



**POLICE AND CRIME COMMISSIONER
FOR
HUMBERSIDE**

**MEDIUM TERM
RESOURCE STRATEGY**

2019/20

TO

2023/24

**POLICE AND CRIME COMMISSIONER FOR HUMBERSIDE
MEDIUM TERM RESOURCE STRATEGY 2018/19 – 2022/23**

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Executive Summary

- i. This is the annual review of the Police and Crime Commissioner for Humberside's Medium Term Resource Strategy (MTRS). It has been formulated in consultation with the Chief Constable and incorporates a financial forecast over a rolling five-year timeframe covering the period 2019/20 to 2023/24. The MTRS sets the financial context for resource allocation together with budget and precept setting. It has been reviewed by the PCC. It is an essential tool to ensure the medium term financial sustainability of the Force and the Office of the Police and Crime Commissioner (OPCC).
- ii. The MTRS provides information on the resources available to enable the outcomes set out in the PCC's Police and Crime Plan to be delivered. The Plan was published in March 2017 and has three aims:-
 - To develop increasingly self-sustaining and safe communities in the Humber area;
 - To build confidence in the agencies involved in creating safer communities and
 - To provide services to victims and the most vulnerable that meets their needs.
- iii. Since the Comprehensive Spending Review 2010, the Police Service, along with other public sector partners, has faced significant financial pressures at the same time as having to meet increasing demands for service. This led to substantial budget savings having to be made in response to the Government's austerity measures. Following announcements made in November 2015 the Police Service was protected but the top slicing of resources by the Home Office to support national programmes, such as the replacement of the Emergency Services Network (ESN) and to provide transformation funding to assist in the delivery of the Policing Vision 2025 meant that PCCs continued to suffer reductions in Government support. Proposals to review the funding formula were deferred after an unsuccessful attempt and the General Election prevented further consideration of changes which have now been pushed back to be considered after the Spending Review in 2019.
- iv. In 2018 the Government confirmed that in 2018/19 all PCCs would receive the same amount of general grant as they had in 2017/18 and that after a number of years when the maximum increase in precept allowed was 2% for the majority of PCCs and with those whose precepts were in the lowest quartile allowed to increase by £5, all PCCs could increase their precepts by up to £12 for a Band D property before requiring a referendum. Ministers made it clear that their assumption was that all PCCs would increase their precepts by the maximum amount.
- v. At that time, the Minister also indicated that the same arrangements would apply in 2019/20 i.e. the settlement would be flat cash and there would be another opportunity to raise the precept by a further £12, provided significant progress was made towards efficiency and productivity targets and greater transparency in relation to reserves. During 2018/19 the Service has responded to these requirements, providing additional information on reserves and reserves strategies as well as providing regular updates on the achievements of targets for savings and efficiency targets e.g. in relation to procurement.
- vi. The MTRS provides details of the funding to be made available in terms of Police Grant in 2019/20 based on the Provisional Settlement announced on 13 December 2018, which was subsequently confirmed in the Final Police Grant Report and Ministerial Statement published on 24 January 2019. It takes into account increases in the tax base and assumptions of Collection Fund surpluses based on estimates from the four billing authorities in the Humberside Police Force area.
- vii. In his announcement on the Settlement, the Minister recognised the need for the police to have the right capabilities and resources to respond to the changing nature of crime. This followed strong lobbying from PCCs and forces and close collaborative working between the Service and the Home Office. He confirmed that the Service had delivered on the conditions and was on track to deliver the commercial and back office savings targets by 2020/21, with all PCCs publishing reserves strategies using the guidance issued last year.

- viii. The Minister indicated that it was clear that demand pressures on the police has risen with major increases in the reporting of high harm crimes such as sexual exploitation and modern slavery along with growing threats from serious and organised crime and a spike in serious violence and knife crime. He also commented on the threat from terrorism where the Chancellor had already announced an increase in the national budget to £816m.
- ix. The Government estimated that the Settlement would allow an increase in support for policing of £970m, including grant funding and full use of the ability to use the flexibility in relation to precept, funding to support pension costs and increased national funding, The Minister indicated that each PCC will see their grant from Government protected in real terms.
- x. Prior to the Settlement there had been considerable concerns over the impact of changes to employers' police officer pension contributions identified in the autumn that had not been anticipated in forces' existing financial plans. The Settlement took into account £153m of specific grant from Government reserves, distributed according to a methodology agreed with the Service to offset the associated cost increases. However, after taking account of Humberside's share of this and the additional general grant in the Settlement, there remains an additional cost in excess of £300k in 2019/20.
- xi. The Minister announced that the Government were proposing to double the flexibility available to PCCs to increase precept by £24 as opposed to the £12 increase signalled last year. He indicated that the Government had estimated that, assuming once again that all PCCs would increase their precepts by the maximum amount possible, based on its calculations, this would raise an extra £509m i.e. more than 50% of the total increase in funding referred to earlier.
- xii. In return for this additional support the Government expects the following:-
- Continued efficiency savings in 2019/20 through collective procurement and shared services, with an expectation that every force will contribute substantially to procurement savings and that the Home Office will be working with the police to agree the right force level objectives for 2019/20 and 2020/21.
 - Major progress to resolve challenges in investigative resources identified by HMICFRS, including recruitment of more detectives to tackle the shortfall.
 - Continued improvement in productivity, including smarter use of data that deliver £50m of productivity gains in 2019/20
 - Maintaining a serious and organised crime response that spans the identification and management of local threats as well as support for national priorities.
- xiii. The Police and Crime Plan outlined the PCC's proposals to re-energise the local Community Safety Partnerships (CSPs). This work was significantly enhanced by the proposals in 2018/19 which included the reorganisation of the OPCC and additional investment. This is now bearing fruit with improved input in joint working arrangements with CSPs and other partners. The Strategy continues to include provision to fund victims' services utilising a grant from the Ministry of Justice that has been confirmed as £1.074m for 2019/20 (£1.119m in 2018/19).
- xiv. The forecasts in the MTRS are based on the information from the Chief Constable's target operating model which reflects the decision of the PCC to significantly increase and bring forward the recruitment of additional police officers. It also takes account of the Government's decision to award a pay increase of 2% for police officers and the recently agreed offer of a similar award to police staff. It should be noted however that legal action in connection with the police officer award could mean that negotiations will be reopened.
- xv. The capital programme provides for local expenditure and includes spending on Estates, including completion of the custody facility at Bircham Way, Grimsby and proposals for a new building at Melton which will allow significant improvements to be made in efficiency and contribute to further rationalisation of the Force estate. The Programme also includes provision for expenditure on IT, vehicles and equipment.

- xvi. The fact that the referendum limit has been increased so significantly once again has provided the PCC with a range of options to consider. As outlined in previous years, the precept provides the PCC with a permanent source of income in future years and in its planning the Government is now consistently assuming that all PCCs will apply the maximum possible increase. There were caveats as to whether the £12 increase for a Band D property would be available in 2019/20 but Ministers have accepted that the conditions **set last year** have been met. However, the assumptions about the precept increase have been superseded by the announcement that the precept flexibility next year will now be doubled to £24.
- xvii. Although this, together with the announcements on the support for pensions, provided the framework for formulating the budget for 2019/20 there remains considerable uncertainty over the position for future years. The Government will carry out its Spending Review in 2019 and this will be followed by the long awaited review of the funding formula for the distribution of resources in policing. The National Police Chiefs' Council (NPCC) and the Association of Police and Crime Commissioners (APCC) are working closely once again with Home Office officials on the submission from the Service on the Spending Review. The Spending Review will be followed by the review of the funding formula. The earliest possible timing for this review is now expected to be in the autumn of 2019. This will involve various working groups and the Home Office and will be followed by a full consultation process in 2020 prior to implementation in 2021/22. This means therefore that there will be little clarity over the funding position in the short term and Government support for 2020/21 will not be confirmed until December 2019. The position is exacerbated the lack of certainty in relation to support for pensions in future years which will be considered as part of the Spending Review.
- xviii. As a result there is a significant risk that PCCs and forces will take different approaches to developing their medium term financial plans and use different assumptions, particularly in respect of pensions. This could give rise to a "cliff edge, jeopardising decisions on staffing and investment. In formulating this MTRS it has been assumed that the support for pensions will be baselined and that for 2020/21 onwards there will be flat cash settlements with limited opportunity to increase the precept in future years.
- xix. The MTRS incorporates two scenarios to illustrate the impact on staffing of the different assumptions of increases in precept next year, one being a benchmark against the projection of a £12 precept rise discussed last February against the updated spending forecast for 2019/20 and the other assuming the maximum increase allowed next year.
- xx. Following the increased scrutiny over the level of reserves in 2018, the PCC's strategy on reserves was updated and the MTRS now incorporates the latest version, taking into account the preferred option for the increase in precept. It should be noted that this is now a requirement of the Financial Management Code of Practice.
- xi. Although there appears to be a significant increase in funding due to the extra Government grant and precept income, after taking into account the additional costs of pensions, pay awards, inflation, demand pressures, growth in officers numbers and increased capital costs the Force will still need to make savings of c£2.7m to balance the budget next year.
- xxii. After taking into account the issues raised within the MTRS, including the financial implications of each of the options in connection with precept for 2019/20 and Government announcements, the Commissioner has considered a range of alternative options and his preferred recommendation is for a 12.04%/£23.99 increase in 2019/20. This would make the policing element of the Council Tax for policing for a Band D property £223.31, compared with £199.32 in the current financial year.

1 Introduction

- 1.1 This document sets out details of the Medium Term Resource Strategy (MTRS) which supports the Police and Crime Commissioner for Humberside's (PCC's) precept proposals for 2019/20.
- 1.2 The MTRS provides information on the resources available to support the delivery of the PCC's Police and Crime Plan. It continues to incorporate detailed information on workforce planning assumptions in addition to the medium term financial plans.
- 1.3 The PCC has responsibility for the totality of policing in the Humberside Police Force area and he also has a wider role in relation to the "and Crime" agenda, which includes the responsibility for commissioning victims' services.
- 1.4 The MTRS therefore continues to set out information on spending plans in connection with collaboration with partners on community safety and victims' services.
- 1.5 The two options within the MTRS reflect those discussed with the PCC when considering his proposals for the precept next year and are shown in the first year, 2019/20, in the illustrations in this document.
- 1.6 Assumptions for future years are indicative at this stage with 2019/20 using grant data from the Provisional Police Grant Settlement announced on 13 December 2018. The assumptions for future years are set out in the Appendices and reflect the information used by PCC to determine his preferred precept proposal.
- 1.7 The Final Police Grant 2019/20 was laid before Parliament on 24 January 2019 and will be debated on 5 February 2019. There were no changes to the Provisional Settlement announced in December.
- 1.8 The Settlement was accompanied by a Department of Communities and Local Government announcement on the principles for referendums relating to council tax increases. For 2019/20 for PCCs, increases in precept will be regarded as excessive, i.e. they will require a referendum, if the precept for a Band D property is more than £24 higher than the amount in 2018/19. Ministers have highlighted that this is the equivalent to £2 per month.
- 1.9 In his statement on the Settlement the Minister for Policing and the Fire Service recognised the need for the police to have the right capabilities and resources to respond to the changing nature of crime. This followed strong lobbying from PCCs and forces and close collaborative working with the Home Office. He confirmed that the Service had delivered on the conditions set out in 2018 and was on track to deliver the commercial and back office savings targets by 2020/21, with all PCCs publishing reserves strategies using the guidance issued last year.
- 1.10 The Minister indicated that it was clear that demand pressure on the police has risen with major increases in the reporting of high harm crimes such as sexual exploitation and modern slavery along with growing threats from serious and organised crime and a spike in serious violence and knife crime. He also commented on the threat from terrorism where the Chancellor had already announced an increase in the national budget to £816m.
- 1.11 The Government estimated that the Settlement would allow an increase in funding for policing of £970m, including grant funding and full use of the ability to use the flexibility in relation to precept, funding to support pension costs and increased national funding, The Minister indicated that each PCC will see their grant from Government protected in real terms.

- 1.12 Ahead of the Settlement there had been considerable concerns over the impact of changes to employers' police officer pension contributions which were identified in the autumn that had not been anticipated in forces' existing financial plans. The Settlement took into account £153m of specific grant from Government reserves, distributed according to a methodology agreed with the Service to offset the associated cost increases.
- 1.13 In addition, the Minister referred to the proposal to double the flexibility available to PCCs to increase precept by up to £24 as opposed to the £12 increase detailed in the 2018/19 Settlement announcement. He indicated that the Government had estimated that, assuming once again that all PCCs would increase their precepts by the maximum amount possible, based on its calculations this would raise an extra £509m i.e. more than 50% of the total increase in funding which was estimated to be £970m.
- 1.14 In return for this additional support the Government expects the following:-
- Continued efficiency savings in 2019/20 through collective procurement and shared services, with an expectation that every force will contribute substantially to procurement savings and that the Home Office will be working with the police to agree the right force level objectives for 2019/20 and 2020/21.
 - Major progress to resolve challenges in investigative resources identified by HMICFRS including recruitment of more detectives to tackle the shortfall.
 - Continued improvement in productivity, including smarter use of data that delivers £50m of productivity gains in 2019/20.
 - Maintaining a serious and organised crime response that spans the identification and management of local threats as well as support for national priorities.
- 1.15 The Minister of Justice had already announced for 2019/20 in respect of his responsibility to commission services for victims that the PCC for Humberside would receive £1,074,053 next year, compared with £1,118,923 in 2018/19 (this included an additional £36,208 for continuation a project which will no longer be supported separately by the MoJ together with another small uplift of £4,287 for other projects).
- 1.16 The precept proposal for 2019/20 is subject to consideration by the Police and Crime Panel (PCP) that has a power of veto. The PCP is scheduled to meet on 5 February 2019 to consider the PCC's precept proposal.
- 1.17 There have been no changes to the arrangements whereby the PCP has to receive the precept proposal by 1 February each year. The PCP must then consider the PCC's proposal and respond with its views by 8 February. The Panel can either agree or veto the proposal. A veto requires a two thirds majority. Any veto can only be on the grounds that the PCC's proposal is either too high or too low. In those circumstances the PCC must consider and submit a further precept proposal, either lower or higher, depending on the PCP's comments on the original proposal. This must be presented to the PCP by 15 February. The Panel then has until 22 February to consider and submit comments to the PCC who has to have regard to those comments and declare and issue the final precept by 1 March 2018.

2 Police and Crime Plan

- 2.1 The PCC's Police and Crime Plan was published in March 2017 after consultation with key partners and stakeholders. It covers the period 2017 to 2021.
- 2.2 In developing his Plan, the PCC acknowledged that policing along with all public bodies had faced years of funding cuts necessitating adaptation and change. He also recognised that the financial outlook for the Police Service remained challenging. The Plan seeks to address the broad challenge of securing and maintaining public confidence, whilst working to deliver services to the public that meet their needs.

- 2.3 The PCC believes that delivering community safety is a hugely complex endeavour that involves not just the police but many different statutory and voluntary agencies along with the public themselves. The overall approach has been to encourage change that delivers the best results, focusing on promoting long term improvement and required those delivering community safety to be clear about what they want to achieve and how to work towards it.
- 2.4 The MTRS sets out details of the resources available to the PCC and to the Chief Constable to deliver the Plan. It recognises the need to continue to develop joined up cross-agency working with an embedded outcome based approach.
- 2.5 The Plan sets out the PCC's vision, mission and values together with three aims formulated in consultation with the public and partners. These aims are long term aspirations which will remain for the whole period of the Plan.
- 2.6 The Chief Constable has developed a Plan on a Page setting out how the Force will seek to improve delivery against priority areas reflected in the aims in the Police and Crime Plan. The Chief Officer Group has also produced and continued to refine a target operating model and detailed workforce plans which have been used in formulating the MTRS which identifies the resources made available to support this activity.
- 2.7 The Chief Executive's delivery plan for the OPCC describes how delivery of the Police and Crime Plan will be supported and the resource implications are also included within the MTRS.
- 2.8 The Police and Crime Plan's three aims are:-
- To develop increasingly self-sustaining and safe communities in the Humber area;
 - To build confidence in the agencies involved in creating safer communities and
 - To provide services to victims and the most vulnerable that meet their needs.
- 2.9 The MTRS incorporates a 5-year financial forecast, including estimates of both revenue and capital expenditure. It also includes detailed information on staffing assumptions. This enables the PCC to take a view on what is needed to deliver the Plan and how it can be financed and resourced. It continues to provide a basis for negotiations with key partners who play a significant part alongside the Force in ensuring that the high level outcomes are achieved.

3 Purpose of the Medium Term Resource Strategy

- 3.1 This MTRS sets out comprehensive and detailed plans covering the period 2019/20 to 2023/24. The Strategy takes account of the latest information following the release of the Government's Police Grant Report 2019/20.
- 3.2 During 2018 the NPCC and the APCC continued to work closely with the Home Office to demonstrate the impact of the increasing demands and financial pressures being placed on the Police Service which seem to have been accepted by Ministers and commentators.
- 3.3 In his announcement, the Minister commented on the increased demand, with major increases in the reporting of crimes such as sexual exploitation and modern slavery, growing threats from serious and organised crime as well as serious violence and knife crime and the threat from terrorism.
- 3.4 In the autumn, exemplifications were provided in connection with the discount factors and other issues impacting on the actuarial valuation of the unfunded police officer pension scheme highlighting the need for significant potential increases in employers' pension contributions which had not been identified in forces' existing financial plans. After much discussion and negotiation, Ministers indicated in the Settlement that £153m of specific grant from Government reserves, distributed according to a methodology agreed with the Service, would be made available to offset the associated cost increases.

- 3.5 The Minister also announced that the Government were proposing to double the flexibility available to PCCs to increase precept by £24 as opposed to the widely assumed £12 increase signalled last year. This once again attracted criticism from some PCCs citing it as further evidence of switching national taxation to local taxation which had already been seen in local government in the area of social care. Ministers are once again continuing to assume in their calculations that all PCCs would maximise the increase in precept.
- 3.6 The headline increase of £970m in additional funding comprises £509m in precept, £161m in additional grant, £59m of additional funding for Counter Terrorism and £90m for Serious and Organised Crime.
- 3.7 £813m of the £970m will go to policing, £509m precept, £143m pensions grant and £161m additional funding.
- 3.8 The background documents to the Settlement include details of the “reallocations” or “top slicing”, of monies that would otherwise be available to PCCs. This shows an increase of £84m from the amounts reallocated in 2018/19.
- 3.9 The top slicing allocations are as follows:-

	2018/19 £m	2019/20 £m
Police Technology Programmes	495.0	495.0
Private Finance Initiative	73.0	73.0
Strengthening the response to Organised Crime	42.0	90.0
Police Transformation Fund	175.0	175.0
Special Grant	93.0	73.0
Arms-Length Bodies	63	63.0
Top-ups to NCA/ROCU*	0	56.0
Pre-Charge Bail	4.0	4.0
TOTAL	945.0	1,029.0

*National Crime Agency/Regional Organised Crime Units

- 3.10 The Transformation Fund will remain the same in cash terms as in 2018/19 at £175m and the Home Office have indicated that only a small amount will be available to be allocated due to ongoing commitments following the move to a commissioning process in 2018/19.
- 3.11 The allocation for Police Technology Programmes has been maintained at £495m. This will continue to be used to support the costs of the replacement of the Emergency Services Network (ESN). This is the Emergency Services Mobile Communications Project (ESMCP) which will eventually replace the Airwave system. The project has continued to fall behind schedule. The associated local costs have been included in the MTRS but there are ongoing concerns over the implications in terms of the continued use of aging Airwave kit and the inability to generate savings that were originally envisaged.
- 3.12 Special Grant has reduced from £93m to £73m as the provision in 2018/19 provided for the Commonwealth Heads of Government Summit.
- 3.13 The Chancellor announced an additional £160m for Counter Terrorism in the autumn which will, bring the total funding to £816m, including an uplift of £24m for armed policing. The figures for individual forces will be confirmed separately. They will not be made public.
- 3.14 The Settlement once again confirmed that there is provision in 2019/20 for Council Tax Freeze Grants to PCCs in England relating to the 2011/12, 2013/14, 2014/15 and 2015/16 council tax freeze schemes and that they will continue to be paid next year.

- 3.15 There was no further mention of future settlements except to say that this is the last one before the next Spending Review which will set long term budgets and look at how resources are allocated fairly across police forces. The Home Office has expressed its thanks to the Service for its good work in building the evidence base to support that work and want to continue to ensure that investment is being well spent.
- 3.16 At the present time there are no plans to review the funding formula until after the conclusion of the Spending Review although there are work streams as part of the work on the Home Office submission looking at funding streams and funding models which could inform a future review. The earliest possible timing for this review is now expected to be in the autumn of 2019. This will involve various working groups and the Home Office and will be followed by a full consultation process in 2020 prior to implementation in 2021/22.
- 3.17 The MTRS illustrates the option of a £24 increase in precept in 2019/20 with assumptions of 2% pay increases in each year. This followed consideration of a range of scenarios looking at the impact on police officer numbers. Further details are set out in the exemplifications later in this document.
- 3.18 The development of the “and Crime” agenda is a vital component of the PCC’s Police and Crime Plan in relation to the way in which he saw partnership working being stimulated to support the achievement of its key aims. From 2017/18 CSPs have taken on responsibility for the allocation of support from the PCC, including continued funding for community safety and crime reduction activities. The work has been greatly assisted by the changes as part of the reorganisation of the OPCC structure with the creation of the Community Engagement Team. The initial support for the CSP element of funding was seen as Phase 1 and last year this was extended with an additional two phases with the commitment to an additional £1.5m for Phase 2 and a further £1m for Phase 3 to be funded from reserves. The extra £2.5m was included in the budget for 2018/19. Work undertaken during the year with the individual CSPs identified that to maximise the impact of this additional investment they needed it to be re-profiled. The PCC agreed to this flexibility given that the funding was coming from the Partnership Reserve. As a result of these negotiations, the budget provision has now been spread across 2018/19 and 2019/20 and the budget for the current financial year has been adjusted in budget monitoring reports with the impact next year on spend and the reserve incorporated into this MTRS.
- 3.19 The MTRS now provides for the mainstreaming of the original core Phase 1 CSP support budgets together with ongoing support for drug intervention/substance misuse programmes and other initiatives in addition to the cost of c£1.45m for the OPCC itself.
- 3.20 The provision of victims’ services continues to be a vitally important part of the PCCs workload. All monies from the MoJ have continued to be fully spent. The MoJ has announced that the PCC for Humberside will receive £1,074,053 next year. This compares with an allocation for 2018/19 of £1,118,923.
- 3.21 Although this allocation was announced earlier than in previous years, once again there has been no confirmation of allocations for future years. There remains a possibility that there could be more devolution of central grants in the future and the new performance management regime is still being developed.
- 3.22 The four unitary authorities within the Force area are the billing authorities and they have provided information on the tax base for 2019/20. This totals 270,692 Band D properties, compared with 266,301 in 2018/19. This represents an increase of 4,391 properties (1.65%). At this level a 1% increase in precept/Council Tax would generate c£540k and a £1 increase in precept would raise an extra £271k.
- 3.23 In formulating the 2019/20 funding settlement the Government estimated an increase in taxbase of 1.41%. Whilst the increase in Humberside has exceeded this it has again been pointed out that in some areas of England and Wales this level of increase has not been achieved.
- 3.24 The tax base growth for forward assumptions within the MTRS include an annual increase of 1%.

3.25 Whilst precept income is additional locally generated revenue, it forms part of what the Government describe as direct funding and it continues to be counted within the overall financial envelope for policing.

3.26 The billing authorities have also provided details of the following estimated Collection Fund balances:

Collection Fund Balance 31 March 2018		Estimated Collection Fund Balance 31 March 2019
	£000	£000
513	East Riding of Yorkshire Council	229
140	Hull City Council	200
235	North East Lincolnshire	148
56	North Lincolnshire	97
944	TOTAL	674

3.27 For the purposes of the MTRS, the 2018 police officer pay award of 2% has been included together with a similar assumption in connection with the police staff award that has recently been agreed. There is a possibility that the police officer award could change as a result of legal challenge and if this is the case negotiations on the police staff award could be reopened.

3.28 It has been assumed that for the duration of the MTRS pay awards will remain at 2%.

3.29 In the budgets in the MTRS approved last year there was provision for employers' contributions in respect of police pensions at 24.2% as there had been no change to the position whereby forces would not benefit from the last actuarial valuation which indicated that a rate of 21.3% should be applied. The Home Office continued to make adjustments through the Pension Fund Account for this so that the benefit was effectively returned to H M Treasury.

3.30 In the autumn of 2018, information was released in connection with the impact of changes to discount rates used in the calculation of employers' police officer pension contributions. The discount rate was reduced from 3.0% to 2.4% and the Home office signalled that forces would need to budget for the extra costs which they estimated at £165m in 2019/20 after H M Treasury had committed to support additional unforeseen costs in that year. At that time, the full cost in 2020/21 was estimated at £417m. Other changes largely served to reduce the pressure on employee costs.

3.31 In the Settlement the cost increases were revised to £330m and it was announced that forces will be provided with an extra £142.5m in pensions grant in addition to £161m in formula funding, The PCC for Humberside's share of the pensions grant will be £1.9m.

3.32 The total cost for Humberside is estimated to be £4.571m in 2019/20, which when compared with the extra pensions grant of £1.904m and the increase in main grant of £2.356m leaves a gap of £311k still to find.

3.33 The budget projection for 2019/20 includes the assumption of the level of employers' contributions in connection with police staff who are members of the Local Government Pension Scheme administered by the East Riding of Yorkshire Council. This is based on the latest triennial valuation at March 2016, effective from April 2017. Following that review the Primary Rate for employer contributions was set at 18.3%, with a small annual cash contribution as a Secondary Rate. At this stage no provision has been made for any future variations arising from the next valuation due in 2019 for implementation in 2020/21.

3.34 The assumptions within the MTRS reflect benchmarking at local, regional and national level undertaken by both the Assistant Chief Officer (Resources) and Deputy Chief Executive / Treasurer.

- 3.35 In examining possible options, the PCC requested modelling of a two of alternative scenarios and the table below illustrates the impact of:-
- £24 increase in precept in 2019/20 with 2 % increases thereafter with 2% pay awards
 - £12 increase in precept in 2019/20 with 2% increases thereafter with 2% pay awards
- 3.36 It continues to be the case that after a long period during which the Government were seeking to encourage PCCs to freeze or minimise Council Tax increases, recent settlements are now consistently based on the assumption that all PCCs will increase their precepts by the maximum amount possible. By not increasing the precept in line with this thinking, PCCs would effectively be volunteering to reduce the cash available locally for policing. In addition, not increasing in line with the Government's assumption when the position is certain runs the risk of a change in policy and/or an inability to increase in future years.
- 3.37 Following the announcement of the referendum principles for 2019/20, the PCC launched a public consultation exercise via his website seeking the views of the public on a possible increase in precept of up to £24 for a Band D property.
- 3.38 The consultation was widely publicised including on local radio, in the press and on social media. The exercise ran up to 31 January 2019.
- 3.39 The response to the survey was disappointing with just over 250 people replying with a slight majority of those expressing a view not being in favour of the increase. This shows a disappointing lack of engagement. The responses also demonstrated a lack of understanding of the issues affecting sustainability in policing. The replies were influenced by the experience of the respondents, real concerns about affordability and about the impact of central taxation being transferred on to local taxpayers. The very small number is clearly not a statistically representative sample and does not reflect the feedback that the PCC has constantly received in his personal engagement with local communities.
- 3.40 The MTRS is based on the version of the Strategy approved by the PCC in February 2018 and submitted to the PCP in support of the precept proposal for 2018/19. The assumptions have been updated as the year has progressed. They have now been amended for the information set out in the Police Grant Settlement and revised assumptions for factors affecting future years. The forecasts also incorporate updated information on pay. This takes into account the uplift in police officer numbers and projections of PCSOs and police staff establishment levels over the period of the MTRS as detailed later in this document.
- 3.41 The overall intention continues to be to ensure that assumptions are reviewed on an ongoing basis to influence and demonstrate the affordability of the financial and resource plans which support delivery of the Police and Crime Plan.
- 3.42 The MTRS covers a period of 5 years. It is based on two firm fundamental principles, setting annual budgets in the context of the medium term and never funding permanent pressures with temporary funding, except to assist in spreading the financial challenge so that, as far as possible, savings targets can be achieved within a realistic and sensible timescale. In this way the impact of budget decisions on the Force and partners can be addressed in order to seek to provide the best possible service to local communities.
- 3.43 Following approval, the MTRS will be reviewed regularly by the Assistant Chief Officer (Resources) and Deputy Chief Executive / Treasurer, by the Corporate Governance Group (CGG) as well as the Chief Officer Group. The PCC will receive regular updates and briefings throughout the year. He will also have the opportunity to consider updates at the CGG in respect of Force and "and Crime" spending plans, as well as reviewing the costs of the OPCC.

- 3.44 The document reflects formal and informal discussions between the PCC and stakeholders. The review arrangements will again need to reflect the dynamic nature of policing and its context. It must continue to be recognised that there is a need for the Force and the PCC to have the ability to respond and to resource additional demands upon this 24/7 service. They also have to be capable of reacting to changes emanating from external factors outside of their control.
- 3.45 The MTRS is a key component in providing the link between operational planning and financial and workforce plans. It provides a framework for scrutiny to ensure that plans are robust and that resources are directed towards delivering the outcomes set out in the Police and Crime Plan.
- 3.46 The Strategy attempts to describe the financial direction of the Force, and supports work with Community Safety partners and service providers. It seeks to capture known and estimated information on external funding, spending pressures and development needs, as well as seeking to encompass risks with financial consequences over the 5 year period.
- 3.47 It provides options over the medium term for delivering a sustainable revenue budget and capital programme and in addition provides the background for setting prudential indicators on capital financing. This enables the PCC to determine how capital spending can be paid for.
- 3.48 It seeks to establish a stable financial framework on which to plan for the future. It also provides a basis for the development of specific proposals with partners and stakeholders and for consultation, in addition to allowing issues arising from strategic intelligence assessments to be considered.
- 3.49 The MTRS is one of a number of key shared endeavours between the Force, PCC and partners. In 2018/19 Ministers indicated that they had recognised the need for certainty in terms of financial planning when confirming the arrangements for 2019/20. However this has changed with the current announcement, including the doubling of the referendum limit for PCCs to £24 and addressing the complication of the pensions issue. The lack of detailed information on Government funding for future years which will have to wait for the outcome of the Spending Review and proposals for a formula review has meant a return to a position of even more uncertainty. This is a matter of great concern when forces are having to make vital staffing and long term investment decisions.
- 3.50 It opens up the possibility of PCCs and forces taking different approaches to developing their medium term financial plans, using different assumptions, including in respect of pensions. This could give rise to a "cliff edge, jeopardising decisions on staffing and investment. In formulating this MTRS it has been assumed that the support for pensions will be baselined and that for 2020/21 onwards there will be flat cash settlement. It also assumes that there will be limited scope for increases in precept in future years given the significant above inflation increases in 2018/19 and those proposed for 2019/20, particularly when compared with the limitations being applied to local authorities.
- 3.51 The MTRS continues to reflect the partnership between Humberside and South Yorkshire, particularly in relation to IT/IS and investment in this area along with the joint Legal Service. However, the shared Human Resources arrangements are under review.
- 3.52 Collaboration on the established four force Yorkshire and the Humber Region has continued as in previous years, with increasing wider joint working in the seven force North East Region, involving Cleveland, Durham and Northumbria in addition to the four Yorkshire forces.
- 3.53 The financial projections within the MTRS also take account of the increased level of joint working with the Humberside Fire and Rescue Service, including fleet management and the management of the Fire Authority Estates function by Humberside Police.

4 Benefits of the Strategy

4.1 The MTRS assists the PCC in:

- Responding to the Chief Constable's resource requirements to contribute to the delivery of the outcomes and objectives set out in the Police and Crime Plan
- Considering the funding requirements of the "and Crime" aspects of his role including the commissioning and provision of victims' services
- Providing a basis for aligning financial resources to agreed spending priorities taking account of the risk of threat and harm to the public
- Consulting with the public on service plans and on future budget and precept proposals
- Seeking continuous improvement in financial planning and the financial management of Force, partnerships and the OPCC to maximise the resources available to tackle crime and community safety issues
- Ensuring that the resources available, both internal and external, are directed towards delivering the outcomes set out in Police and Crime Plan over the medium term
- Ensuring that, the PCC responds to the challenge of ensuring that the Chief Constable provides value for money services to local communities
- Ensuring that funding for crime and community safety initiatives and for victims services is used efficiently and effectively
- Allowing the development of longer term budgets and strategic thinking, including workforce planning and identifying opportunities for collaboration with other forces and external partners
- Reviewing the PCC's policies in relation to the use of reserves to ensure that a balance continues to be struck between the need to deliver performance and to pump prime significant developments whilst making efficiency savings, in addition to cushioning the impact of budget reductions, supporting business change and providing support for partnership working
- Identifying financial risks and ensuring that there are sufficient reserves available to deal with unexpected events and emergencies
- Responding to external pressures, including variations in the level of external funding announced in Government Settlements, Spending Reviews and revised grant distribution mechanisms together with the impact of changes to other funding regimes and the pressures on partners
- Developing a sustainable revenue budget and a capital programme over the medium term
- Informing treasury management decisions and determining prudential indicators
- Providing information to improve and influence national, sub-regional, regional and local partnership working and to support consultation and joint working.

5 Principles of the Strategy

5.1 The key principles and actions underlying the MTRS 2019/20 to 2023/24 are designed:

- To work with the Chief Constable to ensure that using the Force governance processes, resources are directed to objectives aimed at achieving the Police and Crime Plan
- To contain overall Force and PCC expenditure within original estimates each year
- To agree proposals for funding allocations to partners and for other initiatives that support the delivery of the Plan
- To set and deliver a balanced budget and maintain the intelligent use of reserves
- To aim to manage financial risks and to meet the financial challenge
- To maintain Earmarked Reserves for specific purposes which are consistent with best practice, with balances reviewed annually
- To ensure that the PCC responds to the challenge of holding the Chief Constable to account for delivering an effective service during a period that continues to be very challenging and specifically that financial viability is maintained and the service provides the best value for money with the resources available
- To provide a basis for setting and monitoring the achievement of savings and efficiency targets
- To build on the work that has already achieved substantial savings to deliver budget reductions
- To ensure that, in line with best practice, there is a culture that places sustainability as a core responsibility and makes efficiency and productivity improvements key factors in the approach to integrated resource management
- To provide resources to support joint working on a regional, sub-regional and wider basis to improve capacity and resilience as well as seeking to maximise efficiency gains through the implementation of appropriate efficiency and productivity programmes
- To recognise the impact of increases in precept levels in areas of low income and low wealth (as measured by property values) on local communities
- To consider Government guidance and advice on Council Tax/Precept alongside the referendum principles within the context of the medium term implications for the Force and the PCC
- To seek to balance the need for increases in precept against delivery of service priorities and the need for continuing financial stability, working within the scope of the best information on the Government's announcements associated with the procedures for holding a referendum on proposals for increases in Council Tax/Precept which exceed predetermined limits
- To use prudential borrowing and other means of financing to support the capital programme as part of an effective Treasury Management Strategy
- To contribute to reviews of police funding and to support the work of professional associations such as the APCC, the Association of Police and Crime Commissioners' Chief Executives (APACCE) and the Police and Crime Commissioners' Treasurers' Society (PACCTS) as well as the NPCC and the College of Policing

- To ensure that the Assistant Chief Officer (Resources) and Deputy Chief Executive / Treasurer continue to prepare a rolling programme of 5 year budget forecasts
- To explore opportunities to secure external funding, sponsorship and other income generation to support the objectives set out in the Police and Crime Plan
- To assess and review the impact of the time expiry, withdrawal or changes to the funding from external sources as well as the impact of wider public sector funding decisions on the resources available for policing and crime and community safety

6 Police and Crime Commissioner's Review of the Strategy

6.1 The development of the MTRS for 2019/20 to 2023/24 has involved consideration of:

- The MTRS agreed by the PCC in 2018/19 and subsequent revisions during 2018
- The Police and Crime Plan April 2017 to March 2021
- The financial environment in which the Force and PCC operates
- The current financial position
- Funding
- The Chief Constable's Target Operating Model and Workforce Plans
- The "and Crime" agenda
- Medium Term Budget Pressures
- Savings/Efficiency Plans
- Investment
- The IT/IS Strategy and significant investment to aid transformation of services
- The outcome of public consultation
- Force Management Statements
- The Strategic Policing Requirement
- Collaboration with other Forces to address gaps in the provision of services
- The close working with South Yorkshire on IT/IS, Legal and other services
- Collaboration with other PCCs as a means of achieving budget savings and extending partnership activity as a means of maintaining capacity and capability
- Working jointly with the unitary authorities and other public sector bodies, such as the Humberside Fire and Rescue Service, to deliver better outcomes for local taxpayers
- The Capital Programme, including the Estates Strategy, and asset rationalisation in Force and with partner organisations
- Treasury Management policies and strategy together with Prudential Indicators
- The policy on the retention and use of Reserves

- The Police Funding Formula and other Government initiatives to assess the impact on projections of the level of General Grant and other changes to the allocations of specific grants affecting crime and community safety issues
- Government announcements on Council Tax and Precepts together with details of referendum principles and information on the trigger limits
- Local partnership initiatives, including of the use of commissioning, community safety funding, crime reduction grants, total place and community budgets
- Commissioning and the award of grants in connection with Victims' Services
- The continuing and increased emphasis on efficiency, productivity and value for money in policing and to free up resources to address new demands on the service
- Changes to Police Officer and Police Staff pay, terms and conditions and to public sector pension arrangements

7. Force Performance

7.1 Whilst recognising the increases in crime and reported crime, including areas such as violent crime and public space crime, the Force are now showing real results in a number of areas with significant performance improvements being achieved over the last 12 to 18 months that has improved the quality of service provided to the public of Humberside, particularly those most vulnerable in our communities.

7.2 This has included:

Recorded Burglary:

- In the 12 months to 31 December 2018 recorded burglary has fallen by 10% compared to the same period in 2017.

Recorded Vehicle Crime:

- In the 12 months to 31 December 2018 recorded vehicle crime has fallen by 13% compared to the same period in 2017.

Anti-Social Behaviour Incidents:

- In the 12 months to the end of December 2018 there has been a 14% reduction compared to the same period in 2017.

Call Handling:

- Call handling performance has improved, with the 999 and 101 call abandonment rate falling from 12.2% in 2017 to 8.2% in 2018.

101 Abandoned Calls:

- Reduction to 3.6% in December 2018 from 14.6% in April 2017

999 Calls Answered in 10 seconds:

- April 2017 to March 2018 – 88.8% / April 2018 to December 2018 – 90.3%

Attendance:

- Average Attendance Times (Rural and Urban): June 2017 – 20 minutes 10 seconds / December 2018 – 13 minutes 57 seconds
- In the 3 months to December 2018, the Force attended emergency incidents on average 17% quicker and domestic incidents on average 20% quicker than the same period in 2017.

- 7.3 In terms of HMICFRS inspection activity, in October 2015, Humberside was placed into engagement following a review of the Force's efficiency in which they were graded 'inadequate', highlighting a number of deficiencies. As a result Humberside Police was subjected to extra scrutiny from HMICFRS, who monitored the force to track improvements.
- 7.4 In May 2018, the Inspectorate came to the conclusion that the Force had not only made progress, but had in place the right management and plans to take them forward and make further improvements. Consequently, Humberside Police was moved out of engagement by HMICFRS and is now under the normal inspection routine which all forces are subjected to.
- 7.5 Since the inadequate ratings for efficiency in 2015 and vulnerability in 2016, there have been many changes recognised by HMICFRS:
- Changed force leadership team under the new Chief Constable getting to grips with the issues (resulting in an improved grading for vulnerability in 2017).
 - Improvements made in the Force highlighted as good examples in the national inspection report.
 - Recruitment campaign to boost police officer numbers and deliver an improved service to the public.
 - Positive comments by HMICFRS on the work done with partner organisations.

- 7.6 In his statement on the Police Grant Settlement on 13 December 2018, the Minister for Policing and Fire "congratulated the Humberside force for some very impressive performance improvements within existing resources, which has been noticed by the independent inspectorate".
- 7.7 There are some areas where Humberside Police needs to improve further to receive a higher overall grade in future, but as a whole the Force is seen as being on the road to sustained improvement.

8. The Current Financial Position

- 8.1 Following the approval to the precept and 2018/19 to 2022/23 MTRS work has continued in developing and refining workforce plans.
- 8.2 This MTRS incorporates the financial implications of the accelerated recruitment programme undertaken during the last two years, supported by the additional use of reserves to balance the budget, together with the outcome of the annual comprehensive review of the base budget midway through 2018. It also reflects the latest assumptions of savings and efficiency plans which will continue to be enhanced with revised arrangements for tracking the business benefits of new initiatives.
- 8.3 Resource monitoring has taken place regularly throughout the financial year linking financial forecasts with progress in implementing the workforce plan to resource the latest iterations of the target operating model.
- 8.4 The latest forecast of spend for the period up to the end of December 2018 incorporates the rephasing of support for partnership working and slippage into 2019/20, matched by adjustments to the level of reserves originally projected to be drawn down in this financial year.
- 8.5 The mid-year financial review has identified temporary and permanent changes in the budget that have also been incorporated into revised assumptions included in the revised MTRS.

9. Funding

- 9.1 The funding settlement for 2019/20 was announced on 13 December 2018 and formally approved on 24 January 2019 indicating that the PCC would receive an additional £2.356m in main grant next year.
- 9.2 The Minister announced that all PCCs would have the flexibility to increase precepts by up to £24 for a Band D property and it was assumed that this would be implemented by all of them. There is no information on the referendum principles to be applied in future years.
- 9.3 Ministers are satisfied that the requirements in terms of efficiency and productivity and clarity over the use of reserves set out in the 2018/19 Settlement have been met and are looking for further assurances on savings and efficiencies in 2019/20 together with further challenges on investigative capacity, smarter use of data and the response to serious and organised crime.
- 9.4 Whilst funding of £1.904m will be made available in 2019/20 in addition to the extra main grant in relation to increasing employers' contributions in respect of police pensions next year, the long term implications will only be considered as part of the Spending Review in 2019.
- 9.5 Consideration of any changes to the funding formula for the distribution of resources in policing will not commence until after the Spending Review. The earliest possible timing for this review is now expected to be in the autumn of 2019. This will involve various working groups and the Home Office and will be followed by a full consultation process in 2020 prior to implementation in 2021/22.
- 9.6 The Police Grant Report confirmed that the "Legacy Grants", Localisation of Council Tax and Council Tax Freeze Grant would continue to be received in 2019/20. This has been assumed for future years but there remains a possibility that these grants could be consolidated into the main grant at some stage and allocated on the basis of any revised formula or dealt with differently. The impact of this cannot be assessed at this stage.
- 9.7 The breakdown of the main grant in the Provisional Settlement is set out below:-

Grant Settlement	2018/19 £	2019/20 £
CLG/Home Office Funding	45,916,920	46,831,503
Police Formula Grant	66,305,918	67,748,015
Total Formula Grant	112,222,838	114,579,518
Legacy Grants	10,040,945	10,040,945
TOTAL	122,263,783	124,620,463

- 9.8 The billing authorities have provided the following information in respect of their calculations of the 2018/19 taxbase:

Tax base 2018/19 (Band D properties)	Unitary Authority	Tax base 2019/20 (Band D properties)
115,045.70	East Riding of Yorkshire Council	116,543.90
60,039.00	Kingston upon Hull City Council	61,465.00
42,614.40	North East Lincolnshire Council	43,240.80
48,602.10	North Lincolnshire Council	49,442.80
266,301.20	TOTAL	270,692.50

- 9.9 The increase in the number of Band D properties is 4,391 (1.65%). It will generate additional Council Tax revenues and is in excess of the Government's assumption of a 1.41% increase.

- 9.10 It should be noted that an analysis of the number of properties falling into each of the Band A to H indicates the 81.9% are in Bands A, B and C with 18.1% in band D and above.
- 9.11 The PCC has been informed that the estimated Collection Fund surpluses at the end of 2018/19 will be £0.674m. This compares with £0.944m in 2017/18. Surpluses are prudently assessed and only fully assumed when it is clear that they are likely to be achieved. Any deficits on Collection Funds would have to be made up by taking them into account in the decision on Council Tax/Precept in the following year. The assumptions for future years of Collection Fund surpluses for planning purposes are 50% of the amount estimated for 2019/20.

The “and Crime” agenda

- 9.12 The PCC has now incorporated resources for partnerships within the base budget from 2019/20 but he will still have access to his limited Partnership Reserve to support additional projects or demand for more support for victims’ services.
- 9.13 The Police and Crime Plan highlights partnership activity as a significant strand of work and this has seen significant development during his period in office and his commitment to re-energising the CSPs is now creating much closer and more productive working relationships.
- 9.14 The PCC considered the aims of each local authority in developing his Plan to ensure that there was appropriate alignment and to enable the CSPS to have clarity about the community based outcomes that needed to be achieved.
- 9.15 This has involved the provision of funds in a way that allows the CSPs to control and direct where activity takes place within their area of operation and for there to be closer links with the front-end delivery of activities, whether that be by the statutory agencies, or third sector and voluntary groups.
- 9.16 Investment in this area includes work in relation to victims’ services. This has continued and the PCC will fully spend all of the allocation from the MoJ in 2018/19 as has been the case in previous years. The amount allocated by the MoJ in 2019/20 is £1.074m, compared with £1.119m in 2018/19. The reduction is mainly as a result of the cessation of additional support for a project, Survivors, which was previously funded directly by the MoJ. This service is being recommissioned nationally next year.

10. Medium Term Budget Pressures

- 10.1 The preferred option set out in this document continues to provide for amounts previously agreed that have ongoing revenue implications. They include provision for the latest position on pay awards in 2018/19 with assumptions of 2% increases in future years.
- 10.2 Budget provision has been made for known price variations for non-pay inflation on the basis of agreed assumptions.
- 10.3 The projections include provision for both the capital financing and revenue consequences of capital spending.

Protective Services/Regional and Sub-Regional Working

- 10.4 The MTRS incorporates the financial implications of the collaborations with the other Forces and PCC’s in the Yorkshire and the Humber Region and in relation to the wider seven force North Eastern Region.
- 10.5 Humberside is the lead force within the Yorkshire and the Humber Region for underwater search.
- 10.6 The budget projections also include estimates of spending and income in relation to the joint work with South Yorkshire OPCC and South Yorkshire Police.
- 10.7 The PCC and the Chief Constable have continued to build on the success of the joint emergency services fleet management arrangements with the Humberside Fire and Rescue Service based at Melton. As a result the Force Estates Team have taken over responsibility for the provision of this function for the Humberside Fire and Rescue Service and the financial implications of this are reflected in the MTRS.

Savings/Efficiency Plan

- 10.8 The original MTRS approved at the start of the financial year has been thoroughly reviewed and revised with the creation of more detailed and risk assessed arrangements for monitoring the delivery of savings and efficiencies. This work is now supported by a structured benefits realisation process.

11 Capital and Prudential Borrowing

Impact of Capital Programme

- 11.1 The following table outlines the estimated costs of the current programme over the next five financial years together with details of how it is proposed to be financed.

Capital	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
<u>Capital Expenditure</u>					
Estate Strategy	9,331	20,765	775	375	250
IT	4,530	2,610	2,398	1,534	1,974
Vehicles & other equipment	1,626	1,223	1,300	1,104	2,023
TOTAL	15,487	24,598	4,473	3,013	4,247
<u>Financing</u>					
Capital Grant	713	700	700	700	700
Loan	14,774	23,898	3,773	2,313	3,547
TOTAL	15,487	24,598	4,473	3,013	4,247

- 11.2 The spending in relation to estates includes provision for a new facility at Melton, costing £23.6M, which forms a key component of the Estates Strategy. This facility will enhance operational efficiency by allowing consolidation of a number of functions and teams as well as providing a new control room and data centre. It will also avoid extensive additional costs of maintenance and refurbishment of the existing estate, including the current control room premises at Hessle Police Station which require substantial work to the fabric of the building and environmental improvements.
- 11.3 The Estates Board chaired by the Assistant Chief Officer (Resources) provides the platform for regular updates and discussion on the progress of property-related Capital Schemes. The Deputy Chief Executive and Treasurer represents the PCC on the Estates Board.
- 11.4 Capital grant overall has been marginally increased from £75.2m in 2018/19 to £76.0m in 2019/20. £46.9m has been allocated for the Police Capital Grant for PCCs, up from £45.9 in 2018/19. The full allocation is follows:

2018/19 £m	Police Capital	2019/20 £m
45.9	Police Capital Grant	46.9
1.0	Special Grant Capital	1.0
13.1	Police Live Services	13.1
15.2	National Police Air Service	11.5
-	Arms- Length Bodies	3.5
75.2	TOTAL	76.0

- 11.5 It has been confirmed that the allocation to the PCC for Humberside in 2019/20 will be £713k compared with £697k in 2018/19. An amount of £700k has been assumed for future years.
- 11.6 The Force and the PCC will continue to examine the possibility of alternative sources of finance such as leasing of equipment, vehicles and IT and to compare these with prudential borrowing to identify the most cost efficient option for funding the capital programme. However with the continuing low interest rate environment the main source of funding for capital will continue to be prudential borrowing.
- 11.7 The PCC has continued the process of asset rationalisation by way of joint working and co-location of services with other public and voluntary sector partners. As a result a number of properties are in the process of being sold. Capital receipts from these and other disposals will be applied to reduce the need for borrowing.

Impact of Prudential Borrowing on the Budget Position

- 11.8 As indicated above, it is anticipated that the PCC will predominantly utilise prudential borrowing as the means of funding the capital programme.
- 11.9 The Treasury Management Strategy Statement (TMSS), including the Minimum Revenue Provision (MRP) Policy Statement and Annual Investment Strategy, will be submitted to the PCC for approval and will provide information on current and future borrowing levels and set out agreed Prudential Indicators. The TMSS will explain that day to day cash balances have been and will, in the short term at least continue to be used as a cost-effective way to finance capital spending. It will also confirm that the PCC retains the capacity to borrow to fund capital expenditure as and when necessary to replace the cash that has been temporarily used to finance capital in this way. Cash balances are continuing to be invested in the money markets. No loans have yet been drawn down from the Public Works Loans Board (PWLB) in 2018/19, however, based on current cash flow projections external borrowing is likely to be required before 31 March 2019. The PCC has access to information on a monthly basis on treasury management activity produced by external advisers, Link Asset Services. The Joint Independent Audit Committee (JIAC) has the responsibility of scrutiny and oversight of treasury management matters have regularly considered reports on this matter prior to approval by the PCC.
- 11.10 Treasury management activity and cashflow information is reviewed at monthly Investment Review Meetings chaired by the Deputy Chief Executive and Treasurer. Decisions on borrowing and investment are made at this meeting.
- 11.11 The PCC's approved TMSS incorporated the investment strategy and the policy in respect of the Minimum Revenue Provision (MRP), the amount to be set aside each year for debt repayment. The MTRS reflects updated calculations of the MRP required in respect of past and proposed capital spending.

12 Reserves, Provisions and Contingency Fund

Reserves Policy and Strategy

- 12.1 The PCC approved an updated Reserves Strategy in October 2018 setting out details in respect of the use of the General Reserve and specific reserves (earmarked reserves).
- 12.2 The requirement for financial reserves is acknowledged in statute. The Local Government Finance Act 1992 requires billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 12.3 There are also a range of safeguards in place that help to prevent local authorities, including PCCs over-committing themselves financially. These include:-
- The requirement to set a balanced budget;
 - Chief Finance Officers' duty to report on the robustness of estimates and the adequacy of reserves;
 - The legislative requirement for each local authority and PCC to make arrangements for the proper administration of their financial affairs and that the chief finance officer / proper officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972) and
 - The requirements of the Prudential Code.
- 12.4 These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires the Chief Finance Officer to report to the PCC if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly. It has serious operational implications. Indeed, the PCC must consider the s114 notice within 21 days and during that period the OPCC and the Force is prohibited from entering into new agreements involving the incurring of expenditure.
- 12.5 It is primarily the responsibility of the PCC and the Chief Finance Officer to maintain a sound financial position. External auditors will review the position as part of their consideration of the narrative report within the annual accounts. This is part of the wider role auditors have to report on and it is not their responsibility to prescribe the optimum or minimum level of reserves for individual organisations or for authorities in general.
- 12.6 CIPFA's Prudential Code requires Chief Finance Officers to have full regard to affordability when making recommendations about the PCC's future capital programme. Such consideration includes the level of long term revenue commitments. Indeed, in considering the affordability of capital plans, the PCC is required to consider all of the resources available and estimated for the future, together with the totality of his capital plans and revenue forecasts for the forthcoming year and future years as set out in financial forecasts within the MTRS.
- 12.7 Within the existing statutory and regulatory framework, it is the responsibility of the PCC's Chief Finance Officer to advise on the level of reserves that should be held and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
- 12.8 There is no statutory guidance on the right level of reserves. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) confirms that PCCs should, on the advice of their Chief Finance Officers, make their own judgements on such matters, taking into account relevant local circumstances and an assessment of risk.

- 12.9 The PCC must retain adequate reserves so that unexpected demand-led pressures on budgets and known areas where financial implications are uncertain, such as is currently the case with major incidents, regional, sub-regional and other collaborative working and more widely in respect of risks associated with assumptions of external support and income from Council Tax increases, can be met without adverse impact on the achievement of the outcomes and objectives set out in the Police and Crime Plan.
- 12.10 The policy for reserves and balances has to be based on a thorough understanding of needs and risks. Part of this process is to give clearer explanation of the existing and proposed use of reserves and this is factored into the model supporting the projections within the MTRS.
- 12.11 CIPFA and the Local Authority Accounting Panel consider that PCCs should establish reserves, including the level of those reserves based on the advice of their Chief Finance Officers. Authorities and PCCs should make their own judgements on such matters taking into account all the relevant local circumstances. A well-managed organisation, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed organisation will ensure that the reserves are not only adequate but are also necessary.
- 12.12 Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for local authorities and these arrangements would apply to PCCs. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of the Chief Finance Officer and is heading for serious financial difficulty.
- 12.13 CIPFA's view is that a generally applicable minimum level is inappropriate.
- 12.14 The Home Office issued guidance on reserves held by PCCs in 2018 and that has now become a requirement as it is detailed in the Financial Management Code of Practice. It indicates that each reserve should make clear how much of the funding falls into the following three categories:-
- Funding for planned expenditure on projects and programmes
 - Funding for specific purposes and programmes beyond the current planning period
 - As a general contingency or resource to meet other expenditure needs held in accordance with sound financial principles
- 12.15 As indicated above, billing and precepting authorities in England and Wales are to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. In establishing reserves, the PCC must also comply with the Code of Practice on Local Authority Accounting in the United Kingdom.
- 12.16 The Chief Constable and the PCC are required to review the reserves policy and the holding of contingencies on an annual basis as part of the budget process. This is reflected in medium term financial planning and the annual budget setting process. It is important that the use and retention of the PCC's reserves is visible and that consideration of their use is placed at the forefront of the decision making process. Revenue reserves are balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be used once, and should not be routinely used as part of the base budget.
- 12.17 The PCC's policy on reserves is based on the following principles:-
- To hold a General Reserve of a minimum of 3% of the Net Revenue Budget in any financial year to cover any major unforeseen expenditure
 - To maintain earmarked reserves for specific purposes
 - To review the level of reserves at least annually

- 12.18 The PCC holds these balances for two main purposes:
- (a) A contingency to cushion the impact of unexpected events or emergencies and
 - (b) A means of building up funds to meet known or predicted liabilities or to smooth expenditure requirements – known as earmarked reserves. In Humberside for the PCC this includes a Risk Management Reserve (RMR), Partnership Reserve and a Performance Improvement Reserve (PIR).
- 12.19 The PCC has maintained a simplified approach to holding reserves for the benefit of all stakeholders.
- 12.20 The General Reserve is intended to meet the purposes under (a) above.
- 12.21 The RMR is retained for specified issues, including providing cover for potential liabilities that have been identified but have not yet crystalized and any shortfall in self-insurance provisions. The level of this Reserve will be the subject of regular review.
- 12.22 The PIR is the PCC's main reserve. It is used to support to support the revenue budget, to help to facilitate business change and to pump prime initiatives, including those that are spend to save. More recently it has been used to enable the recruitment of additional police officers at a faster rate than originally planned to support delivery of the Police and Crime Plan.
- 12.23 The Partnership Reserve allows the PCC to have flexibility to support community safety partners and to supplement monies from the MoJ for victims' services provision. Partnership projects are key factors in delivering the outcomes in the PCC's Police and Crime Plan. The Partnership Reserve will be the mechanism which will be used to carry forward underspending in 2018/19 to reflect the reprofiling of the Phases 2 and 3 of the initiatives approved last year.
- 12.24 The base budget has been adjusted to include the support for partnership working which means that access to the Partnership Reserve will need to be strictly controlled to avoid the risks associated with committing to long term support above the base level. It should not be used as a simple substitute for existing funding that is being withdrawn as a result of budget cuts elsewhere.
- 12.25 However, temporary funding of this nature can be a powerful driver to encourage partnership working. Sustaining infrastructure that has been and will continue to support the progress in reducing crime is an important consideration along with seeking out opportunities for improving performance. It also enables new and innovative initiatives to be progressed, piloted and evaluated. As a result, the PCC may, at some stage, want to make additional transfers from the PIR to the Partnership Reserve to carry on this work if it proves successful.
- 12.26 Typically figures for general reserves of between 2% and 5% of net revenue spending have been the norm. Networking around the Police Service has shown that a General Reserve equivalent to 3% of its net revenue budget is widely regarded as appropriate. This takes into account the fact that when the Home Office provides support for major incidents via a special grant, forces are routinely expected to be able to meet up to 1% of the Net Revenue Budget from their own resources. Consideration can be given to reducing the level of reserve to 2% if and when there is more certainty over longer term grant settlements and special grant conditions.
- 12.27 As a result of the actions taken in previous years the PCC continues to have a level of reserves that can address budget reductions in a planned and managed way in the short term. There will be a continuing need for savings programmes to address budget gaps which needs to be balanced with the use of reserves.
- 12.28 At this time the PCC does not hold any capital reserves.

- 12.29 The MTRS sets out details of the reserves held at the end of each financial year and their projected use over the period 2019/20 to 2023/24 as follows:-

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
General Reserve	5,550	5,800	5,800	5,800	5,800	5,800
Earmarked Reserve						
- Risk management Reserve	1,800	1,000	1,000	1,000	413	288
- Performance Improvement	10,743	5,659	2,247	385	261	261
- Partnership Reserve	1,726	500	500	500	500	0
Total Earmarked Reserves	14,269	7,159	3,747	1,885	1,174	549
Total Reserves	19,819	12,959	9,547	7,685	6,974	6,349
Earmarked Reserves are held for:-						
- To meet insurance and other risks	1,800	1,000	1,000	1,000	413	288
- To help to support the medium term budget	6,440	4,765	2,747	885	761	261
- To facilitate change programmes	6,029	1,394				
Total Earmarked Reserves	14,269	7,159	3,747	1,885	1,174	549

- 12.30 From the above table it can be seen that that over the period covered by the MTRS, the PCC intends to use £13.7m, including a transfer of £250k of earmarked reserves to top up the General Reserve, leaving £0.6m in earmarked reserves.

- 12.31 In terms of the guidance on Police finance reserves the MTRS assumes that the reserves will be used as follows:-

	£'000
Funding for planned expenditure on projects and programmes	
- Base Budget Support	6,440
- Commitments against specific projects/programmes	7,030
- Transfer to General Reserve	250
TOTAL	
Funding for specific purposes and programmes beyond the current planning period	
- Commitments against specific projects/programmes beyond 2023/24	0

- 12.32 As indicated above there will be a residual balance of £549k held in earmarked reserves at the end of 2023/24 that is not committed to any specific projects or programmes.

- 12.33 In terms of general contingency or resource to meet other expenditure needs held in accordance with sound financial principles the PCC holds the General Reserve and the Risk Management Reserve. As indicated above the General Reserve is held at 3% of the net revenue budget and there is a Risk Management Reserve with an opening balance of £1.8m. It is anticipated that there will be a call on this Reserve during 2019/20 as a contingent liability identified last year is likely to crystallise next year. The position with regard to this Reserve will be monitored as the year progresses. Taken together the total of these reserves is within 5% of the net revenue budget during the 5 years of the financial forecast which is considered to be reasonable, and well within the figure which would require justification as detailed in the recent Home Office guidance.
- 12.34 The holding of reserves has the added benefit of providing a working balance to help to cushion the impact of uneven cashflows and avoids unnecessary borrowing. The MTRS and treasury management strategy outlines how the cash backing the reserves to date has been used to defer borrowing which, whilst there has been a low interest rate environment has allowed capital financing to be undertaken cost effectively.
- 12.35 The MTRS assumes that external borrowing will be undertaken to replenish the cash used in this way as reserves are drawn down to support the revenue budget and new investment.

Provisions

- 12.36 A provision is an amount set aside from revenue funds to provide for a liability which is likely to be incurred but the exact amount and date on which it will arise is uncertain. The PCC retains a small number of provisions as detailed below.

Compensatory Grant Provision

- 12.37 This provision is maintained to allow the Force and PCC to meet obligations under Police Regulations to reimburse income tax paid on rent allowances by that minority of officers who are still in receipt of this allowance. The provision is reviewed annually in April each year after payments in arrears have been made.

Contingency

- 12.38 The Chief Constable has access to one contingency of £500k included within the base budget.

Budgeted Reserves Position

- 12.39 The reserves held are as follows:

Reserve	Estimated Balance at 1 April 2019 £'000
General Reserve	5,550
Performance Improvement Reserve	10,743
Partnership Reserve	1,726
Risk Management Reserve	1,800
TOTAL (£'000s)	19,819

13 Indicative Budget Forecasts 2019/20 to 2023/24

- 13.1 The PCC has received briefings and presentations on the potential scenarios to be exemplified within the MTRS. The range of potential options is obviously much greater this year given the flexibility to increase precept by up to £24 for a Band D property in 2019/20, twice as such as was originally envisaged. Increases in precept in future years have been assumed at 2%.
- 13.2 For the purposes of the MTRS, the PCC has indicated that consideration should be given to the £23.99 increase assumed by the Government, together with a comparison of the position if the £11.99 increase built into last year's Strategy was maintained.

14 Funding Gap and Financial Strategy

- 14.1 The model supporting the financial projections within the MTRS has been used to illustrate the impact on police officer numbers of two scenarios:-
- £23.99 increases in precept in 2019/20 with 2 % increases thereafter with 2% pay awards
 - £11.99 increases in precept in 2019/20 with 2% increases thereafter with 2% pay awards

	2019/20	2020/21	2021/22	2022/23	2023/24
Scenario 1 - Preferred Option					
Assumptions:-					
Pay Awards	2%	2%	2%	2%	2%
Precept	£23.99	2%	2%	2%	2%
Budget Requirement					
Staffing Numbers					
Police Officers	1900	1900	1875	1875	1875
PCSOs	178	178	178	178	178
Police Staff	1130	1100	1060	1020	990
Scenario 2 - Precept Level To Maintain Police Officer Numbers					
Pay Awards	2%	2%	2%	2%	2%
Precept	£11.99	2%	2%	2%	2%
Budget Requirement					
Staffing Numbers					
Police Officers	1875	1800	1800	1800	1800
PCSOs	178	178	150	150	150
Police Staff	1130	1090	1040	1020	990

- 14.2 The PCC's recommended precept proposal is for Scenario 1, a £23.99 increased in precept in 2019/20. The modelling assumes 2% increases in precept in later years and with 2% pay increases for 2019/20 and later years. These staffing projections are based on 1900 police officers reducing to 1875, 178 PCSOs and 1130 Police Staff reducing to 990 in this Scenario over the 5 years. Scenario 2 would require reductions of 75 police officers and 25 PCSOs over the same period.

14.3 Further detailed information on the financial projections for the recommended precept assumptions are set out in Appendix A. This identifies the budget gaps in each of the years which would have to be met from reserves if action is not taken to address them.

14.4 Permanent budget gaps can only be closed by examining the following:

- Savings and efficiencies above those already identified, including wider local, sub-regional and regional collaboration
- Precept increases
- Reassessment of priorities
- Further use of reserves
- External funding / increases in income
- Refinancing /re-phasing of the Capital Programme.

Council Tax/Precept

14.5 As indicated above, the PCC's preferred option is for an increase in the precept of 12.04%/£23.99 for a Band D property in 2019/20. This would not require a referendum.

14.7 The provisions of the Localism Act 2011 require Ministers to prescribe, in advance, the level of increase which they will regard as excessive. If any PCC suggests an increase in Council Tax above this level then he/she would need to make arrangements for the billing authorities to hold a referendum. The PCC would have to pay for this. In the event that the vote was in favour, the budget would stand. If the electorate rejected the proposals then a substitute budget assuming the maximum increase would be implemented. In these circumstances, the PCC would also then be responsible for the significant cost of re-billing, which based on previous estimates in other areas could be in excess of £1 million.

14.8 The implications for the Council Taxpayer for the recommended precept increase would be as follows:

Band	2018/19	Option A		
		£	Increase/pa (£)	Increase/week (p)
A	132.88	148.87	15.99	31
B	155.03	173.69	18.66	36
C	177.17	198.50	21.33	41
D	199.32	223.31	23.99	46
E	243.61	272.93	29.32	56
F	287.91	322.56	34.65	67
G	332.20	372.18	39.98	77
H	398.64	446.62	47.98	92

Use of Reserves

14.9 The PCC has reviewed the Reserves Police and Strategy and will continue to do so as part of future revisions of the MTRS and the budget setting processes. The basic principle remains i.e. that using reserves to support permanent spending within the base budget is not sustainable in the medium to long term and therefore reliance on the use of reserves to support the base level of spending should be reduced.

- 14.10 The principle of the PIR supporting “spend to save” initiatives and to underpin and support performance is well established. This has been particularly important given that significant staffing changes take time to implement and can carry with them substantial additional one-off costs. Reserves will continue to be used to support business change. In developing the options set out in the MTRS, the PCC has the opportunity to mitigate the impact of having to make savings by meeting some of the saving requirement each year and providing for one off costs of change whilst maintaining the requirement to arrive at a balanced position over the term of the MTRS.
- 14.11 Consideration needs to be given to the level of contingency required to be able to support additional investment and business change as well as being available to mitigate the risks associated with the uncertainty over the funding beyond 2019/20. The use of reserves needs to take account of the impact on performance and service implications for the public.
- 14.12 The Partnership and Risk Management Reserves are discussed above.

Priorities

- 14.13 The PCC’s three key aims (outcomes) are set out in the Police and Crime Plan and will remain for the whole period of the Plan. Each aim is supported by a number of key deliverables/outputs. These are detailed below:-

Aim	Deliverables/Outcomes
AIM 1 To develop increasingly self-sustaining and safe communities in the Humber area	<ul style="list-style-type: none"> i. Fewer victims of crime and anti-social behaviour ii. Provision of services capable of identifying and responding to existing and emerging threats and causes of harm iii. Improved community cohesion iv. Enhanced community capability v. Engaged and empowered communities and public vi. Effective service delivery and partnerships
AIM 2 To build public confidence in the agencies involved in creating safer communities	<ul style="list-style-type: none"> i. Effective communication and engagement with communities and the public ii. Increased feeling of safety/security iii. Services delivered in a style and manner that meets community needs and desires iv. Identified and understood routes for the public to access services v. Power passed to communities vi. Agencies evidencing Value for Money in services vii. Transparent accountability mechanisms
AIM 3 To provide services to victims and the most vulnerable that meet their needs	<ul style="list-style-type: none"> i. Identification of victims ii. Analysis of vulnerability and victims needs iii. Effective and accessible range of interventions to protect and signpost the vulnerable and support victims

14.14 There are a number of key themes with the OPCC establishing a changed role as facilitator of change and delivery whilst representing the public. The Office has become more outward-focussed with the creation of the Community Engagement Team to work with partners and communities to identify where value can be added to the delivery of better outcomes for the people of the area and seek to bridge any gaps identified.

14.15 The key themes are:-

- **Strategic Policing Requirement**

The Strategic Policing Requirement is set by government and each police force must provide sufficient capability to meet its share of a national capability. Nothing in the Plan should be taken as undermining the commitment of Humberside Police to meet the minimum requirement specified.

- **Community Safety Partnerships (CSPs)**

CSPs are statutory partnership bodies that should oversee the delivery of community safety outcomes in defined areas; there is one in each of our unitary local authority areas. The PCC believed that their importance has been diminished leaving a gap in the effective coordination of partners attempting to deliver real improvements for communities. The Commissioner's intentions and actions have been designed to re-energise CSPs as the vehicle for coordinating prioritisation and delivery into our communities.

- **Grant Funding**

Mechanisms governing the provision of grant funding from the OPCC have changed to reflect this, with CSPs assuming more ownership/oversight of activities contributing towards community safety within their respective areas.

- **Equality and Diversity**

The lack of a specific focus on the subject of 'diversity' does not indicate a lack of importance. The PCC's view is that it should become everyday business and integral to improving the performance of Humberside Police both internally and externally. It will therefore feature as an element in a number of strands or work against a number of the priority areas identified and tracked under the new performance regime designed to measure improvement.

- **Restorative Justice**

The PCC believes a broadening of a restorative approach, not purely restorative justice focussed on victims and convicted offenders, offers potential to undermine the cultivation of attitudes and behaviour that can cause problems in communities. The PCC will encourage this as a style of intervention wherever appropriate.

- **Devolution**

The PCC believes Humberside Police is best placed to deliver effective policing services to the people of the Humber area. During future conversations and discussions on regional devolution he will work to maintain the integrity of the current force boundaries.

- **Collaboration**

The examination of the potential benefits of further or closer collaboration between police forces in the region will continue, with a view to drive out any efficiencies or provide an enhanced capability for the communities in the Humber area. The PCC is of the view that collaboration between forces should not, unless there is an unanswerable argument, lead to the shifting of officers, staff or capability from the Humber area. In his view collaboration means working together better, not merging.

14.16 The Chief Constable has developed a Plan on Page setting out how the outcomes and outputs of the Plan will be delivered. The Chief Executive has a delivery plan for the activities of the OPCC in place.

External Funding

- 14.17 The PCC will continue to seek to explore opportunities to obtain general and specific external funding in line with the principles set out in this strategy. Against the background of widespread continuing reductions in public sector budgets it may remain difficult to obtain additional or even maintain current levels of external funding but there have been successes in obtaining funding for Home Office initiatives in relation to domestic abuse and with the Early Intervention Youth Fund (£337k).
- 14.18 The Commissioner has demonstrated his commitment to supporting close partnership working to assist in delivering the outcomes set out in the Police and Crime Plan.
- 14.19 He has and will continue to develop the relationships with the CSPs and local authorities.
- 14.20 The PCC will continue to seek to maximise the benefits of local, Regional, Sub-Regional and wider joint working.

Income Generation

- 14.21 The Force will continue to maximise opportunities to generate extra income and the PCC will work with partners to maximise the resources available to address crime and community safety issues and to help deliver the outcomes set out in the Police and Crime Plan.

15 Risk Assessment

- 15.1 The financial position is better than originally envisaged after announcements regarding the significant increase in the cost of police officer pension contributions. The Police Grant Settlement for 2019/20 and the additional resources made available by H M Treasury have gone some way to alleviating the initial fears that further precept flexibility would be used solely to close that anticipated funding gap caused by the unforeseen costs.
- 15.2 The Government has assumed in its assessment of the spending power in relation to policing for 2019/20 that all PCCs will increase their precept by the maximum amount of £24 for a Band D property but have indicated that it will be for locally accountable PCCs to explain to their electorates how the additional monies raised will be used to deliver a better police service and that they want to see the extra investment continued improvements in efficiency and productivity next year. The increased flexibility is anticipated to generate an extra £509m nationally for policing next year in addition to an extra grant of £161m and pensions grant of £143m, making a total of £813m. The extra funding broadly covers the revised estimated extra pension costs, however, the implications for individual PCCs vary depending on local circumstances with some gaining and others losing due to the basis agreed for the distribution mechanism for the new grant. In Humberside the additional cost in 2019/20 is £4.571m compared to increased grant funding of £4.260m, a shortfall of £311k.
- 15.3 In terms of medium term financial planning the Home Secretary pointed out in his statement on the Settlement that it was the last before the Spending Review in 2019 which will set long term police budgets and look at how resources are allocated fairly across police forces. Recognising the positive working relationships that have been developed with the Police Service he stressed the need to work together to understand demand and to present ambitious plans to drive efficiency, productivity and effectiveness through the period of the Review.

- 15.4 Ministers recognised the need for certainty to assist financial planning in the previous Settlement which set out that the same arrangements would apply in 2019/20 as in 2018/19 and which were incorporated into the last MTRS. The position has changed significantly with considerable uncertainty once again over the background against which to formulate budget assumptions. At this stage there is a lack of clarity over the position in relation to long term support for additional pension costs as this will form part of the Spending Review negotiations. Similarly the review of the funding formula will not now be considered until the Spending Review has been concluded and the likely implementation date appears to be 2021/22. Clearly the implications of any formula changes cannot be anticipated at this time. It should be noted that it has always been widely accepted when the review has been spoken of previously that there would need to be some phasing in and damping mechanism to help PCCs cope with major variations from the amount of external funding that they currently receive to that which would come to them under a new formula.
- 15.5 The announcement of the referendum principles for 2019/20 allows the PCC to propose a precept level which means that any risk of a referendum and the associated costs is eliminated but as yet there is no information on the referendum principles that will apply in future years which adds to the uncertainty.
- 15.6 It is recognised that the pension issue could be seen as a “cliff edge” if no grant is assumed for 2020/21 and later years. This would have a substantial impact on the level of funding and seriously affect decisions on staffing and capital investment. For the purposes of this MTRS it has been assumed that for 2020/21 the pensions grant will be baselined with a flat cash grant being received in future years. The assumption is that there will be limited opportunity to raise Council Tax in future years and that increases will go back to being limited to the 2% that had been the norm prior to 2018/19. This is due to the fact that it is considered unlikely that increases of over 6% and 12% could be sustainable whilst inflation is running at low levels.
- 15.7 Significant work has once again been undertaken to review base budgets during 2018 and every effort has been made with colleagues locally and in the Region and sub-region to provide the most realistic assessment of the costs and income associated with collaboration activities. In addition, considerable effort has been applied to improving the development and oversight of savings and efficiency plans together with a formal process for monitoring the realisation of business benefits of new and existing programmes and initiatives.
- 15.8 There is a risk that the unidentified gap in savings will not be capable of being closed. The position will be monitored as the year progresses together with the need to review the pace of use of reserves to balance in individual financial years. The PCC and the Chief Constable both recognise that in the event that the assumptions within the MTRS are overly optimistic, it may be necessary to utilise the flexibility offered by annual natural turnover of staff to reduce numbers by not replacing those leaving to balance the budget in future years. This would of course bring with it a reduction in capacity and capability.

General Balances

- 15.9 There is a risk that the General Reserve is not sufficient. This is mitigated by:
- The policy governing the level of General Reserve held by the PCC is to maintain this at a minimum of 3% of net revenue spending. If it is considered prudent, that level could be reduced. This will be considered as the year progresses but at the present time this is highly unlikely
 - The Force and the PCC will continue to place emphasis on financial controls to ensure that revenue budgets are strictly monitored. The challenge remains to ensure that resources are made available to drive operational and business performance, to help to meet the costs of organisational change and to support the delivery of the outcomes within the Police and Crime Plan

Pay and Pay Increases

- 15.10 The pay budgets for 2019/20 and later years have been based on the revised workforce planning regime and the Chief Constable's target operating model.
- 15.11 The budget assumption is that pay awards will be at the 2% level. This is based on the latest 2018 award to police officers and a similar offer that was recently agreed for police staff. It is recognised however that negotiations could be reopened as a result of a legal challenge in respect of the police officers' award. This situation will be closely monitored.
- 15.12 The PCC has previously acknowledged that pay awards above the 2% level assumed would have an adverse impact on the forecast and therefore on the numbers of police officers and staff that would be affordable.
- 15.13 Provision has been made for the changes due to the latest triennial actuarial review of the Local Government Pension Scheme at March 2016 which became effective from 2017/18. The rates will remain applicable to the end of 2019/20. At this stage no assumptions have been made regarding the potential impact of the 2019 revaluation which will impact on rates applicable in 2020/21 to 2022/23.
- 15.14 The assumptions on the employers' pension contributions in respect of the unfunded police officer pensions scheme from 2019/20 onwards assume that the 24.2% rate applied in 2018/19, which includes an overpayment of 2.9% returned to H M Treasury will be increased to 31.0%. In 2019/20 this has been offset by the additional grant of £1.904m announced as part of the Settlement. The 31.0% contribution rate has been assumed for the duration of the MTRS. It must be recognised that the actual additional increased pension costs for Humberside is £4.571m leaving £2.667m to find with only £2.356m in extra main grant to set against it. That means an extra call on the budget of £311k next year. This is in addition to inflationary and other cost and demand pressures and other growth which have to be met from the combination of the increase in Council Tax, use of reserves and continuing savings and efficiency programmes.

Price Increases

- 15.15 Inflation provision in respect of non-pay inflation has been made on a consistent basis for known and anticipated increases in costs. The associated risks have been mitigated by:-
- Reviewing the non-pay elements of the MTRS and increases in previous years
 - Incorporating estimates for charges passed on by the College of Policing and estimates of charges for national IT systems
 - Maintaining centralised pay budgets coupled with the devolution of controllable budgets which acts as an incentive to achieve savings at a local level with planned under spends and any over spends contained within devolved budgets.

Capital Financing

- 15.16 The risk is that capital financing charges will be greater than forecast. This is mitigated by:
- the MTRS providing for the best estimate of the cost of borrowing
 - making every effort to ensure that borrowing decisions are made at the most advantageous terms through regular monitoring of market rates and advice from the PCC's treasury management consultants and other sources.
 - changes in the variable rate having minimal effect initially as all current debt is at fixed rates and the rates of interest on money invested are very low
 - new borrowing being reviewed as part of a proactive approach to Treasury Management

- examining the possibility if and when appropriate of seeking to gain financial advantages through re-financing of existing debt and debt redemption, in line with the approved Treasury Management Strategy

Financial Planning

- 15.17 The risk is that a major liability or commitment is currently known but has not been taken into account in the financial planning of the Force and PCC. This is mitigated by:
- Continued development of links between financial and workforce planning with the considerable experience of the logistics of recruiting substantial numbers of additional police officers in the last two years and the development and use of the target operating model.
 - Regular liaison by senior officers of the Force and the PCC, the existence of the Chief Officer Group and Force Governance arrangements
 - Arrangements to ensure that Chief Officers, Commanders and Branch Heads are aware of and are carrying out their duties to discharge their obligations in terms of budget monitoring and control
 - Oversight of the implementation of business change, savings and efficiencies with the involvement of OPCC and PCC involvement in Force Boards and working groups
 - The Corporate Governance Group arrangements involving senior Force and OPCC officers
 - The increased involvement of the OPCC officers in the work of the CSPs and with other stakeholders
 - The involvement of the PCC and Chief Constable in issues at a national level within the APCC and NPCC
 - The involvement of senior officers in national working groups such as APACCE, PACCTs and the NPCC and the NPCC Finance and Resources Coordination Committee.

National Funding

- 15.18 The MTRS incorporates the information contained within the Police Grant Settlement announcement and information on other Government support. At this stage there is no information on the referendum principles that will be applied by Government beyond 2019/20. The position will be monitored and if there is scope to increase the precept above the 2% p.a. assumed, the MTRS will be revised to take account of any further flexibility.
- 15.19 As is normal, details of the support for Counter Terrorism remains outstanding. This generally has a nil net effect as income matches expenditure.
- 15.20 The Government has indicated that the review of the funding formula will not take place until after the conclusion of the Spending Review in 2019 and it now seems that implementation of any changes could not be implemented before 2021/22. No assumptions have been made with regard to changes in grant levels in future years that may follow any review.
- 15.21 The Force will need to continue to consider changes at a national level affecting the Service such as the College of Policing, the National Crime Agency, NPAS, ESN/ESMCP and the financial implications for the Force that flow from them.
- 15.22 The PCC will also have to carefully consider the crime and community safety implications of the impact of continuing financial pressures affecting other public sector partners and the impact of ongoing changes on welfare reform on demand.

Capital Programme Implications

15.23 The risk is that the capital programme may be understated, funding will not be available as planned, or that over spending may occur. This is mitigated by the fact that

- The Estate Strategy is based on professional advice and has been regularly reviewed and is now increasingly being linked with the arrangements for the Humberside Fire and Rescue Service
- The IT/IS strategy has been reviewed and is centred around developing information systems and data solutions for the Force, working closely with the South Yorkshire Police Force and PCC along with work at both Regional and seven North Eastern Forces level
- Work on capital funding sources and affordability underpins capital programme planning
- Clear decisions are made about the level of prudential borrowing
- Regular consideration is given to cash flow and the use of internal capital resources when considering the PCC's borrowing and reserves strategies
- Monthly capital monitoring reports with reports being routinely considered by the Force and in PCC briefings
- The PCC is represented on the Force's Estates Programme Board and other Force Boards and working groups
- The Prudential Borrowing regime provides added flexibility in terms of financing the capital programme
- Professional judgments are made on affordability and appropriate control measures as detailed in prudential indicators set annually to be adhered to underpin financing of the capital programme
- The revenue consequences of the capital programme, including the costs of borrowing, have been included in the MTRS

Risk Assessment

15.24 There is a danger that all risks have not been identified in the MTRS and that major financial consequences may result. This is mitigated by:

- internal risk management arrangements within the Force and the OPCC
- comprehensive self and external insurance arrangements being in place
- having a Partnership Reserve available to support working with external agencies involved in crime and community safety activities

15.25 Officers will use local, sub-regional, regional, national and other working groups to seek to ensure that the potential implications of future levels of funding, interest rates and inflation can be fed into the MTRS as the position becomes clearer.

16 Impact Assessment

16.1 The Force Governance processes include separate impact assessments on demand for and supply of resources. These assessments are then reconciled and recommendations made on the basis of the findings before any management decisions are taken.

17 Robustness of Estimates and Adequacy of Reserves

17.1 Following the Police Reform and Social Responsibility Act 2011 the Deputy Chief Executive and Treasurer has responsibilities under s 151 of the Local Government Act 1972. This includes the requirement to report on the robustness of the budget and on the adequacy of reserves which the PCC must have regard to when making his decision on the budget and the precept. It can be confirmed that the budgets set out in all of the options/the recommended option contained within the MTRS are robust and that the level of reserves in each case is adequate.

18 Conclusions

- 18.1 The MTRS sets out details of the PCC's proposed increase in precept in 2019/20 of £23.99 for a band D property. This would take the precept for the year to £223.31 compared with £199.32 in the current financial year.
- 18.2 The assumptions underpinning the financial projections within the MTRS are set out in this report and are based on information contained within the Police Grant Report and reflect Ministerial announcements on their assumptions on the level of increase in precept that they expect to see applied in 2019/20. The flat level of external funding and estimated increases in Council Tax in future years are based on local assumptions in the absence of information on grant and precept referendum principles beyond 2019/20 and uncertainty over the outcome of the Spending Review in 2019 and potential changes to the formula for the distribution of resources in relation to policing.
- 18.3 In arriving at his decision to recommend the increase at the maximum level without requiring a referendum, the PCC examined alternative scenarios and focussed on the impact on police officer numbers given that feedback from residents indicates that that is what they want to see more of.
- 18.4. The recommended proposal is based on the assumption of 1,900 police officers, 178 PCSOs in 2019/20 and 2020/21 with police staff numbers in the first year at 1,130 reducing to 1,100 police staff in the second year of the forecast.
- 18.5 In order to test public opinion the PCC asked the public for their views on paying more for policing in light of the Government's assumptions that all PCCs will increase their precepts by the maximum of £24. The exercise was carried out via the PCCs website, promoted through the press, on radio and via social media. The response was limited and so small that it cannot be regarded as a meaningful response to the proposal.
- 18.6. Whilst there are concerns that the Government is using the additional flexibility to increase precept in order to transfer the cost of funding cost and demand pressures on to local taxpayers, in arriving at his decision the PCC considers that the increased precept is necessary.
- 18.7 He has adopted a risk based approach to date based on assumptions that there would be flexibility and funding to support improved policing. This has seen significant changes in the way the Force operates following structural changes and a substantial increase in police officer numbers that is now being reflected in performance.
- 18.8 The recommendation is to increase the precept by £23.99 for a Band D property. This is very close to the maximum amount possible and is part of the strategy to ensure that the Force is in the best position possible to sustain the improved performance without having to reverse the actions taken previously to enhance its capacity and capability and that important work with partners can continue.
- 18.9 As the vast majority of taxpayers in the Humberside Police Force area live in properties in Bands A to C, most taxpayers with pay between £15.99 and £21.33 per annum i.e. between 31p and 46p a week. The PCC, whilst recognising that any increase in household costs is unwelcome, believes that less than 50p per week for most taxpayers is a modest amount to pay to help to sustain an improving police service.

