council taxbase information has been provided by all billing authorities and reflects an increase of 2.65% or 7,838 Band D equivalent properties. The collection fund surplus reflects the performance of the billing authorities in collecting council tax in 2015/16 and the tax base reflects the number of households upon whom council tax can be levied, usually quoted in Band D equivalent numbers. The latest information supplied by the billing authorities has been used in this report and this will be updated where possible in the report to the Police and Crime Panel.
121. As mentioned above, no council tax freeze grants apply for 2016/17 although previous years freeze grants have been honoured in the settlement.
122. The Department for Communities and Local Government (DCLG) confirmed in the draft Ministerial Statement the referendum principles that will apply in 2016/17. These are that the increase in an authority's council tax requirement in 2016/17 will be considered 'excessive' if its Band D council tax in 2016/17 is increased by 2% or more compared with 2015/16.
123. There are exceptions for PCCs whose 2015/16 Band D council tax is in the lower quartile; their increase can be over 2%, up to £5. This latter exception does not apply to Leicestershire.
124. If it were decided to increase the Band D council tax by 2% or more, then a public referendum would be required to seek to identify what support there might be for that level of increase. These are not only costly exercises, but also delay council tax collection, which has negative cash flow impacts for all authorities.
125. In the light of this information three council tax options were consulted on as detailed within Precept Options – Council Tax Consultation.
- a. **Option 1 – no increase in Band D council tax**
 - b. **Option 2 – a council tax Band D increase of 1.5%**
 - c. **Option 3 – a council tax Band D increase of 1.99%**
(which is in line with the Government's CSR assumptions).
126. For the second year in a row, the 1.5% option received very minimal support, therefore, three scenarios were modelled for the MTFS to give the PCC an understanding of best and worst case scenarios.
127. In considering the impact of these three scenarios on the overall resources of the Police and Crime Commissioner over the medium term, in line with the CSR assumptions, all scenarios assume that grant reduces by 1% year on year to reflect current assumptions around future top slicing of Police Grant. The MTFS detailed earlier in the report has been based on these three options.
128. When considering the level of Council Tax Band D increase to set, a number of factors must be taken into consideration. These include:
- a. the capacity to address the priorities as set out in the current and future Police and Crime Plan;
 - b. the potential efficiencies to be derived from the current change programme;

- c. the hitherto good track record in driving costs down and efficiency up but acknowledging the limitations around this moving forward;
 - d. future funding forecasts and the longer term MTFs;
129. Other factors which are worth noting in relation to Council Tax levels (Source: HMIC VFM indicators) for Leicestershire are as follows:
- At £180.00 in 2015/16, Leicestershire's Council Tax level for a Band D property is higher than both the national average at £175.10 and the MSG average of £160.10.
 - Regionally, Council Tax levels for Band D properties in 2015/16 are:
 - £173.61 (Derbyshire)
 - £176.40 (Nottinghamshire)
 - £180.00 (Leicestershire)
 - £197.64 (Lincolnshire)
 - £200.96 (Northamptonshire)
 - Leicestershire PCC receives a lower level of Precept per head of population at £51.80, compared to national levels of £56.80 but slightly higher than the most similar group of £51.70.
 - Additionally, Leicestershire raises significantly less through Council Tax than others, with a Council Tax yield (the amount per £1 of Council Tax collected that goes to the local policing body) of £0.29 per £1 of Council Tax raised compared to £0.32 nationally £0.33 for the most similar group.
 - As highlighted above, Leicestershire receives less central funding per head of population nationally at £106.80 compared to £115.90 and slightly more for the most similar group at £106.10. This is in keeping with the impact on local authorities in Leicester, Leicestershire and Rutland.

Precept proposal

130. After carefully taking into account all the factors highlighted within this report, the PCC is proposing a 1.99% Precept increase which would provide for the following: happen.
- a. First, it enables the Force to carry out the operational enhancements which, for the reasons outlined, are vital to protect our neighbourhoods and communities, and,
 - b. Second, it will give adequate provision for the as yet unknown financial costs pressures relating to increased Firearms capability and Counter Terrorism work and other risk areas identified in this report.
131. Given that the PCC is not standing for re-election, and given that he also sees it as his duty not to leave his successor in any parlous financial state that could have been obviated by making a different decision, he has decided to propose this increase.
132. In making this proposal, the PCC is extraordinarily grateful to those who took part in the Precept surveys which showed unequivocally the public's willingness to pay more in order to safeguard policing in their neighbourhoods and communities.

133. Additionally, in making this proposal, the PCC is satisfied that in doing so , he is leaving Leicestershire Police fully resourced in its need to remain operationally capable whilst also being suitably lean but assuredly financially viable.

Statement of the Chief Constable

134. In proposing the precept and associated conditions, the PCC has sought views from the Chief Constable and his statement on the PCC's precept proposal for 2016/17 is as follows:

"It is my responsibility as described in the Policing Protocol Order 2011 to provide professional advice and recommendations to the PCC in relation to his receipt of all funding, including the Government Grant and precept and other sources of income related to policing and crime reduction. Under the terms of the Order I am responsible for the delivery of efficient and effective policing, the management of resources and expenditure by the Force. I must also support the PCC in the delivery of the strategy and objectives set out in the Police and Crime Plan, assist in the planning of the Force's budgets, have regard to the strategic policing requirements in respect of national and international policing responsibilities, and have day to day responsibility for financial management of the Force within the framework of the agreed budget allocation and levels of authorisation issued by the PCC.

My preferred option is an increase in the Precept of 1.99% as this best enables the Force to deliver the Police and Crime Plan, and meet the requirements of the Strategic Policing Requirement going forward.

HMIC assessed us as "good" in the recent National PEEL assessment.

In the Efficiency assessment HMIC found "that Leicestershire Police is well prepared to face its future financial challenges. It has balanced the budget and has a good track record of achieving savings. The Force has recently introduced a new way of organising itself (its operating model) based on a detailed analysis of demand. In last year's value for money inspection, which considered how Forces had met the challenge of the first spending review period, Leicestershire Police was judged to be good'.

They also assessed us as demonstrating value for money, with the 8th lowest costs nationally on support functions offering the opportunity to deliver frontline services. HMIC's assessment when austerity began was that policing could sustain a 12% cut without the frontline being impacted, our cut is 20%.

The Force Change Programme sets out the challenges of maximising the impact of the money that we do have, which is still a considerable amount, on community safety within the terms laid out by the Police and Crime Plan. In striving to provide the best service possible to local people and to keep them as safe as possible we are doing focused work on demand management and looking at our productivity.

The Force has identified a number of areas which it is progressing in order to close the funding gap:

2016/17

Regional Collaboration – will deliver further savings anticipated at £0.5m of which £0.3m is expected from work within Criminal Justice and Operations.

Output Based Budgeting – expected to realise between £0.6m and £1.2m in 2016/17.

Local Projects – are anticipated to realise further savings this financial year. Projects being scoped include workforce modernisation, vacancy management, reduction in training costs associated with specialist roles, reduction in overtime expenditure, embargo on non-critical estate improvements, and a recruitment restriction/freeze.

The Force is considering savings opportunities through:

1. Force structure including rank structures, supervisory levels and ratios and working hours.
2. Increased productivity and this will be inspected by the HMIC during the year ahead.
3. The opportunity for savings to middle and back office and operationally. This will include looking at options with partners as part of a Strategic Alliance with Nottinghamshire and Northamptonshire Police.
4. Demand Management; we will seek, with partners, to make Predictive Demand Management the norm.
5. Continued vigour with our Volunteers Strategy: seeking innovative engagement opportunities.
6. Wider local public sector “join up”; where we can realistically “join up” in support of the same agendas to deliver a better service and at the same time release much needed savings in the process.
7. We will also seek to identify effective opportunities to work with partners, possibly pooling some budgets on issues such as victims, safeguarding, CSE, cyber-crime, mental health and other emerging priorities identified within the Strategic Assessment and the ongoing review of partnerships.

We live in an age where the desire for a visible policing presence remains key to ensuring community confidence, yet whilst officers visibly patrol the streets the greatest threat may be coming into your house through the internet. To meet this challenge we will be innovative, seeking to protect the vulnerable whilst targeting offenders.

The Panel’s support through Community Safety Partnerships, joined up demand management, and shared risk appetites will be crucial in ensuring our continued success.”

Robustness of the Budget –Statement of the PCC Chief Finance Officer

135. The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2011, requires the PCC's Chief Finance Officer to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The PCC is required to have regard to the report of the Chief Finance Officer and the report must be given to the Police and Crime Panel. At the Strategic Assurance Board on the 15th January 2016, a statement was prepared by the PCC and Force Finance Director to provide assurance to the Board that these factors have been jointly considered. Since that date, dialogue, scrutiny and challenge has continued where new factors or information has been highlighted.
136. In the sections above, titled "2016/17 – Base Budget – preparation, approach and scrutiny" and "2016/17 Base Revenue Budget", a description of the development of this budget is given. During the preparation of the budget I have been given full access to the budget model and have been consulted on the assumptions being made in order to develop the model. I have received timely and detailed responses to queries and/or points of clarification. In the majority of cases I have agreed with the assumptions being made, and where I have sought changes then they have been incorporated.
137. Furthermore, I have worked with the Force Finance Director to agree consistent assumptions and methodologies and where possible with Chief Finance Officer colleagues in Northamptonshire and Nottinghamshire which has assured that these have been benchmarked with peers.
138. Together with the Force Finance Director, Chief Officer colleagues, OPCC Chief Executive and the PCC, I have reviewed, scrutinised and challenged the Business Cases for operational reinvestment. This has included reviewing the operational and financial risks to ensure the operational requests are coherent with the Plan and future risks. I have also scrutinised the profiling and allocation of expenditure and transfers from reserves.
139. I am assured that there is work underway to refine and ratify the identified Efficiency Savings from the Outcome Based Budgeting process which have been built into the 2016/17 budget and future years' MTFS.
140. I have confidence that the budget monitoring process will identify any variations of expenditure or income from that budgeted so that early action can be taken and this is regularly reviewed, discussed and scrutinised at the Strategic Assurance Board.
141. I have also reviewed the detailed calculations in arriving at the budget requirement and council tax precept and options and find these to be robust. I also have sought authorisations from billing authorities in relation to taxbase and council tax surplus/deficits.
142. The Chief Constable has proposed the operational requirements he requires for 2016/17 and future years and together we have been able to develop a budget that supports the delivery of the priorities set out in the Police and Crime Plan.
143. There is an operational contingency available to the Chief Constable, and sufficient general reserves available should operational demands require access to these. Earmarked reserves are also in place for specific requirements such as pensions and insurance.

144. In coming to my conclusion on the robustness of the budget I have also reviewed the separate papers on Capital Expenditure (Appendix 2) and Treasury Management (Appendix 3).
145. The sections in this report on “Future Risks, Challenges, Uncertainties and Opportunities” and the “MTFS” highlight significant unknown issues moving forwards in the medium term for both operational and financial areas.
146. Whilst this report does reveal that 2016/17 shows a balanced budget and the efficiencies identified in the Police and Crime Plan for 2013-17 will have been met and exceeded by the 31/3/17, the MTFS, however, reflects that under all three scenarios, savings will still be required from 2017/18 to 2020/21.
147. I conclude that the budget for 2016/17 has been prepared on a robust basis and that although shortfalls have been identified for 2017/18 and thereafter, they are manageable and plans are already being progressed to address these.
148. Beyond 2017/18, there is a high level of uncertainty as to how the finance settlement might look and following the headlines identified in the Chancellor’s Autumn Statement, although a better than anticipated settlement is proposed during the period of the CSR, both at a national and a local level, it is reasonable to assume that the operational and financial challenges will continue and these are reflected as best estimates in the MTFS to 2020/21.
149. I conclude, therefore, that the budget for 2016/17;
1. Has been prepared on a robust basis, and
 2. Includes the reinvestment as advised by the Chief Constable in the key operational areas in 2016/17 and future years.
 3. In the short term, the budget is stable and reserves are sufficient, however,
 4. the financial landscape after that time is uncertain and significant financial challenges have been identified within the MTFS which need to be considered and plans progressed.

Implications

Financial:	This report for the Police and Crime Panel to note the precept proposal, the financial position, uncertainties and timescales.
Legal:	The PCC is required to set a precept and this complies with those requirements.
Equality - Impact Assessment:	The budget and proposed precept forms part of the Police and Crime Plan which has a full impact assessment. Furthermore, the additional resources provided support the key priorities of the Police and Crime Plan, providing additional resources in some areas of disadvantaged communities and vulnerable highlighted in the EIA of the Plan. Additionally, the survey is comprised of a representative sample of Leicester, Leicestershire and Rutland.
Risks and – Impact:	Risks have been identified within the report.
Link to Police and Crime Plan:	The report provides an update on the Strategic Priority 18

List of Appendices

Appendix 1 Budget and Precept 2016/17 to 2020/21
Appendix 2 Capital Programme 2016/17 to 2018/19
Appendix 3 Treasury Management – Investment Strategy

Background Papers

Provisional Police Grant Report – 17 December 2015
Council Tax Referendum Principles – 17 December 2015
2016/17 Leicestershire Police and Crime Commissioner Precept Survey

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Appendix 1

		Precept Increase	1.99%	1.99%	1.99%	1.99%	1.99%
2015/16 Approved Budget			2016/17 Revenue Budget	2017/18 Revenue Budget	2018/19 Revenue Budget	2019/20 Revenue Budget	2020/21 Revenue Budget
£			£	£	£	£	£
94,385,744	Police Pay & Allowances		91,611,598	90,243,120	90,783,096	90,066,220	89,829,285
37,426,734	Staff Pay & Allowances		36,540,794	38,077,525	38,857,495	39,720,509	40,834,237
7,341,143	PCSO Pay & Allowances		7,247,809	8,020,952	8,244,658	8,474,054	8,757,664
139,153,621			135,400,201	136,341,597	137,885,249	138,260,783	139,421,186
4,134,719	Police Pensions		4,187,866	4,214,415	4,249,707	4,287,685	4,326,118
25,375,241	Non-Pay Expenditure		26,499,710	28,004,264	29,024,490	29,790,762	30,567,400
1,774,610	Inflation Contingency		1,931,603	1,157,431	1,157,431	1,157,431	1,157,431
(11,107,130)	Income		(11,798,766)	(11,817,751)	(11,903,810)	(11,990,536)	(12,093,632)
20,177,440			20,820,413	21,558,359	22,527,818	23,245,342	23,957,317
7,896,758	Regional Collaboration		8,325,773	8,731,338	8,820,250	8,913,256	9,007,262
1,104,195	OPCC		1,061,330	1,016,969	1,040,344	1,064,180	1,093,620
4,343,000	Commissioning		4,611,000	4,169,067	4,169,067	4,169,067	4,169,067
172,675,014			170,218,717	171,817,330	174,442,728	175,652,628	177,648,452
(1,102,000)	Specific Grants		(1,101,702)	(994,702)	(951,702)	(908,702)	(908,702)
-	- Re-investment		2,880,409	2,636,818	2,556,126	2,581,687	2,607,504
-	- Revenue contribution to capital		814,989	-	-	-	-
-	- Efficiency Savings		(598,724)	(678,514)	(688,514)	(758,514)	(758,514)
(1,295,479)	Transfers to/from Earmarked Reserves		(1,373,529)	(663,024)	(552,236)	(471,236)	206,764
170,277,535	Net Budget Requirement		170,840,160	172,117,908	174,806,402	176,095,863	178,795,504
(1,717,301)	Surplus / (Funding Gap)		-	(1,091,754)	(2,808,538)	(3,044,263)	(4,605,728)
168,560,234	Net Revenue Budget		170,840,160	171,026,154	171,997,864	173,051,600	174,189,776
	Funding						
65,720,384	Police Grant		65,345,458	64,672,898	64,007,064	63,347,888	62,695,304
39,876,209	Business Rates		39,648,721	39,252,234	38,859,711	38,471,114	38,086,403
7,020,391	Council Tax Support Grant		7,020,391	7,020,391	7,020,391	7,020,391	7,020,391
1,910,530	Council Tax Freeze Grant		1,910,530	1,910,530	1,910,530	1,910,530	1,910,530
816,985	Collection Fund Surplus		1,201,443	495,443	495,443	495,443	495,443
53,215,735	Precept		55,713,617	57,674,658	59,704,725	61,806,234	63,981,705
168,560,234			170,840,160	171,026,154	171,997,864	173,051,600	174,189,776

£179.9951	Band D Council Tax		£183.5770	£187.2302	£190.9561	£194.7561	£198.6317
1.99%	% Increase		1.99%	1.99%	1.99%	1.99%	1.99%
3.51	£ Increase		3.58	3.65	3.73	3.80	3.88
6.8p	Increase per week in Pence		6.9p	7.0p	7.2p	7.3p	7.5p

Appendix 1 (cont)

		Precept Increase	1.99%	1.99%	1.99%	1.99%	1.99%
2015/16 Approved Budget £			2016/17 Revenue Budget £	2017/18 Revenue Budget £	2018/19 Revenue Budget £	2019/20 Revenue Budget £	2020/21 Revenue Budget £
	Precept by Billing Authority						
£		<i>Tax Bases</i>	£	£	£	£	£
5,535,091	Blaby	31,566.60	5,794,902	5,998,874	6,210,026	6,428,609	6,654,885
9,387,839	Charnwood	53,538.80	9,828,492	10,174,441	10,532,568	10,903,297	11,287,074
5,749,172	Harborough	32,787.50	6,019,031	6,230,892	6,450,211	6,677,248	6,912,275
6,382,365	Hinckley & Bosworth	36,398.60	6,681,946	6,917,141	7,160,615	7,412,657	7,673,569
12,135,027	Leicester City	69,206.00	12,704,630	13,151,816	13,614,739	14,093,957	14,590,039
3,154,518	Melton	17,990.20	3,302,587	3,418,833	3,539,172	3,663,745	3,792,702
5,316,329	North West Leicestershire	30,319.00	5,565,871	5,761,782	5,964,589	6,174,532	6,391,865
2,971,105	Oadby & Wigston	16,944.20	3,110,565	3,220,053	3,333,394	3,450,724	3,572,184
2,584,289	Rutland	14,738.19	2,705,593	2,800,826	2,899,411	3,001,465	3,107,112
53,215,735		303,489.09	55,713,617	57,674,658	59,704,725	61,806,234	63,981,705

£	Precept by Band	Apportionment	£	£	£	£	£
119.9967	Band A	6/9	122.3847	124.8201	127.3041	129.8374	132.4211
139.9962	Band B	7/9	142.7821	145.6235	148.5214	151.4770	154.4913
159.9956	Band C	8/9	163.1796	166.4268	169.7388	173.1165	176.5615
179.9951	Band D	9/9	183.5770	187.2302	190.9561	194.7561	198.6317
219.9940	Band E	11/9	224.3719	228.8369	233.3908	238.0352	242.7721
259.9929	Band F	13/9	265.1668	270.4436	275.8255	281.3144	286.9125
299.9918	Band G	15/9	305.9617	312.0503	318.2602	324.5935	331.0528
359.9902	Band H	18/9	367.1540	374.4604	381.9122	389.5122	397.2634

CAPITAL PROGRAMME 2016-17 TO 2018-19

Background

1. The Government support for capital spending includes the capital grant which directly supports the capital programme. Since 2004 the Prudential Code has given the police authority and now the PCC the freedom to set its own borrowing limit subject to compliance with the Code.

Prudential Code

2. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice.
3. The Prudential Indicators required by the Code are designed to support and record local decision making. They are not designed to be comparative performance indicators.
4. The main objective in consideration of the affordability of the capital programme is to ensure that total capital investment remains within sustainable limits, and in particular to consider its impact on the council tax.
5. In assessing affordability the Office of the Police and Crime Commissioner (OPCC) has to take into account all the resources currently available to the organisation and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the coming year and the following 2 years.
6. In relation to being prudent there is a need to ensure that, over the medium term, net borrowing will only be used for capital purposes. It is also prudent to ensure that treasury management is carried out in compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and limits are set on fixed and variable interest rate exposures, and on the maturity structure of borrowing.
7. The decisions on capital investment need to take into account option appraisal, asset management planning, strategic planning for both the OPCC and Force and the achievability of the forward plan.

Prudential Indicators

8. The actual 2014/15 capital expenditure and the estimated capital expenditure for the current year and future years are:-

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total	7.1	5.8	8.6	5.7	2.7

9. The estimates of the ratio of financing costs to the net revenue stream for 2014/15 and for the current and future years are:-

2014/15	2015/16	2016/17	2017/18	2018/19
Actual	Estimate	Estimate	Estimate	Estimate
%	%	%	%	%
1.12	1.30	1.46	1.82	2.09

10. The actual capital financing requirement at 31 March 2015 and the estimates for the current and future years are:-

	31.3.15	31.3.16	31.3.17	31.3.18	31.3.19
	£m	£m	£m	£m	£m
Total	22.8	24.2	28.2	29.5	27.6

11. The capital financing requirement (CFR) measures the OPCC's need to borrow for capital purposes. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the OPCC has to ensure that net external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus estimates of any additional CFR for the current and next two years. The OPCC met this requirement in 2014/15, and is expected to do so in future years.

12. In respect of external debt, the recommended authorised limits for total external debt, gross of investments, for the next three financial years are shown below:-

	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m
Borrowing	19.2	20.4	26.5	28.5
Long Term Liabilities	2.3	1.9	1.4	1.0
Total	21.5	22.3	27.9	29.5

13. These authorised limits are consistent with the OPCC's current commitments, existing plans, and potential future IT Strategic Alliance proposals for capital expenditure and its financing, and the approved treasury management policy. The authorised limit for 2015/16 is the statutory limit determined under section 3(1) of the Local Government Act 2003.
14. There is a need to have an approved operational boundary for external debt which is based on the same estimates as the authorised limit (para 12). The operational boundary reflects an estimate of the most likely level of debt. It does not include the additional headroom within the authorised limit that allows for unusual cash movements.

	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m
Borrowing	18.2	19.4	25.5	27.5
Long Term Liabilities	1.8	1.4	0.9	0.5
Total	20.0	20.8	26.4	28.0

15. The OPCC's actual external debt at 31 March 2015 was £14.2m. The amount is split between the Public Works Loans Board (PWLb) figure of £12.4m and Leicestershire County Council £1.8m (transferred debt from 1995 regarding the formation of police authorities as per the Police and Magistrates Courts Act 1994. This has now transferred to the OPCC).

It is planned that the 2015/16 'borrowing requirement' of £2.9m will be met by internal cash balances.

16. The estimate of the incremental impact of capital investments proposed in this report for Band D Council Tax per week are:

2016/17	2017/18	2018/19
0p	8p	4.1p

17. A monitoring system is in place and reports on progress against the indicators are taken to the OPCC.

Proposed Capital Programme

18. The capital programme has been prepared in consultation with budget holders on the basis of operational need and risk. The Estates programme reflects the 'Estates Strategy' discussed at the Strategic Assurance Board on the 15th January 2016. The IT programme reflects investments in our local infrastructure and systems. Specific schemes to support the Strategic Alliance will be presented later in the year for approval once the detail becomes available.

Savings of £98k have been achieved on the 2016/17 Fleet Replacement Programme as a result of the new collaborative purchasing contract.

19. A summary of the proposed Capital Programme for 2016/17 is shown in the table below.

<i>Proposed Capital Programme 2016/17</i>			
Expenditure	£000	Funding	£000
Property	2,750	Capital Grant (TBC)	800
Information Technology	3,769	Borrowing Requirement	5,827
Emergency Services Network	1,050	Capital Receipts	560
Vehicle Fleet	1,033	Home Office Grants (TBC)	500
		Revenue Contributions	915
Total	8,602	Total	8,602

20. The Programme includes property schemes relating to a proposed (subject to formal sign-off) co-location of Coalville police station with the Fire Service providing for a smaller efficient building, the continuation of major refurbishments at Beaumont leys and the remodelling of the Force HQ residential and amenities blocks to create additional office space to support the Force's 'agile working' programme. The information technology expenditure includes significant investment in the data and voice Infrastructure and mobile devices to support the new policing model and regional collaborative projects. Planned replacements for the existing vehicle fleet are also included.

Funding Arrangements

21. The 2016/17 capital grant has not yet been confirmed by the Home Office. This will be announced with the final settlement in February 2016. However, the Capital grant has been reduced nationally by 40% and a similar reduction has been assumed reducing the provisional capital grant from £1.3m to £0.8m. After the utilisation of receipts arising from the sale of properties as part of the Strategic Estates Strategy and the application of revenue contributions to capital schemes, the borrowing requirement is **£5.827m** for 2016/17.

22. The Capital Programme assumes that the 16/17 borrowing requirement of £5.827m is financed through maturity loans from the PWLB at an indicative interest rates of 3.54% for 25 years, 2.90% for 10 years and 2.46% for 6 year loans.

Background Papers

Home Office Settlement Notification via the Home Office website

TREASURY MANAGEMENT – INVESTMENT STRATEGY

Background

1. The 'Code of Treasury Management' published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and recommended by the Home Office, has been adopted by the Office of the Police and Crime Commissioner for Leicestershire ("the OPCC").
2. The Treasury Management Strategy is approved annually to run from 1st April to the following 31st March.
3. The Strategy has evolved in recent years in response to the relative instability within the banking sector. This saw the removal of all European/foreign banks and all but one Building Society (Nationwide) from the authorised lending list.
4. The Local Government Act 2003 included capital regulations that applied from 1st April 2004. These regulations allow the OPCC freedom to borrow to fund capital expenditure provided it has plans that are affordable, prudent and sustainable. The requirements are covered in the Prudential Code.

Treasury Management Strategy

5. The core aim is to generate additional income for the OPCC but by balancing risk against return. The avoidance of risk to the principal cash amounts takes precedence over maximising returns.
 - i. Managing daily cash balances and investing surpluses

In order that the OPCC can maximise income earned from investments, the target for the uninvested overnight balance in the current account is a maximum of £15k. At any one time, the OPCC has in excess of £21m available to invest. The current lending list is as follows:-

<u>Institution</u>	<u>Maximum Loan</u> £m	<u>Maximum Period of</u> <u>Loan</u>	<u>Short-Term Credit</u> <u>Ratings **</u>
Royal Bank of Scotland plc	10.0	364 days	F1 / A-2 / P-2
Lloyds TSB Bank plc	10.0	364 days	F1 / A-1 / P-1
Barclays Bank plc	10.0	364 days	F1 / A-1 / P-2
HSBC Bank plc	10.0	364 days	F1+ / A-1+ / P-1
Nationwide Building Society	10.0	364 days	F1 / A-1 / P-1
Debt Management Office	*	364 days	n/a

** No limit is set. The DMO tends to pay a low rate of return and hence are used only when funds can not be placed with other approved institutions.*

*** Short-term credit ratings (valid as at 17/12/2015) are as supplied by the OPCC's brokers - Tullet Prebon (Europe) Ltd. The highest potential ratings are F1+ (Fitch), A-1+ (Standard & Poor's) and P-1 (Moody's) respectively.*

ii. Borrowing

Funds are only borrowed to finance part of the Capital Programme. External borrowing is from the Public Works Loan Board (PWLB) at below commercial rates. The critical factor in determining the length of such loans is the view on the future movement of interest rates.

Borrowing may be made from internal cash resources where it is considered appropriate by the OPCC having assessed its merits against the external alternative.

Any borrowing, whether internal or external, will be timed such that the impact on the OPCC is as advantageous as possible.

Latest Position regarding Treasury Management

6. The banking sector continues to show signs of instability alongside the wider economy. In this context it is not yet advisable to consider a return to placing investments with the majority of Building Societies or European/Foreign banks. This is in keeping with the OPCC's stated aim of protecting the principal (cash) amount.
7. Funds are placed with institutions based on (a) available headroom and (b) rate of return – this is a daily decision-making process. A balance is struck between the desired level of return and the need to provide liquid funds to meet the OPCC's obligations i.e. supplier payments, payroll costs and tax liabilities.

8. Continued monitoring of the ratings agencies' assessment of institutions takes place and is reported to SAB throughout the year via the "Treasury Management Performance" report.
9. The Bank of England Base Rate has been at 0.50% since 5th March 2009. Returns have therefore been lower in recent years as can be seen below:

<u>Financial Year</u>	<u>Interest Income</u>	<u>Comments</u>
2008/09	£1.48m	Actual
2009/10	£0.18m	Actual
2010/11	£0.12m	Actual
2011/12	£0.10m	Actual
2012/13	£0.25m	Actual
2013/14	£0.14m	Actual
2014/15	£0.12m	Actual
2015/16	£0.09m	Forecasted
2016/17	£0.09m	Proposed Budget

External Advice

10. External advisers have not been used over the last year. However they may be used on an *ad hoc* basis if required.

Borrowing Limits

11. In accordance with the Prudential Code it is a requirement that the OPCC set borrowing limits for the next 3 years. These limits are intended to reduce risk. It is proposed that the limits should be as follows:

		2015/16	2016/17	2017/18	2018/19
		£m	£m	£m	£m
(i)	Total authorised borrowing limit*	19.2	24.1	30.2	32.2
(ii)	Long term liabilities	2.3	1.9	1.4	1.0
(iii)	Interest payable limit on borrowing at variable rates	0.2	0.2	0.2	0.3
(iv)	Interest payable limit on borrowing at fixed rates	0.6	0.6	0.7	0.7

* includes headroom for short term borrowing - £1m for each year and potential future IT strategic Alliance proposals.

12. The OPCC has an obligation to repay transferred debt to Leicestershire County Council, to finance capital spending prior to 1st April 1995. The amount outstanding at 30th November 2015 was £1.356m and is subject to interest charged at variable "pool" rates.
13. The Prudential Code also recommends that the Police and Crime Commissioner sets upper and lower limits for the maturity structure of its fixed rate borrowing. The following limits are proposed:-

	Upper Limit	Lower Limit
Under 12 months	20%	0%
Between 12 months and 24 months	20%	0%
Between 24 months and 5 years	20%	0%
Between 5 years and 10 years	50%	0%
Over 10 years	100%	25%

