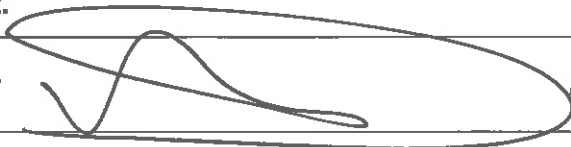


**POLICE AND CRIME COMMISSIONER (PCC) FOR LINCOLNSHIRE
REQUEST FOR DECISION**

REF: 001 / 2017

DATE: 31 January 2017

SUBJECT		POLICE PRECEPT 2017/18
REPORT BY	CHIEF FINANCE OFFICER TO THE POLICE AND CRIME COMMISSIONER	
CONTACT OFFICER	Julie Flint, Chief Finance Officer 01522 947222	
EXECUTIVE SUMMARY AND PURPOSE OF REPORT		
<p>The Police and Social Responsibility Act 2011 [Schedule 5 s.2] requires the Police and Crime Commissioner (“the Commissioner”) to notify the Police and Crime Panel of the Precept and Council Tax Requirement which he is proposing to issue for 2017-18.</p> <p>The report attached at Appendix 1 presents the proposed Precept and Council Tax Requirement 2017-18 for consideration by the Commissioner.</p>		
RECOMMENDATION	<i>That the draft report at Appendix 1 be agreed.</i>	

POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE	
I hereby approve the recommendation above, having considered the content of this report.	
Signature:	 Date: 31/01/17

A. NON-CONFIDENTIAL FACTS AND ADVICE TO THE PCC

1. PROPOSED PRECEPT AND COUNCIL TAX REQUIREMENT 2017-18

Statutory Requirements

- 1.1 Schedule 5 of the Police Reform and Social Responsibility Act 2011 sets out the process for issuing a Precept, including the Police and Crime Panel’s role in reviewing the proposed Precept, their power to veto the Precept and the steps to be taken in the event of the proposed Precept being vetoed.
- 1.2 Attached at Appendix 2 is a detailed guidance note issued by the Home Office which supports the process described above, and includes reporting requirements together with the process for Police and Crime Panel scrutiny of the proposed Precept.

Summary of Precept and Council Tax Requirements

- 1.3 A detailed summary of the Commissioner's proposed Precept and Council Tax Requirement for 2017-18 is set out in the report attached at Appendix 1. The government has set the threshold for council tax increases above which a local referendum would be triggered at 2%. The Commissioner is committed to maintaining police officer numbers and is therefore proposing an increase in the police precept of 1.97% for 2017/18.
- 1.4 The Police and Crime Commissioner's share of council tax is shown in the table below. This illustrates the impact of a 1.97% increase. The additional cost to the majority of Lincolnshire council tax payers would be less than 8 pence per week.

Council Tax Band	2016/17 £	Increase £ per annum	2017/18 £	Increase Pence per week
A	134.34	2.64	136.98	5
B	156.73	3.08	159.81	6
C	179.12	3.52	182.64	7
D	201.51	3.96	205.47	8
E	246.29	4.84	251.13	9
F	291.07	5.72	296.79	11
G	335.85	6.60	342.45	13
H	403.02	7.92	410.94	15

B. FINANCIAL CONSIDERATIONS

These are detailed in the report enclosed at Appendix 1.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

These are set out in the main body of the report.

D. PERSONNEL AND EQUALITIES ISSUES

There are no direct personnel and equalities implications arising from consideration of this report.

E. REVIEW ARRANGEMENTS

The position will need to be reviewed following the government's announcement of its council tax capping criteria.

F. RISK MANAGEMENT

The risk of a shortfall in funding resulting in severe financial difficulties is highlighted in both the Police and Crime Commissioner and Force Risk Registers.

G. PUBLIC ACCESS TO INFORMATION

Information in this form along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC's website within one working day of approval. However, if release by that date would compromise the implementation of the decision being approved, publication may be deferred. An explanation for any deferment must be provided below, together with a date for publication.

Is the publication of this form to be deferred? No

If Yes, for what reason:





Until what date:

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

Is there a part 2 form? No

If Yes, for what reason:

ORIGINATING OFFICER DECLARATION

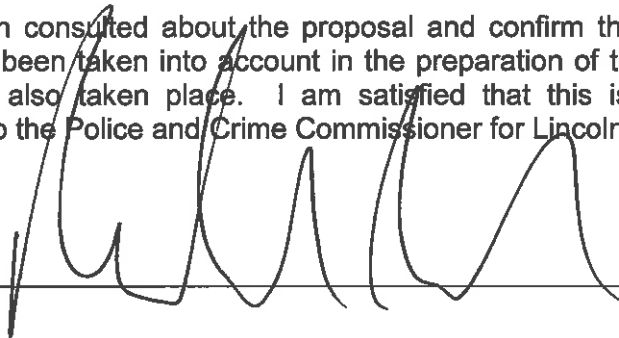
	Initial to confirm
Originating Officer: The Chief Finance Officer recommends this proposal for the reasons outlined above.	
Financial advice: The CC's Chief Finance Officer has been consulted on this proposal.	
Monitoring Officer: The PCC's Monitoring Officer has been consulted on this proposal	
Deputy Chief Constable: The Deputy Chief Constable has been consulted on this proposal	

OFFICER APPROVAL

Chief Executive

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. Consultation outlined above has also taken place. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lincolnshire.

Signature:



Date:

31/1/17



Lincolnshire POLICE & CRIME COMMISSIONER

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REPORT TO THE POLICE & CRIME PANEL POLICE PRECEPT 2017/18

1. Introduction

1.1 My proposals for the Police Precept 2017/18 reflect the priorities set in my *Community Safety, Policing and Criminal Justice Plan for Lincolnshire April 2017 – March 2021*:

- Community safety and prevention in partnership – working together to reduce crime;
- Listening, responsive and accountable – making sure the people of Lincolnshire have their say in shaping our priorities;
- Policing that works – effective policing, there when you need it and responsive to differing community needs; and
- Protecting and supporting victims and the vulnerable – making sure the whole criminal justice system works for those that really need it.

1.2 The opportunity for the people of Lincolnshire to respond to my budget consultation concluded on 31 December 2016. I received 1,757 submissions which are analysed in Appendix A attached. My precept proposal for 2017/18 reflects careful consideration of the views expressed in response to my consultation.

2. Government Grant

2.1 The Provisional Police Grant Report accompanied by a Written Ministerial Statement was laid before Parliament on 15th December 2016. The police settlement covers just one year. In his written statement the Minister confirmed that following the principles set out on 4th February 2016, police spending would be protected at flat cash levels compared to 2015/16, assuming that precept income is maximised.

2.2 On the assumption that precept income is maximised, the inclusion of the precept means that Forces across the country will again experience different levels of increase in their total direct resource funding¹ compared with 2016/17. These range from 0% in Merseyside to 2.2% in Sussex; in Lincolnshire the increase is 1.7% based upon a precept increase of 1.99%.

2.3 The provisional grant settlement implies a grant cut of £0.821m (1.4%) for Lincolnshire for 2017/18 compared to 2016/17. The level of cash cut had been expected to be similar to that in

¹ This includes all formula grant, legacy council tax grants and police precept.

2016/17, whereas it has increased so that the total percentage reduction in grant since 2015/16 is now 2%.

- 2.4 Future years are specifically excluded from this announcement as it is anticipated that the Funding Formula Review will be implemented from 2018/19. The Home Office exemplifications of their previous proposals during 2015/16, indicated that Lincolnshire would have received an additional £8m of government grant each year if the proposed methodology were in place. The current review of the funding formula is not expected to report until early in the new financial year; in the meantime, I have assumed that by the end of the current planning period, Lincolnshire's share of government grant will increase by £6m per annum.
- 2.5 The provisional settlement is subject to consultation and I have written to the Minister of State for Policing and Fire Services expressing my views (Appendix B). The provisional settlement will be debated by Parliament during February 2017 following which the final grant allocations will be confirmed.
- 2.6 Further detailed information on government grant is included within Appendix C attached.

3. Council Tax

- 3.1 Provisional details of the council tax base have been received from Lincolnshire district councils. These show a 1.5% increase in the tax base in 2017/18. There is also a surplus on council tax collection funds: the Police and Crime Commissioner's share of this surplus is currently forecast to be £0.565m.
- 3.2 The government published its proposals relating to Council tax referendum principles for 2017 on 15th December 2016. For Police & Crime Commissioners (other than the ten lowest precepting PCCs) the draft regulations state that the council tax increase would be deemed excessive at 2% or above and would therefore trigger a local referendum. In order to avoid a costly local referendum, I propose an increase in the police precept of 1.97% for 2017/18. Nevertheless, I will be unable to bridge the funding gap for 2017/18 without the use of reserves.
- 3.3 My medium term financial plan (MTFP) is based upon annual council tax increases of 2% per annum, in line with the government's own assumptions

4. Total Income

- 4.1 Total income is projected over the next four years as shown in Table 1 below. There is an assumption that the council tax base will increase by 1% per annum, an increase from that previously assumed of 0.5% in accordance with the Government's house building projections.
- 4.2 The budget proposals described in the remainder of this report assume a 1.97% council tax increase for 2017/18 and a 2% increase for each of the subsequent 2 years of the MTFP.
- 4.3 The potential impact of a revised Funding Formula within the MTFP has been included based upon a prudent assumption around the share of total funding that may be allocated to Lincolnshire. Exemplifications from the Home Office during 2015/16 showed that Lincolnshire would be allocated additional grant funding of £8m per annum under the proposed new methodology. In order to be prudent, it has been assumed that the final outcome may not be as beneficial as has been indicated thus far. Accordingly, the MTFP is based upon an increase in government grant of £6m per annum by the end of the planning period, and that transitional arrangements would result in an increase of £3m in 2018/19 and £6.0m in 2019/20.
- 4.4 Beyond 2017/18, the MTFP assumes further use of reserves of £1.1m across the 2 years.
- 4.5 To achieve financial balance beyond 2017/18, it is clear that, without a more equitable slice of the national police grant, or substantial precept rises in future years, Lincolnshire would see

significant degradation of service from 2018 onwards. That would undoubtedly take the form of fewer Police Officers, Police Community Support Officers (PCSOs), and the staff who support them.

	2016/17	2017/18	2018/19	2019/20
Income	£m	£m	£m	£m
Police Grant	58.728	57.907	57.507	57.107
Victims' Services Grant	0.865	0.865	0.865	0.865
Council Tax Compensation Grant	1.058	1.058	1.058	1.058
Council Tax Support Grant	5.775	5.775	5.775	5.775
Council tax	45.321	46.392	47.211	48.636
Police Innovation Fund	0.400	0.250	-	-
Apprentice Levy clawback	-	-	0.356	0.361
Collaborative Services	2.181	2.143	2.143	2.143
Funding Formula Review	-	-	3.000	6.000
Total income	114.328	114.390	117.915	121.945
Use of Reserves	2.461	3.869	1.187	(0.107)
Total income & Reserves	116.789	118.259	119.102	121.838

Table 1

5. Expenditure Plans

5.1 Total spending in 2017/18 has increased in the face of significant external cost pressures.

5.2 The budget is summarised in Table 2 and described below.

Expenditure	2016/17£ m	2017/18£ m	2018/19£ m	2019/20£ m
PCC direct expenditure	29.885	30.747	31.335	31.647
Joint services	1.521	1.219	1.221	1.221
Chief Constable	85.383	86.293	87.451	87.939
Total	116.789	118.259	120.007	120.807

Table 2

5.3 The budget proposals include provision for victims' services expenditure in line with estimated grant of £0.9m. Provision for crime and disorder reduction grants is set at £0.8m. The budget also includes provision for strategic partnership contract payments of £22.9m and capital financing charges of £2.3m.

- 5.4 The Chief Constable's budget includes £57.6m for police officer salaries and £4.0m for PCSO salaries. As with 2016/17, the budgets for the period to 2019/20 are based on retaining 1,100 police officers.
- 5.5 Additional cost pressures since the MTFP add a further £1.1m to the total budget for 2017/18. These include an additional £0.5m for pay awards for police officers and other staff together with the apprentice levy of £0.3m payable in 2017/18.
- 5.6 A balanced budget is proposed for 2017/18 but there currently remains a budget gap of £0.9m for 2018/19. Work is still in progress to close this gap before I make my budget decision, but the financial situation remains challenging.
- 5.7 Further detailed information on revenue and capital expenditure plans, savings options, risks and reserves is attached at Appendix C.

6. Council Tax

- 6.1 My proposed Council Tax increase for 2017/18 is 1.97%. This is £205.47 for a Band D property, an increase of £3.96 from 2016/17. This increase alone provides £0.871m of additional funding.
- 6.2 The Police and Crime Commissioner's share of council tax is shown in the table below. This illustrates the impact of a 1.97% increase. The additional cost to the majority of Lincolnshire council tax payers would be less than 8 pence per week (£4.00 per annum).

Council Tax Band	2016/17 £	Increase £ per annum	2017/18 £	Increase Pence per week
A	134.34	2.64	136.98	5
B	156.73	3.08	159.81	6
C	179.12	3.52	182.64	7
D	201.51	3.96	205.47	8
E	246.29	4.84	251.13	9
F	291.07	5.72	296.79	11
G	335.85	6.60	342.45	13
H	403.02	7.92	410.94	15

Table 3

Marc Jones
 The Police and Crime Commissioner for Lincolnshire
 6th February 2017



Lincolnshire POLICE & CRIME COMMISSIONER

SAFER TOGETHER

Budget Consultation

Background

The Police and Crime Commissioner launched his annual budget consultation in mid-November.

The six-week online survey – also made available in hard copy – was supported by exposure in local news outlets and on social media.

Multiple access points were made available through the OPCC website, Lincolnshire Police website, PCC & Force Facebook pages and the PCC and Force twitter, as well as links through online media coverage.

The consultation also took advantage, for the first time, of a more interactive system allowing those taking part to see the progress of the survey and how their responses compared to others.

The survey received 1757 responses, which represents a 27.4% increase on the previous year's version which collected 1379 views.

The purpose was to engage with the public and stakeholders to obtain their views on a range of development and budget related issues to help inform decision making through 2017.

Some of the challenges facing the OPCC provide context for the survey:

- Lincolnshire spends approx. 41p per day per resident to deliver policing in Lincs which is the second lowest in England. The Average is around 55p per person per day.
- Lincolnshire Police is recognised as a very efficient force but needs circa £4m from April (from reserves) to balance the budget, £5m the year after and £6m the year after that just to stand still. Without that funding major changes will be needed to produce a balanced budget and policing in Lincolnshire would have to change dramatically.
- The Government is on track to deliver a new funding formula for the 2018/19 budget which will hopefully address the inbuilt inequity of the current formula which sees Lincolnshire penalised for its rural nature and general efficiency. However, until the outcome of the formula review is known the Police and Crime Commissioner continues to put a strong case to MP's and Whitehall.
- Neighbourhood policing remains at the heart of the emerging Police and Crime Plan 2017-2021 but there are many growing threats and challenges that the local police service must tackle to keep communities safe.

- Lincolnshire has achieved a grading of 'good' in the recent HMIC (Her Majesty's Inspector of Constabulary) inspection on efficiency. The only area to 'require improvement' relates to the overall amount of money the force receives in grant from Central Government and the need for that to be reviewed to maintain the service standard in Lincolnshire. The report makes clear that the force has taken all reasonable steps to use its resources wisely.
- The way that the national funding formula for policing has been set means that even with the maximum 2% increase in council tax precept (for a band A property this is £2.69 per year) the money available to the force remains the same, as the grant from Government reduces by that same amount year on year. If there is no council tax increase then the force will reduce its budget by 2% and reduce the service it delivers.

The survey was designed to ask specifically about the council tax precept as well as some questions about specific areas of possible investment and closer working with other public bodies and blue light services.

Results

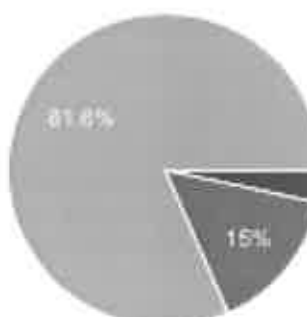
The survey demonstrated overwhelming support for additional funding for the police. When asked "Given that Lincolnshire Police is the lowest funded force in the country would you like to see additional funding for Lincolnshire Police" more than 91% (1604) said they supported additional funding the police service, as long as it is efficiently spent.



Only 7.4% (130) said they believed enough was already spent on policing – and even they said they didn't want to see it reduced. Just 1.4% (25) said they would accept a reduction in service to save 2% on the policing element of the council tax.

This clearly demonstrates widespread support for a 2% council tax precept increase and provides crucial public support for the OPCC's efforts in lobbying central Government for a fairer deal on police funding.

The respondents also provided unambiguous support for Blue Light Collaboration Programme and much closer working between services, to provide cost effective and efficient services for the communities of Lincolnshire.



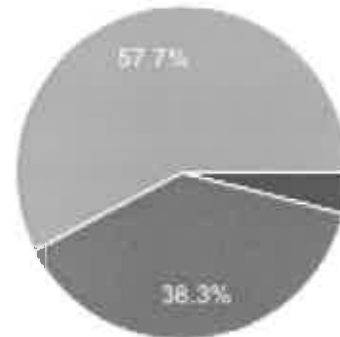
Respondents were asked "Do you believe that getting the 'blue light' services (police, fire & rescue, ambulance) to work closer together to deliver the best possible service to the public is the right thing to do?".

Of the total respondents, nearly 82% (1435) said they believed the services "should work together as much as possible for the benefit of everyone". A further 15% (265) supported the sharing of buildings but "wouldn't want them to see them doing anything else".

Only 3.4% of people (59) thought the services should "operate as three totally separate entities".

The drive to provide the most effective and efficient use of finances by rationalizing and sharing buildings, a key element of the Blue Light Collaboration Programme, also received strong public support.

Nearly 60% (1015) of people said they “don’t mind whether there are small police buildings across the county as long as when I call for a response I get a good level of service”. A further 38.3% (674) said they would be happy with access to a “police building” – even if that is shared with fire, ambulance or other public body.

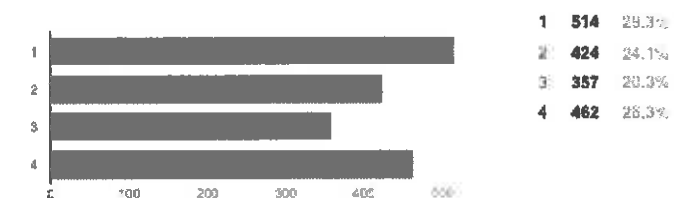
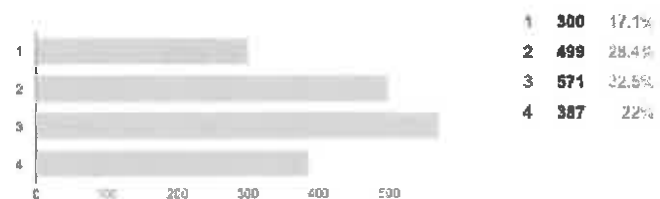
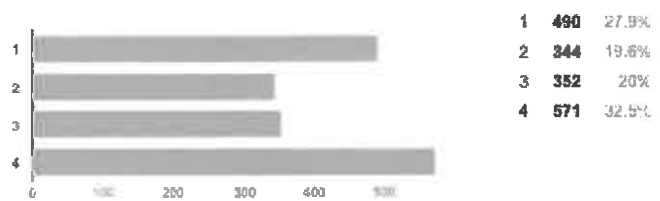


Only 70 people (4%) said they wanted to see small or aging police buildings to be repaired and maintained to provide “a specific policing presence”.

The survey also sought views from the public about their priorities for future investment.

The respondents were asked to grade their priorities from one to four across four different areas which were:

1. Providing a mix of vehicles so that the police can respond better to rural issues like hare coursing, rural/heritage thefts and winter access to rural areas. This could include 4x4s, quad bikes and trail bikes
2. Ensuring that the right technology is available to protect the most targeted and vulnerable people online; tools to tackle the massive rise in online child sexual exploitation and cyber-crime for example
3. Providing Automatic Number Plate Recognition (ANPR) cameras for vehicles and for mobile use. These cameras check to see that vehicles are taxed, insured and have an MOT as well as providing information such as if the vehicle owner is wanted by the police.
4. Providing mobile equipment to keep front line personnel updated, safe and able to stay away from the station for longer. This includes body-worn video camera and



mobile devices to record, pass on and receive information, mobile finger print machines and drug testing kits

Although the results did not demonstrate any significant focus on any single priority it did show general support that these were the right investments to focus on. In fact the strong majority of those surveyed, at nearly 70% (1225), said they wanted the PCC to invest in all of the listed priorities “as they will clearly help protect the public”.

Only 54 people (3.1%) indicated that they didn’t want investment “in any of these things”. The remaining 27.3% said they would rather focus investment in their top two priorities; although no two areas stood out as being more of a priority in the survey.

Investment in mobile equipment to “keep front line personnel updated, safe and able to stay away from the station for longer” emerged as the top priority with 514 people choosing it as their most important.

Taken in conjunction with the results around the preservation of small community police buildings this provides a clear steer that sharing or reducing estates, where appropriate, and investing in front line officers is seen as an acceptable sacrifice.

“Providing a mix of vehicles” provided the biggest division amongst the respondents with 491 choosing it as the top priority (the 2nd highest) and 572 as the lowest priority (the highest number) – perhaps demonstrating the difference in priorities amongst the urban and rural policing areas within the county.

Improved Automatic Number Plate Recognition (ANPR) was placed firmly in the centre with 1070 people putting it in second or third placing

Summary

The results show overwhelming support for increases in police funding through both council tax and the PCC’s efforts to secure fairer funding for Lincolnshire.

Support for the general principles behind the Blue Light Collaboration Programme is strong and the public seem to accept a reduction in investment in bricks and mortar in exchange for investment in technology enabling officers to spend more times on the street.

The four priorities set out by the PCC seem to have won general support of the majority of respondents with equipment for front line personnel receiving slightly higher on the list. Providing a mix of vehicles divides the public more than other options.

The Police and Crime Commissioner for Lincolnshire

Deepdale Lane, Nettleham, Lincoln LN2 2LT
Telephone (01522) 947192 Fax (01522) 558739
E-Mail: lincolnshire-pcc@lincs.pnn.police.uk
Website: www.lincolnshire-pcc.gov.uk

Marc Jones

The Police and Crime Commissioner for Lincolnshire

Date: 26th January 2017
Our Ref: MJ/jf/HO-2016-067

Rt Hon Brandon Lewis MP
Minister of State for Policing and Fire Services
Home Office
2 Marsham Street
London
SW1P 4DF

By Email:- policing.minister@homeoffice.gsi.gov.uk
policeresourcespolicy@homeoffice.gsi.gov.uk

Dear Brandon

PROVISIONAL POLICE GRANT REPORT 2017/18

Thank you for your letter of 15 December 2016 in which you invite comment on the provisional Police Grant Report 2017/18 setting out force-level allocations of central government funding.

I welcome your confirmation that resource funding for PCCs will be protected at flat cash levels when compared to 2015/16, assuming that precept income is maximised. However, I recognise the additional burden that such an increase places on local council taxpayers, particularly in Lincolnshire where the local contribution to police services already forms a greater proportion of overall funding than in most other police force areas.

I agree that forces need both to increase their efficiency and transform so that policing services are ready to meet changing demands within national resource envelopes. Lincolnshire Police has embraced this challenge enthusiastically by collaborating extensively within the East Midlands and entering into a ground breaking private sector partnership to ensure that we continue to deliver good policing services at one of the lowest costs per head of population. We continue to seek efficiencies and have welcomed the support of transformation funding to invest in our incident management system for the benefit of Lincolnshire and regional forces. Our Bluelight Collaboration Project is a further example of local innovation supported by central funding.

However, as HMIC noted in its most recent efficiency inspection "the force has done what can reasonably be expected to become efficient and maximise value for money for the taxpayer". The Provisional Grant settlement, being based upon the historical allocation of resources between force areas, does not address the acknowledged underfunding of Lincolnshire under the old formula. Whilst I recognise the challenge of devising a new resource allocation methodology I am acutely aware that a flat cash settlement places a disproportionate burden on those forces, like Lincolnshire, that are already operating with high levels of efficiency. I look forward to receiving your proposals for a fairer allocation of resources later this year. With the

APPENDIX B

current allocation, I will be drawing heavily on meagre reserves to maintain visible policing services in 2017/18; that approach cannot continue.
As always, Lincolnshire stands ready to work with you and your officials on further refinement of your proposals over the coming months.

Yours sincerely

A handwritten signature in black ink, enclosed within a thin, light-colored oval border. The signature is stylized and appears to read 'Marc Jones'.

Marc Jones
Police and Crime Commissioner for Lincolnshire

POLICE AND CRIME PANEL BUDGET REPORT**SUPPLEMENTARY INFORMATION****1. Provisional Settlement Announcement**

- 1.1 The Provisional Police Grant report (England and Wales) 2017/18 and House of Commons written statement on the Police Provisional Funding Announcement were laid in Parliament on 15th December 2016.
- 1.2 The police settlement covers just one year. In his written statement the Minister confirmed the announcement by the Chancellor in November that overall Home Office spending on police would be protected at flat cash levels as long as precept income is maximised. Although overall spending is protected, for Police and Crime Commissioners (PCCs), the provisional settlement indicates a grant reduction of 1.4% for Lincolnshire, which in cash terms is £0.821m.
- 1.3 Force areas across the Country will experience different levels of increase in their total resource funding. These range from 0% in Merseyside to 2.2% in Sussex; in Lincolnshire the increase is 1.7%.
- 1.4 As in previous years, the existing funding arrangements will continue in 2017/18. The Government consulted on a new basis for the allocation of funding to Forces during 2015. Whilst the need for the new method of allocation received general acceptance, an error in the exemplification of the new regime resulted in the process being paused and implementation is delayed until 2018/19.
- 1.5 As a result, each Force area will broadly face a similar reduction in government grant in 2017/18. This is regardless of their current resource position, how efficient they are and the extent of the action already taken to reduce their cost base.
- 1.6 The written statement refers to a number of top-slices from the Police Main Grant where the Minister considers there is a national policing interest. These include:
 - Specific funding for counter-terrorism policing will be increasing to £670m. Allocations of counter-terrorism funding will be confirmed separately in the new year
 - A further £32m will be provided for armed policing from the Police Transformation Fund in 2017/18
 - Emergency Services Network (ESN) will see approximately £100m increase, as per the Spending Review, which will give all officers priority access to 4G mobile broadband data on a single network.
 - Funding will continue to be allocated for the continuing development of Home Office Biometrics and the National Law Enforcement Police Database
 - Independent Police Complaints Commission (IPCC), the settlement provides increased funding to support the IPCC as it becomes the Independent Office for Police Conduct.
 - A new reallocation of some £2m will support the Gangmasters and Labour Abuse Authority (GLAA) to tackle labour exploitation including modern slavery across the economy

- College of Policing, continuation of funding to the College of Policing to deliver direct entry schemes
 - Police Special Grant, third year funding has been provided from the police settlement for the discretionary Police Special Grant contingency fund (£50m), which supports police force areas facing significant and exceptional events which might otherwise place them at financial risk. It also includes provision for specific costs likely to be incurred preparing for the policing operation at the Commonwealth Heads of Government Meeting in 2018.
 - Police Innovation Fund projects will continue to be funded
 - Police Transformation Fund will increase in size to £175m, an increase of over £40m.
 - Pre-charge bail, a new reallocation of up to £15m to meet the costs for magistrate's courts and legal aid should these costs increase as a result of the changes.
- 1.7 At the time of writing, the Ministry of Justice had not announced the allocation of the Victim Services Grant to PCC's, the budget includes a projection for this grant and commensurate ring fenced spending.
- 1.8 The provisional settlement for police confirmed the intention of a 2% council tax referendum limit, other than the 10 lowest precepting PCCs who can raise their precept by £5 per year for a Band D property. Lincolnshire is not in that group.

2. Lincolnshire's Position

- 2.1 In total, the Provisional Grant Settlement was as indicated in the Spending Review but as the level of top slicing was unclear represents a divergence from the forecast which had been included in the previous MTFP; total grant support is shown in the table below:

	2016/17 Actual £'000	2017/18 MTFP £'000	2017/18 Provisional Settlement £'000	Reduction in Grant £'000
Police Grant	58,728	58,328	57,907	(421)
Council tax compensation	1,058	1,058	1,058	-
Council tax support	5,775	5,775	5,775	-
	65,561	65,161	64,740	(421)

- 2.2 There is a reduction in grant of £821k to Lincolnshire for 2017/18 compared to 2016/17, whereas a reduction of £400k had been assumed in the previous MTFP. It is important to note that, including 2017/18, grant reductions in Lincolnshire since 2010/11 (the start of the austerity period) now total 23%, equivalent to some £17m per annum.
- 2.3 Future years are specifically excluded from this announcement and it is unlikely that any further information will be received until after the Funding Formula review has

been restarted. The MTFP still includes provision for an ongoing 0.7% cash cut per annum in overall Police Grant.

3. Revenue Budget 2017/18

3.1 The Revenue Budget for 2017/18 has been prepared in accordance with the Budget Strategy adopted by the PCC. This includes a set of key assumptions:

- Police Officers Pay - the budget has been set to provide for an establishment of 1,100 officers.
- Police Staff Pay - the Budget has been set to provide for an establishment of 236 staff.
- PCSO Pay - the budget has been set to provide for an average establishment of 121 PCSOs.
- The Strategic Partnership Budget has been set in accordance with the contract and estimated inflationary clauses.
- A review of those running costs relating to premises, vehicles HR & training costs has been undertaken. In discussion with budget managers challenging targets have been set. This will require managers to prioritise spend across the financial year.
- Other Operational Policing costs have been similarly reviewed and challenging targets set for the provision of equipment and accoutrements.
- Capital financing charges have been reviewed resulting in the identification of savings following the assessment of spend in the current year and the future capital programme proposals.
- Police Grant provisional announcement has been included.
- Council tax - in order to preserve future service levels and accord with the government's own assumptions, a 1.97% increase has been included for 2017/18 and 2% going forward. (See Council Tax Precept section of this report).

3.2 The following table summarises the proposed budget for 2017/18.

TABLE A Revenue Budget 2017/18

BUDGET	2016/17 BASE BUDGET £M	2017/18 BASE BUDGET £M
Income		
Government Grant	(66.8)	(65.9)
Collaborative Services	(2.2)	(2.1)
Council Tax	(45.3)	(46.4)
Use of Reserves	(2.5)	(3.9)
	(116.8)	(118.3)
PCC Expenditure		
Strategic Partnership	22.4	23.1
Community Safety and Victims Services	1.7	1.6
Historic Pensions & Financing Costs	2.9	3.3
Collaborative services	2.2	2.1
Other direct PCC budgets	0.7	0.7
	29.9	30.8
Chief Constable Expenditure		
Police officers	57.0	57.6
Police Staff	8.8	8.0
PCSOs	4.7	4.0
Operational Policing Costs	3.8	6.5
Premises, Vehicle, HR & ICT Running Costs	8.5	7.5
Regional collaboration	2.6	2.7
	85.4	86.3
Joint Services	1.5	1.2
Total	-	-

3.3 The proposed budget includes provision for additional cost pressures identified since the MTFP totalling £1.1 million. The main areas of increase are

- Pay Awards £0.5 million
- Apprenticeship Levy £0.3 million
- Unavoidable running cost increases £0.3 million.

4. Medium Term Financial Plan (MTFP)

4.1 The Medium Term Financial Plan covers the period 2017/18 to 2019/20.

4.2 No indication has been given by the Government for future police grant allocations following its commitment to revisit the police funding formula. Government grant has therefore been assumed to be subject of a cash reduction of 0.7% across the period of the MTFP based on the spending review announcement.

- 4.3 Based upon Lincolnshire's current share of police grant, this results in a position where current service levels cannot be maintained. The following table shows the resulting budget gap for the medium term period:

TABLE B Budget Gap Based on current share of Police Grant

	2017/18	2018/19	2019/20
	£M	£M	£M
Projected Deficit	3.869	5.092	4.862

- 4.4 Lincolnshire has been innovative and has embraced change particularly in respect of partnership work with both the private sector and regional forces and has been graded "Good" by HMIC for the provision of affordable policing.
- 4.5 However, given the government's acknowledgement that the current funding formula is not fit for purpose, our medium term plan is based upon the government's stated intent in respect of the new resource allocation methodology. Exemplifications from the Home Office in 2015 showed that Lincolnshire would receive additional grant funding of £8m per annum under the then proposed methodology. Taking a prudent approach, we have assumed that the outcome may not be as quite as favourable and that some transitional arrangements would be used to implement the review. On this basis, the implementation of the Funding Formula Review would have the following impact:

TABLE C MTFP Deficit Position including Funding Formula Review

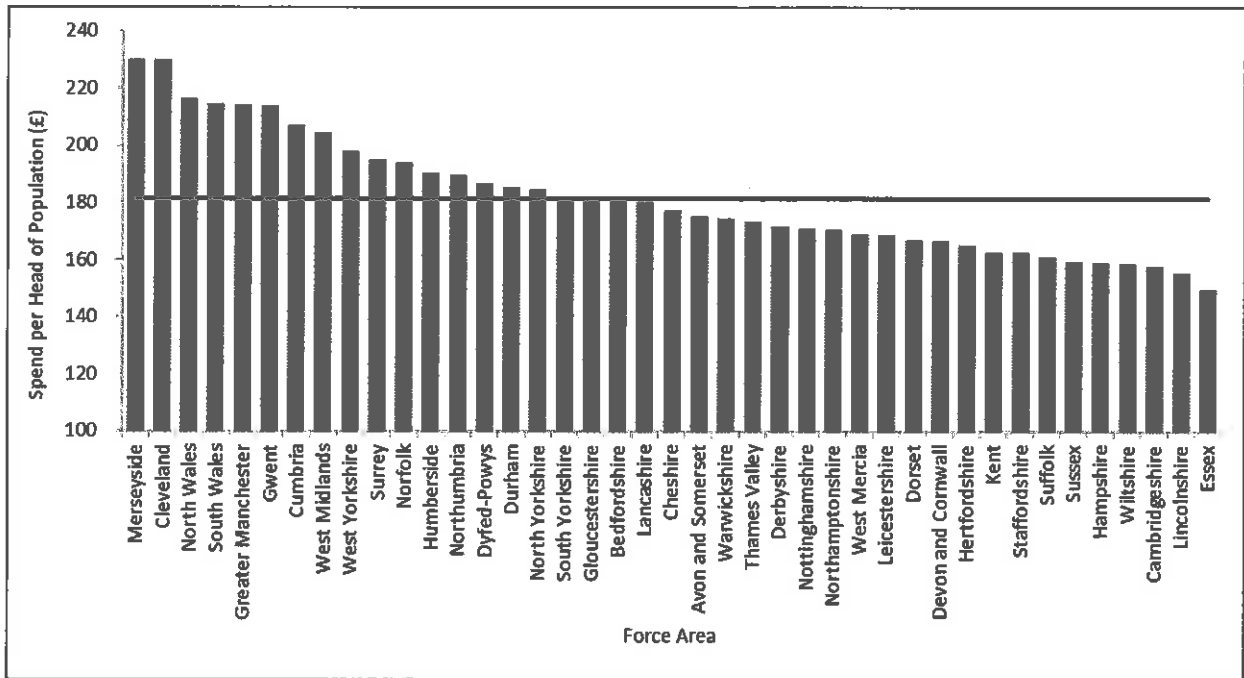
	2017/18	2018/19	2019/20
	£M	£M	£M
Projected Deficit	3.869	5.092	4.862
Funding Formula Review	-	(3.000)	(6.000)
Budget Gap remaining	-	(0.905)	-
Requirement from Reserves	3.869	1.187	(1.137)

- 4.6 This level of transitional reserve funding is within the reserves earmarked for budget equalisation.

5. HMIC VFM Profile

- 5.1 The HMIC Value for Money Profile published in November 2016 contained the following headlines in respect of Lincolnshire Police:
- Lincolnshire has the second lowest policing costs per head of population in the Country significantly below the national average.

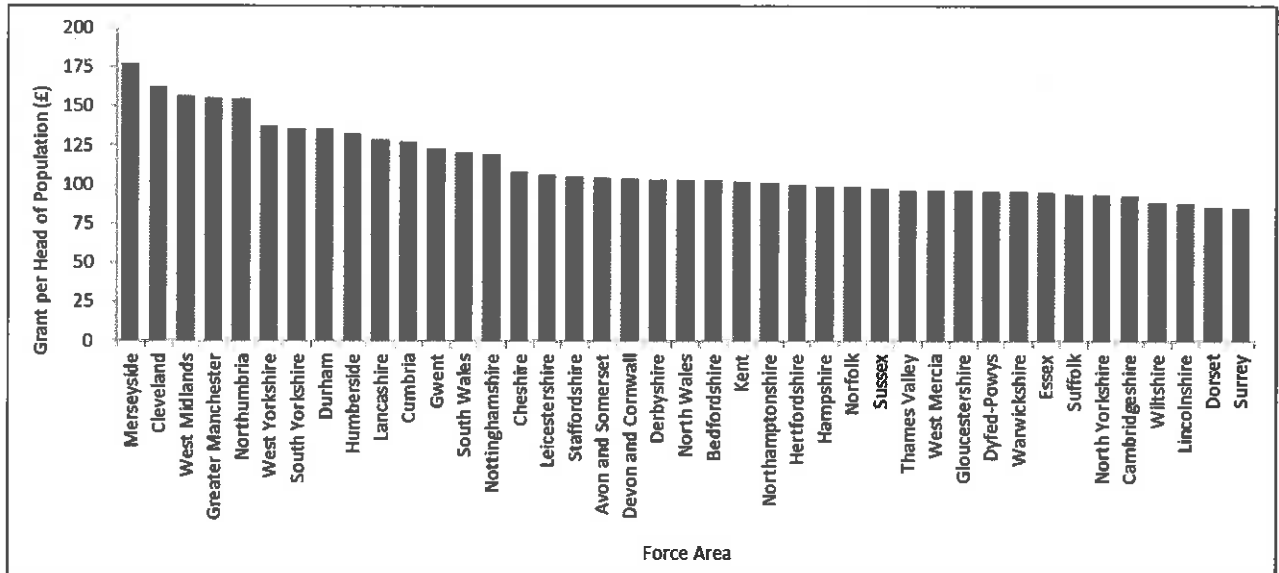
Figure 1: Spend per Head of Population (Estimated 2016/17)



Source: Estimated Net Revenue Expenditure 2016/17 (Gross revenue expenditure minus earned income) from POA (includes National Policing) and Office of National Statistics - Population estimates by force (mid-2015) ADR Note: excludes the City of London and Metropolitan Forces

- Lincolnshire receives one of the lowest levels of central funding per head of population

Figure 2: Formula Grant per Head of Population (Provisional Settlement 2017/18)

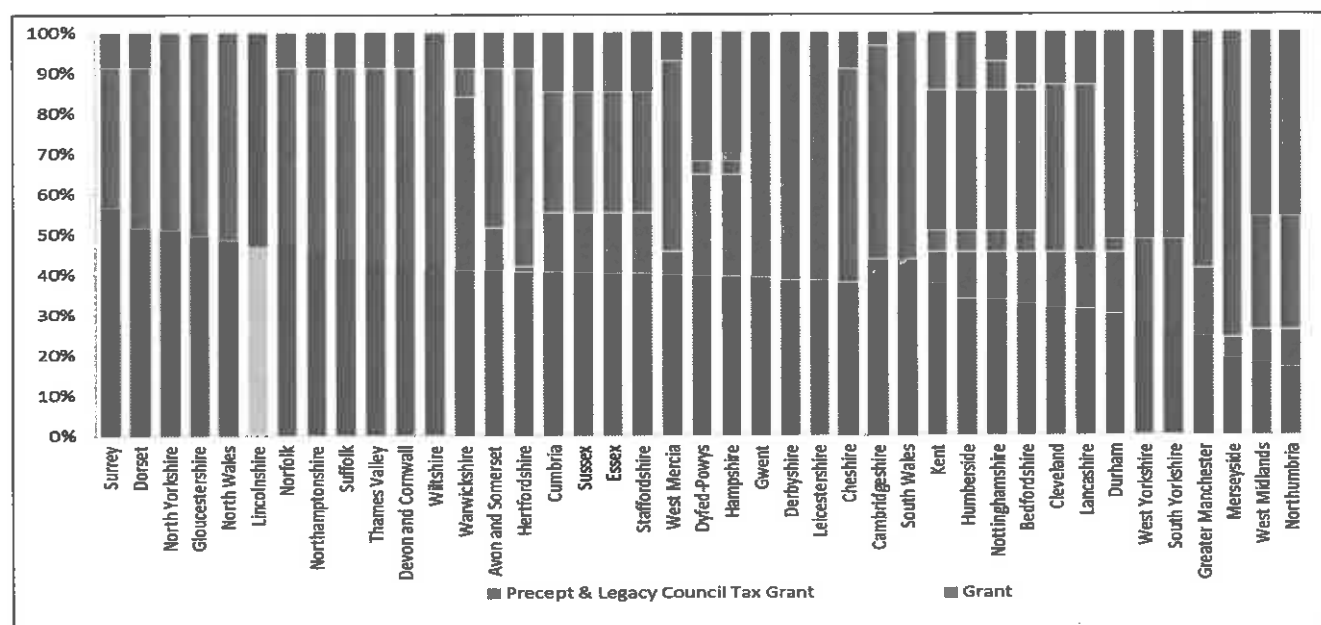


Source: Home Office Provisional Police Grant Report (England and Wales) 2017/18 and Office of National Statistics - Population estimates by force (mid-2015) ADR. Excludes the City of London and Metropolitan Forces. Welsh Forces receive additional Top Up Grants included above.

- Our local funding is one of the highest in the country, this is coupled with a below average yield per head of population from each £1 of tax levied. As Figure 3 demonstrates, the proportion of overall spend funded by the Police Precept varies from 56% for Surrey to 17% for Northumbria with an average of 38%. In

comparison Lincolnshire would be 6th out of 41 Authorities at 47%, i.e. it is above average in terms of the contribution that Council Tax Payers make to overall spending

Figure 3: Proportion of Grant and Precept & Legacy Council Tax Grant (Estimated 2016/17)



Source: POA estimates 2016/17. Grant % includes Formula and Police Grant against the Precept & Legacy Council Tax Grant. Excludes the City of London and Metropolitan Forces.

- Police Officer cost per head of population is the fourth lowest in the country. The number of police officers per 1000 population is the 2nd lowest.
- PCSO Costs per head of population are £6.80 just above the national average of £6.40 but lower than the most similar Group of Forces at £7.10.

5.2 The VFM Profile also examines the workload position of Forces and show that Lincolnshire officer workload is slightly higher than the national average:

- The number of crimes per visible officer is 59.3 crimes, the 18th highest in the country. The National average is 58.9 crimes per visible officer and the most similar Group of Forces are at 51.5 crimes.

6. Risks

6.1 The comparative data evidences the impact of Lincolnshire’s significant efforts to balance its budgets across a spectrum of approaches including extensive partnership working and ongoing reviews of spend.

6.2 Although Lincolnshire is working hard and innovatively to drive out savings, the ability to make further savings of the scale already delivered, cannot be pursued on a purely incremental basis. If the funding increase resulting from the Funding Formula Review shown in Table C is not delivered by the government then setting a budget from 2018/19 onwards will require a significant change in the way that services are delivered. For example it may result in:

- Loss of some or all PCSOs

- Loss of Police Officers
- Loss of Police Staff
- Significant change in Strategic Partnership Service Levels
- Reduction in Capital Programme, replacement vehicles etc.

6.3 To make a further reduction of police officers (or combination of officers and PCSOs) would mean significant service degradation.

6.4 In addition to the funding shortfalls highlighted in Table B there are significant further risks to this budget position illustrated in the table below:

TABLE D Future Budget Risks

BUDGET RISK	2017/18 £M	2018/19 £M	2019/20 £M
Police Officer Overtime	0.250	0.250	0.250
Central ICT charges	unknown	unknown	unknown
Airwave Replacement Dual Running Costs	0.250	0.250	0.250
Additional Regional Costs CJS and Operations Support	unknown	unknown	unknown
Further Grant Reductions	1% reduction = 0.590	1% reduction = 0.590	1% reduction = 0.590
Tightening of Referendum Limit	1% reduction = 0.420	1% reduction = 0.420	1% reduction = 0.420
Increased demands on Contingency Budget	unknown	unknown	unknown
Increased National Contributions required by the Home Office	unknown	unknown	unknown

7. Reserves Strategy

7.1 The PCC holds a General Reserve of £5.6 million; the following risk based assessment has been undertaken.

TABLE E Reserves & Risk

Risk	£m
Budget Overspend – required provision for pay awards or price increases being higher than assumed, income from fees and charges being less than assumed, planned savings not being delivered fully, or poor budget management. Potential call on reserve is based on a 2% overspending.	2.30
Major Disaster: Central government may provide grant support for eligible expenditure. PCCs are expected to meet part of the costs from their own reserves. The potential call is based on emergency costs of £5m which are eligible for grant support.	1.70
Treasury Management - The potential maximum loss due to the default of a single counterparty is £4m. The PCC has a very low risk approach to selecting counterparties.	4.00
Total	8.00

7.2 The range of required Reserves is assessed as £3.30 million - £8.00 million against existing Reserves of £5.6 million. The proposed range of acceptability is wide with £4.7 million being the difference between the minimum and maximum acceptable levels. The PCC's current policy is that he should plan to hold the Reserves to a level commensurate with the mid-point of the acceptable range. In monetary terms, this would be equivalent to the £5.6 million already held.

8. Capital Programme

8.1 The forecasts for capital financing charges included within the budget calculations for 2017/18 and the MTFP are based on the capital programme shown below:

TABLE F Capital Programme

	2016/17	2017/18	2018/19	2019/20
Assumed capital programme	£m	£m	£m	£m
Building schemes	2.6	1.5	1.5	1.0
Blue Light collaboration (Police Innovation Fund Bid)	1.6	6.4	11.3	-
ICT projects	2.1	3.2	1.6	0.3
ICT refresh	-	1.8	-	-
Telephony replacement	-	1.0	-	-
Command & Control	-	-	1.0	-
Vehicles	1.0	1.2	1.2	0.6
Equipment Replacement	-	0.3	0.2	0.2
Total	7.3	15.4	16.8	2.1

8.2 The 2018/19 and 2019/20 projections (excluding the Blue Light collaboration) are based on the assessment that a programme of £3m to £4m per annum is sustainable in the longer term. The 2017/18 programme also includes provision to refresh hardware and software as specified in the Strategic Partnership contract.

9. Precept Analysis

- 9.1 Provisional details of the council tax base have been received from Lincolnshire district councils. These indicate a 1.5% increase in the tax base in 2017/18. There is also a surplus/deficit on council tax collection funds: the Police and Crime Commissioner's share of this surplus/deficit is estimated to be £0.5 million (surplus).
- 9.2 The government has not announced a Council Tax Freeze Scheme in 2017/18.
- 9.3 In his written statement the Minister confirmed the announcement by the Chancellor in November that overall Home Office spending on police would be protected in real terms as long as precept income is maximised. Although overall spending is protected, for Police and Crime Commissioners (PCCs), the settlement indicates a flat rate 1.4% reduction in cash terms for Lincolnshire (£821k).
- 9.4 The inclusion of precept means that forces across the country will experience different levels of increase in their total resource funding¹, in Lincolnshire the increase indicated by the government is 1.7%.
- 9.5 The government has set the threshold for council tax increases above which a local referendum would be triggered at 2%.
- 9.6 Future years beyond 2017/18 are specifically excluded from the announcement, the medium term financial strategy is based upon annual council tax increases of 2% per annum. There would be an increasing reduction to the income currently shown within the plan each year of a further £1m if this is not the case.
- 9.7 The government's proposals on Police Grant and the need to maintain in cash terms resources to policing, leads to the proposal to increase the police precept by 1.97%

¹ This includes all formula grant, legacy council tax grants and police precept.

in 2017/18 at the maximum permitted threshold for council tax increases, without triggering a costly referendum.

