



Update from the Police and Crime Commissioner's Chief Finance Officer following the CSR announcement to be shared with the Chair and Members of the Police and Crime Panel

9 December 2015

Financial Overview and the Comprehensive Spending Review

1. Purpose of Report

- 1.1 The purpose of this overview is to provide Members of the North Yorkshire Police and Crime Panel (PCP) with a brief update in relation to the finances of the PCC and an initial overview of the likely impact of the Comprehensive Spending Review on the finances for Policing in North Yorkshire over the next 4 years.

2. Background

2.1 Government Grant

The PCC is working to a budget of £147m in 2015/16, with around 54% of this funding coming from the Government as opposed to being raised through the local council tax. With nearly 50% of the overall funding for Policing in North Yorkshire coming from the Local Council Tax payer, which was highlighted as the 3rd highest percentage nationally by a recent National Audit Office report, then North Yorkshire is better place than most to offset the continued reductions in Government Funding through the Police element of the Council Tax.

- 2.2 The Government Grant for North Yorkshire has so far seen the following **CASH** reductions:

- 2011/12 – 5.1% reduction - £4.4m
- 2012/13 – 6.7% reduction - £5.4m
- 2013/14 – 1.6% reduction - £1.2m
- 2014/15 - 4.8% reduction - £3.6m
- 2015/16 - 5.1% reduction - £3.7m

- 2.3 Therefore over the 5 years detailed above the Main Government Grant(s) received for policing in North Yorkshire have reduced by £18.4m in total. **In real terms, given the effects of inflation this equates to around a £26m reduction in**

spending power on the Police Service within North Yorkshire over just 5 years.

2.4 This reduction over 5 years equates to a 21% cash reduction in funding from the government which in real terms equates to a 30% reduction.

3. Comprehensive Spending Review 2016/17 to 2019/20

3.1 Overall police funding, including funding for Counter Terrorism, has been cut by 1.3% in real terms over the next four years. In a letter to PCCs and Chief Constables the Home Secretary and Policing Minister say that “taking into account the scope that you have to raise local council tax, this means a flat real settlement for **policing as a whole.**”

3.2 It is important to realise that this doesn’t necessarily mean individual Police Force Areas will have more money going forward that they had in 2015/16.

3.3 The Spending Review document added that police force budgets will be maintained at current cash levels. However a number of top slices are expected to fund additional schemes outlined by the Chancellor and detailed below. The size of these top-slices could have a significant impact on the amount of money available locally to deliver policing in North Yorkshire.

3.4 How exactly this affects individual settlements will not become clear until the provisional police funding settlement for 2016-17, expected around 17th December.

3.5 The table below sets out the Home Office revenue and capital spending totals. Unlike previous years the Home Office spending totals contained in the Spending Review did not separate out police funding. At this stage it is therefore not possible to set out the profile of the year on year changes. It is important to realise that of the £10.3bn overall Home Office (resource) budget for 2015/16 around £8.2bn (or 80%) of this is allocated to ‘Policing’ and of this around £7.0bn (or 85%) is actually allocated to PCC’s. Therefore around 68% of the Home Office budget is actually allocated to PCC’s directly.

Home Office	£ billion					Real growth
	2015-16	2016-17	2017-18	2018-19	2019-20	
Resource DEL (excl depreciation)	10.3	10.7	10.6	10.6	10.6	-4.80%
Capital DEL	0.4	0.5	0.5	0.4	0.4	-
Total Managed Expenditure	10.7	11.2	11.1	11.0	11.0	

3.6 **Key Headlines**

The main announcements from the Spending Review which have an impact on police are summarised below.

3.7 **Police**

- £1 billion will be invested to link up the emergency services and up to £1.65 billion of new funding to drive closer collaboration between police forces on specialist capabilities like firearms, cyber-crime and child sexual exploitation
- Police efficiency will be improved by taking steps to drive down the cost of police procurement by up to £350 million and encouraging greater collaboration between police forces and with other public and emergency services.
- Additional transformational funding will be allocated to forces which have “strong proposals to support efficiency and reform and to help transition to new funding arrangements in future”. This funding will also allow forces to train more firearms officers to ensure the country extends its capability to protect its citizens from terrorist threats.

3.8 **Home Office**

- The Home Office administration budget will be reduced by 30% between 2015-16 and 2019-20.
- The National Crime Agency’s budget will be protected.
- Over £200m of capital investment to fund new digital and investigative capabilities for the National Crime Agency.

3.9 **Counter-Terrorism**

- Counter terrorism funding will be increased by £500m, equivalent to a 30% rise.
- The number of police armed response vehicles available to respond rapidly to critical incidents will be increased by up to 50% and new funding will be made available to increase the number of specialist counter terrorism fire arms officers and to train existing officers.

3.10 Given the values involved in the above commitments (i.e. the £1bn, the £1.65bn and the £500m) it is almost impossible for these to be delivered without it impacting negatively on the level of funding directly available to me to deliver Policing within North Yorkshire.

3.11 Council Tax

- In England it is the intention that the overall referendum limit for police precept will be maintained at 2% over the Spending Review period.
- Additional flexibility will be made available for the ten PCCs in England with the lowest precept levels each year (lower quartile), so that they can raise their precept by up to £5 per year over the Spending Review period. North Yorkshire is not one of these areas.
- All other PCCs can expect to be subject to the usual 2% referendum limit.

3.12 **The Government and Home Office have therefore factored in 2% increases in Local Precepts for policing into their announcements and plans for the next 4 years.**

4. Speech from the Home Secretary – 8th December 2015

- 4.1 In a speech from the Home Secretary on the 8th December the message in terms of the continuing financial challenges faced by PCC's and Force's was very clearly set out through the following quotes:

.....the chancellor's announcement to protect overall spending on the police does not amount to a reprieve from making further savings or "let them off the hook" of introducing further major reforms.

"We must redouble our efforts, force a more urgent pace, and deliver a more radical and more sustained period of police reform than we saw even in the last parliament,"

"Because with protected funding comes an even greater responsibility to spend every penny of taxpayers' money wisely, and to drive better value at every step."

She said that the spending settlement will give the police an extra £900m in cash terms by 2019-20: "That is on top of the £1.9bn of savings you are already planning to make ... and the £2.1bn you hold in reserves. It represents – quite simply – a massive investment in the future of policing in this country.

"But neither I, nor the public, will have any sympathy for those who complain about budget cuts – as some of you have continued to do in the past couple of weeks. Because as I said two weeks before the spending review, it is not in spite of the need to find savings that we have been able to reform policing, but because of them.

"And to those who think the spending review gives you breathing space to relax the reforms we started five years ago, you could not be more wrong."

The home secretary is to set out next the grant allocations for each individual force for 2016-17: "But I can tell you now that – just as you had planned to do a month ago – every force will still need to make savings year on year.

"So this settlement is not a reprieve from reform. It does not let you off the hook or mean you can slow the pace of change. Nor does it insulate you from the need to look for further efficiencies."

5. Conclusion

- 5.1 While the Spending Review indicates a welcome end to the reductions to the overall funding available to Policing it is vital for our staff, the public and our partners to realise that this sadly doesn't mean that there will be more funding available locally for Policing in North Yorkshire. It also doesn't mean that further reductions in both real and cash terms will not be made in the coming 4 years to the funding available for Policing in North Yorkshire.
- 5.2 It is also vitally important to realise that even in the best case scenario, where there are no further cash cuts to the funding available locally, this still means that the spending available for Policing in North Yorkshire is still around £26m worse off than it was in 2010/11, in real terms, given what has happened in the 5 years to 2015/16. It therefore **doesn't** mean that all of the savings and changes that have already been made can be reversed, and it **doesn't** mean that those changes and savings that we have planned and need to make in the future are no longer required.
- 5.3 The challenge over the next 4 years is likely to be as big as we expected, with the pace of change likely to be greater than over the previous 5 years and the challenges to face arguably bigger.