

HAMPSHIRE POLICE AND CRIME PANEL

Report

Date considered:	26 January 2018	Item:	8A
Title:	Commentary and Proposed Recommendation on the Precept		
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1. Executive Summary

- 1.1 This purpose of this report is to provide an overview of the Finance working Group's (FWG's) consideration of the proposed precept, medium term financial strategy and supporting financial information, including details of the consultation activities undertaken by the Police and Crime Commissioner (PCC).
- 1.2 The report also draws on key lines of inquiry that it feels the Police and Crime Panel (PCP) should utilise when scrutinising the proposed precept, as well as making a recommendation to the PCP on the precept.

2. Contextual Information

- 2.1 The PCP is responsible for reviewing the PCC's draft annual Council Tax precept level and is able, under the Police Reform and Social Responsibility Act 2011 and the Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012, to:
 - 2.1.1 Make a report to the PCC on the proposed precept;
 - 2.1.2 Include within the report recommendations, which may include a view as to the precept that should be issued for the following year. This may be to support the proposed precept, or to recommend an alternative proposal (i.e. a higher rate or lower rate than that proposed, or a specific figure if the PCP is so minded).
 - 2.1.3 By a two thirds majority of the total membership of the PCP, determine to veto the precept. Clear reasons for making this decision must be included in a report to the PCC, and a view on whether the precept was in the view of the PCP set at too high or too low a rate.

- 2.2 A 'Police and Crime Panels – Scrutiny of Precepts' guidance note from the Home Office has been appended to this report in order to explain each process to be followed should the PCP recommend, not recommend or veto the proposed precept (see Appendix One).

3. Finance Working Group

- 3.1 The Membership of the FWG is as follows:

- Mr Michael Coombes (Chair)
- Councillor Reg Barry
- Councillor Adrian Collett
- Councillor Ian Richards

- 3.2 The FWG receives financial advice from Anne Hibbert, Corporate Accounting Manager for Hampshire County Council, and is supported by the Democratic Support Officer to the PCP.

- 3.3 The working group met three times in the lead-up to the 26 January PCP meeting, convening on 9 August 2017, 7 November 2017 and 18 January 2018. It considered the following information:

- A mid-term update on progress against the PCC's 2017/18 precept
- The PCC's medium term financial strategy (MTFS)
- Answers to queries raised with the PCC in relation to the MTFS
- The proposed precept and budget (also due to be considered by the PCP)
- Consultation materials from the precept event held by the PCC

4. Views of the Finance Working Group

Proposed Precept

- 4.1 The Members of the FWG felt that a clear case had been made through the precept/budget report, and in the consultation materials, as to why an increase in the Council Tax was required and the appropriateness of setting this at £12 for a Band D Property, being the maximum permissible without requiring a public referendum. Figures provided note that 61% of households across Hampshire and IOW are in Band A-C properties, therefore a majority of residents will see an increase of less than £12 per month.
- 4.2 During an earlier review of the MTFS, it was clear that the budgetary position for the period to 2021/22 was very challenging and that difficult decisions lay ahead, which could involve cuts to neighbourhood policing and would see a significant depletion of reserves.

- 4.2 Members probed in detail what the additional Council Tax monies would be used for. It was noted that the significant proportion (£6.472m) would contribute to the investment of £12m required over the next 3 years in technology, IT infrastructure and digital, considered essential by the PCC to make Hampshire Constabulary an effective and modern police service, which can deliver savings for the future. A number of examples were provided within the report demonstrating that a proportion of the investment was compulsory, due to the need to replace equipment that would become obsolete, as, for example, it was no longer supported by the provider, or technology that was required to be introduced through national programmes. Members asked how this essential investment would be met, should the £12 increase be vetoed. It was heard, in line with the MTFS position in November 2017, that funds would be drawn from the transformation reserve but that as there would not be sufficient funds to meet all costs, the reserve would be fully depleted and that within a year an estimated £5.5m additional saving would be required, which the Chief Constable had identified would need to be drawn from Neighbourhood policing resources.
- 4.3 In forecasting, it has been assumed by the PCC that a £12 increase will only be available for 2018/19. It was noted that £8.15m of savings would still need to be met in 2018/19, with a further saving of £16.6m required over the period 2019/20 – 2021/22. The easement of a £12 increase would allow a reduction in the savings required for 2018-19, from an original expectation of £14m (assuming a 1.99% increase in council tax). This would enable the force an additional year to identify savings for subsequent years which would minimise the impact upon visible policing, and maximise funds available to meet the growth in demand on police time.
- 4.5 The table provided in 8.11 outlines a reduction in police officer headcount by 109.5 FTE officers and an additional 52.5 FTE police staff in order to meet the overall savings target of £8.15m for 2018/19. In response to Members concerns regarding the impact to visible policing and risk to the public, it was clarified that the majority of the posts to be removed were vacancies that had been held and therefore it was, in the majority of cases, a reduction in posts rather than a reduction in staff. It was assumed therefore that there would be minimal impact on the public and visible policing. Members suggested that greater clarity was needed around the context of these figures, and assurance should be sought by the PCP regarding how the PCC was monitoring, with the Chief Constable, the impact of the removal of these posts on public safety and the overall delivery of the Police and Crime Plan.

- 4.4 Members questioned the proposal to add an additional £0.440m to the budget of the OPCC to meet the delivery of the police and crime plan (£280k) and for essential staffing (£160k), and whether this money would be better spent on frontline policing. The FWG had previously challenged how the salary cost of a Deputy PCC could be met within the budget, and were advised that funds for the salary cost of a Deputy or Assistant PCC had been retained within the budget since Mr Lane took office, but that this had been utilised instead for additional staffing required to support delivery of the Police and Crime Plan. It was explained that the £0.440m had in previous years been drawn from reserves, with any underspend being returned, and this had been now been moved into the revenue line to make the costs of the office more transparent. Whilst Members of the working group were content with this justification, it was suggested that from public perspective, what would appear to be 23% increase in the OPCC's costs, and would require further clarification.
- 4.5 If the proposed precept were supported, the FWG felt it would be important for the PCC to be able to communicate the increase in Council Tax, and the reasons for it, effectively with communities and the public.

Consultation on the Proposed Precept

- 4.6 In considering the consultation documents used to engage stakeholders on the proposed precept, the FWG noted the increase in the number of attendees who were willing to support a 12% increase in the precept. Data obtained from participants before the event had already shown a significant number supported the proposals, but that once the financial context and pressures had been presented to participants support for the increase had grown from an average of 78.5% in favour to 85% in favour of the increase. The FWG also noted the overall support for the PCC's proposals in his on-line survey, with 25.1% of respondents willing to accept a £5 to £10 increase per annum in council tax, and a further 40.3% willing to contribute an additional £10-£75 per annum.
- 4.7 Efforts made to ensure those attending the public consultation events were demographically representative of the residents within the two counties was noted. It was also heard that monitoring was undertaken by the OPCC to maximise coverage of the online survey, with an example given that having noted a drop in respondents from Southampton, enhanced engagement was undertaken with residents to bring greater balance.

National Funding

- 4.8 It had been assumed within the original MTFS that the Government grant settlement would have been reduced in 2018/19 and that the council tax grant would not be available. The Minister of State for Policing and Fire set out on the 19 December that the Government grant would be protected at the same level as 2017/18, and the report further outlines that the PCC will be in receipt of the council tax grant for 2018/19. Whilst both have contributed to the easement of the financial position for 2018/19 and beyond, it should be noted by Members that this delivers a 'flat cash' settlement position. Therefore with no increase in the value of the government grant from the previous year the overall uplift to the budget will be significantly lower than the percentage increase delivered from the council tax contributions.
- 4.9 The FWG recognised, as outlined in section 4 of the precept report, that the current funding formula and the further impact of damping has resulted in the funding levels for Hampshire being considerably less than the average received by other forces. It is understood that both the PCC and the Chief Constable have undertaken significant lobbying in this regard, however it seems unlikely that a review of this formula will be undertaken in the near future.

Reserves Strategy

- 4.10 Throughout this financial year the FWG have considered in detail the reserves strategy and funds contained within each portfolio area, specifically scrutinising the plans for the transformation reserve. The FWG wished to assure itself that all projects funded from this reserve are robustly monitored and evaluated in order to demonstrate value for money. Particular concerns were raised following the indication from the MTFS that this fund was being used as a 'buffer', and the indication that the fund would be at zero balance by 2020. The FWG were therefore assured to note that the injection of monies from the £12 increase would be allocated to deliver more of the invest to save programmes but also that a positive balance could be maintained within this fund to 2022 and beyond to deliver support future efficiency programmes.
- 4.11 Along with an ongoing scrutiny of the use of the Transformation Fund, the FWG have applied a focus upon the use of the Commissioning fund, raising challenge over the projection that this reserve was now fully committed and would reach a zero balance by March 2018. The purpose of this reserve was to top up the Safer Communities fund to maintain the level of funding

available, following a 25% top-slice by central government. It had been heard previously by the FWG that the focus of the Commissioning strategy was to support proposals to create new services, or enhance existing provision, to get 'off the ground' and then support them to seek sustainable funding for the future, rather than to provide ongoing funding by the OPCC. In light of the depletion of this fund the FWG welcomed the proposal that £0.7m would be added to the base revenue going forward to enable commissioning to continue without draw from reserves.

4.12 It was also understood within the reserves strategy that it was a requirement that PCCs held unallocated funds as a contingency.

5 Proposed Lines of Inquiry

5.1 Following consideration of the draft precept, budget and MTFS on 18 January, the FWG agreed the following questions as proposed lines of inquiry to the PCC on 26 January:

- How are you scrutinising the Chief Constable's proposed headcount reduction to monitor the impact upon delivery of your Police and Crime Plan?
 - How much detail regarding the proposed headcount reductions was provided to those attending the public consultation sessions?
 - As part of the consultation the Chief Constable suggested the £12 increase would allow the Constabulary to "work with our communities like never before". What will this mean in practice, from the perspective of the public?
 - If the proposed precept increase did not go ahead what impact would this have on the headcount reduction figures quoted?
- What governance mechanisms have you in place to assure yourself that the recurrent overspend on ill health retirement by the Constabulary is justified?
- Looking at tasers as an example, how are you assuring yourself that a robust procurement process is undertaken to ensure the force isn't at the behest of a single provider?
- By 2022 total reserves will be reduced by approximately 88.5% of their value in 2017. How do you intend to fund growth and manage unexpected costs in the future without drawing down from reserves?

- With the heavy reduction in the Transformation reserve by 2022, from which budget will the maintaining and updating of technology and equipment currently being introduced by the force be drawn?
- We understand the additional £440k being added to the budget of the OPCC is a transparency measure as this amount was in previous years being drawn from reserves, is that correct?
 - What measures are in place to assess the impact of this additional spend to ensure that it is delivering value for public money and supporting delivery of the Police and Crime Plan?
- If the increase in precept is agreed, how will it be communicated to the public?
 - Do you feel the public expectations will be clear that the additional council tax contribution will not directly correlate to increased officer headcount or visible police presence?

6 Recommendations

- 6.1 The FWG, taking all supporting financial information into consideration, recommends:

That the PCC's proposal to increase the precept by £12 for a Band D property for 2018/19, is supported.

Appendix One – Home Office guidance on precept review

Police and Crime Panels – Scrutiny of Precepts

This guidance note explains the process for the police and crime panel's (PCP) scrutiny of the police and crime commissioner's (PCC) proposed precept and should be read alongside:

- Schedule 5 of the [Police Reform and Social Responsibility Act 2011](#) ("the Act")
- Part 2 of the [Police and Crime Panels \(Precepts and Chief Constable Appointments\) Regulations 2012](#) ("the Regulations")

A separate [guidance note setting out the scrutiny of chief constable appointments](#) has been published alongside this guidance note.

Background

Schedule 5 of the Act sets out the process for issuing a precept, including the panel's role in reviewing the proposed precept, their power to veto the precept and the steps to be taken if they do veto the proposed precept.

The Regulations provide greater detail to the Act, including time limits applicable to the stages of the process and the process for reviewing and issuing a revised precept.

Schedule 5 requires:

- the PCC to notify the panel of his/her proposed precept;
- the panel to review the proposed precept;
- the panel to make a report to the PCC on the proposed precept (this may include recommendations);
- the panel's report (if they veto the proposed precept) to include a statement that they have vetoed it;
- a decision of veto to be agreed by two-thirds of the panel members;
- the PCC to have regard to the report made by the panel (including any recommendations in the report);
- the PCC to give the panel a response to their report (and any such recommendations);
- the PCC to publish the response.

It is for the panel to determine how a response to a report or recommendations is to be published.

If there is no veto and the PCC has published his/her response to the panel's report, the PCC may then issue the proposed precept - or a different precept (but only if in accordance with a recommendation in the panel's report to do so).

The Regulations require:

- the PCC to notify the panel of his/her proposed precept **by 1 February**;
- the panel to review and make a report to the PCC on the proposed precept (whether it vetoes the precept or not) **by 8 February**;
- where the panel vetoes the precept, the PCC to have regard to and respond to the Panel's report, and publish his/her response, including the revised precept, **by 15 February**;

- the panel, on receipt of a response from the PCC notifying them of his/her revised precept, to review the revised precept and make a second report to the PCC **by 22 February**;
- the PCC to have regard to and respond to the Panel's second report and publish his/her response, **by 1 March**.

Panel's report on the proposed precept

If the panel fails to report to the PCC by 8 February the scrutiny process comes to an end, even if the panel have voted to veto the proposed precept, and the PCC may issue the proposed precept.

PCC's response to a veto

Where the panel vetoes the proposed precept, the PCC must have regard to the report made by the panel, give the panel a response to the report and publish the response, by 15 February. In his/her response, the PCC must notify the panel of the revised precept that he intends to issue.

Where the panel's report indicates that they vetoed the precept because it was:

- too high, the revised precept must be lower than the previously proposed precept.
- too low, the revised precept must be higher than the previously proposed precept.

The PCP may only veto the first proposed precept. Such a veto must be agreed by two-thirds of PCP members (the full membership rather than those present at a meeting). Where a veto occurs, the report to the PCC must include a statement to that effect.

Panel's review of the revised precept

On receipt of a response from the PCC notifying them of the revised precept proposal, the panel must review the revised precept proposal and make a second report to the PCC on the revised precept by 22 February. This report may:

- indicate whether the panel accepts or rejects the revised precept (although rejection does not prevent the PCC from issuing the revised precept); and
- make recommendations, including recommendations on the precept that should be issued.

If the panel fails to make a second report to the PCC by 22 February, the PCC may issue the revised precept.

Issuing the precept

Excluding where the panel fails to report on the proposed precept by 8 February or make a second report on the revised precept by 22 February, the scrutiny process ends when the PCC gives the panel his/her response to their second report.

The PCC may then:

- issue the revised precept; or
- issue a different precept, although:

- they must not issue a precept that is higher than the revised precept if the revised precept was lowered following the panel's initial report on the first proposed precept indicating it was vetoed because it was too high;
- they must not issue a precept which is lower than the revised precept if the revised precept was raised following the panel's initial report on the first proposed precept indicating it was vetoed because it was too low.

Process for PCP scrutiny of PCC's proposed precept

