



## **Report of the Chief Finance Officer of the PCC to the Police and Crime Commissioner for North Yorkshire**

**20<sup>th</sup> December 2016**

**Status: For Information**

### **Medium Term Financial Plan (MTFP) 2017/18 to 2020/21 and Capital Plans 2017/18 to 2020/21 Update**

#### **1. Executive Summary**

##### **1.1 Purpose of the Report**

This report is to provide the PCC with an update on the delivery of the Medium Term Financial Revenue and Capital plans of the organisation based on the plans agreed by the PCC in February 2016 and any significant changes that have taken place since February.

#### **2. Recommendations**

The PCC is requested to note:

- 2.1 The current year forecasts are included within this report to acknowledge that delivery within the current year will have an impact on the MTFP both in terms of finances and delivery of services, change and project.
- 2.2 The current year forecast is for an under spend of £700k against the Revenue Budget, based on Forecasts to the end of October, however experience suggests that further underspends will materialise over the remainder of the year.
- 2.3 The current year forecast is that £0.5m of the Capital Programme will no longer be needed and a further £6.7m of projects have 'slipped' into 2017/18. Experience suggests that Project Managers/Owners are being very optimistic/unrealistic in forecasting that a further £19m will be spent in the current financial year and therefore further slippage will occur.
- 2.4 There is still a significant amount of work required to actually deliver against both the current year plans and those incorporated with the MTFP and this will

be monitored through the Affordability Group and progress and updates incorporated into future updates of the MTFP.

- 2.5 The plans rely on assumptions and estimates about what will happen in the future. There are a significant number of unknowns that are outside of the control of the organisation and as such there are a number of significant risks to the organisation. The main risks are set out within the report and will be kept under review.
- 2.6 A further update on the MTFP will be provided during January 2017.

### **3. Current Year Financial Performance**

3.1 On the 25<sup>th</sup> February 2016 the PCC agreed the revenue Budget for 2016/17 which was based on the receipt of income totalling £150,070k. This section is to provide the PCC with an update on all areas of the budget, including forecasts of how much income will actually be received during the year, the progress against the budget to date and forecasts on the expenditure for the remainder of the financial year.

3.2 The £150,070k was allocated to the following areas:

- £911k to run the Office of the PCC
- £27,432k for Corporate Services
- £121,445k to the Police Force
- £3,449k to the Capital Programme

Supported by £3,167k from Reserves

3.3 The income received and expenditure incurred to the end of October 2016 are included within the table below, along with the forecast outturn across all of the above areas:

	Actual Budget 2016/17	Revised Budget 2016/17	YTD Budget Oct 2016	YTD Actual Oct 2016	YTD Over/(Under) Spend Oct 2016	Year End Forecast Over/(Under) spend
<b>Funding</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Funding for Net Budget Requirement	(140,183)	(140,184)	(80,495)	(71,366)	9,129	0
Specific Grants	(2,908)	(2,928)	(1,692)	(1,637)	55	(7)
Partnership Income/Fees and Charges	(6,978)	(7,532)	(3,803)	(3,557)	246	607
<b>Total Funding</b>	<b>(150,070)</b>	<b>(150,644)</b>	<b>(85,990)</b>	<b>(76,560)</b>	<b>9,430</b>	<b>600</b>
<b>Office of the PCC Planned Expenditure</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>Total Planned Expenditure</b>	<b>911</b>	<b>911</b>	<b>529</b>	<b>501</b>	<b>(28)</b>	<b>0</b>
<b>Commissioned Services</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Commissioned Services	3,488	3,488	2,040	1,407	(633)	0
<b>Total Planned Expenditure</b>	<b>3,488</b>	<b>3,488</b>	<b>2,040</b>	<b>1,407</b>	<b>(633)</b>	<b>0</b>
<b>Corporate Costs</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	7,922	6,923	4,006	3,774	(232)	(293)
Other Non Salary	579	228	132	30	(102)	(170)
Premises	5,215	4,177	2,605	2,822	217	453
Supplies and Services	9,237	8,248	4,825	4,556	(269)	(389)
Projects	0	5,895	2,991	1,576	(1,415)	(1,544)
Transport	157	769	449	425	(24)	0
Asset Management	834	926	540	2	(538)	(628)
<b>Total Corporate Costs</b>	<b>23,944</b>	<b>27,166</b>	<b>15,548</b>	<b>13,185</b>	<b>(2,363)</b>	<b>(2,571)</b>
<b>Police Force Planned Expenditure</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>Pay</b>						
Police Pay	69,601	69,840	40,118	40,700	582	1,020
Police Overtime	1,427	1,582	782	1,517	735	1,245
PCSO Pay (incl Overtime)	6,326	6,325	3,664	3,424	(240)	(420)
Staff Pay (incl Overtime)	27,328	27,093	15,403	14,769	(634)	(1,075)
<b>Pay Total</b>	<b>104,682</b>	<b>104,840</b>	<b>59,967</b>	<b>60,410</b>	<b>443</b>	<b>770</b>
<b>Non-Pay Budgets</b>						
Other Non Salary	874	931	533	529	(4)	(22)
Injury and Medical Police Pensions	3,168	3,167	1,848	1,649	(199)	(17)
Premises	79	79	46	28	(18)	(14)
Supplies and Services	10,419	10,705	5,717	5,191	(526)	(779)
Transport	2,224	2,257	1,304	1,095	(209)	(283)
<b>Non-Pay Total</b>	<b>16,763</b>	<b>17,139</b>	<b>9,448</b>	<b>8,492</b>	<b>(956)</b>	<b>(1,115)</b>
<b>Total Planned Force Expenditure</b>	<b>121,445</b>	<b>121,979</b>	<b>69,415</b>	<b>68,902</b>	<b>(513)</b>	<b>(345)</b>
<b>(Surplus)/Deficit before Reserves/Capital</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
	<b>(282)</b>	<b>2,900</b>	<b>1,542</b>	<b>7,435</b>	<b>5,893</b>	<b>(2,316)</b>
Contribution to Capital Programme	3,449	3,539	1,762	1,806	44	72
Planned Transfers to/(from) Earmarked Reserves	(3,167)	(6,439)	(3,304)	(1,482)	1,822	1,544
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,759</b>	<b>7,759</b>	<b>(700)</b>

3.4 The overall forecast outturn at this point in the financial year is for an under spend of £700k against the overall revenue budget. This is shown in the table above. As referenced in the report in September experience suggested that underspends would develop as the year progressed and that has materialised and is likely to continue across the remainder of the financial year. There are some very ambitious recruitment targets required, particularly around police staff roles, to enable the current forecast to be delivered, along with very significant spends on projects and most non-pay budgets. The sections below

consider the main areas of the budget and provide a brief overview of the current position and the projected position as necessary.

### 3.5 **Income/Funding**

For many of the income streams, the forecast income remains in line with the budget. Two sources of income are forecasted to under achieve against the budget:

- The income derived from Police Lead Prosecutions is forecast to be less than the budget by £160k. The budget for this income appears to have been over estimated.
- Income from the administration of speed awareness courses is forecast to be £710k less than budgeted. The existing Safety Camera Vans are generating fewer prosecutions than were forecast. Also a delay in the procurement of the new Safety Camera Vans has also had an impact. The level of income will be monitored and future forecasts adjusted if necessary. The reduction in income will be offset to some extent by the corresponding reduction of administration costs that is causing some of the under spend in the Force's supplies and services line.
- These are offset to some extent by the expected receipt of additional secondment income of £270k.

### 3.6 **Office of the PCC**

The current expectation is that the OPCC budget will breakeven, although things are very tight, during 2016/17 with the costs of a Deputy PCC and the costs of cover for the Chief Executive post being absorbed within the overall £911k budget.

### 3.7 **Corporate Services**

#### 3.8 **Staff Pay and Projects**

There are currently, as at the end of October 2016, 98 FTE vacancies/posts that have not been filled across Corporate Services and Projects. Of these, 64 FTEs sit within Projects. This is driving underspends within all of the various staff pay lines within Corporate Services. Staff Pay within Corporate Services is forecast to underspend by nearly £300k whilst projects are forecast not to spend over £1.5m of the expected pay budget in the current year. These project budgets, and the need to deliver these projects, will therefore continue into 2017/18 and the budgets will be carried forward accordingly.

3.9 There are a number of these staff vacancies that are actively being recruited to and the ability to achieve this will impact significantly on the ability to deliver against the organisations priorities and also the financial forecasts that are provided within the current summaries. The table below shows an overview of the current recruitment activity against the vacancies within this area:

Overview of where roles are within the Recruitment Process							
	Pre-Advert	Advert	Shortlisting	Interview	Recruitment Checks	Offer Accepted	Grand Total
Corporate Service and Projects Total	5	5	2	9	9	0	30

3.10 An allowance for both recruitment and leavers is factored into the forecasts.

3.11 **Police Force Expenditure**

Pay related budgets are forecast to overspend by just over £0.7m, after allowing for the transfer of £0.5m that was held within Supplies and Services for targeted initiatives to reduce crime and anti-social behaviour across the Force. Within this overall overspend there are some significant over and underspends forecast as set out below:

3.12 **Police Pay - £1,020k forecast overspend**

The numbers of police officers fluctuate during the year - officers retire fairly evenly, but recruitment takes place at intervals. The budget was set to assume that on average 1,360 FTE officers would be paid throughout the year as the Force recruited to 1,400 FTEs. While plans are in place to reach around 1,400 FTEs by the end of the current financial year the average employed during 2016/17 is expected to be around 1,345 FTEs.

3.13 Being on average 15 FTE's lower than budget throughout the year would generally lead to an under spend of circa £750k however the current forecast is for an over spend of £720k. There are a number of areas driving this difference:

5.11 The original budget assumed that all recruitment of Police Officers during 2016/17 would be from Student Officers – that have a cost of around £30k per annum. In reality there is expected to be around 55 FTEs that transfer in from other Forces during 2016/17 all of whom have significantly higher employment costs, due their experience and training. This has resulted in higher than average pay costs, particularly at PC level.

5.12 The table below shows the rank mix on which the original budget was based versus the current position. As can be seen there are a number of Police Officers in higher ranks that was expected when the budget was set. This is added to higher than expected costs across these areas.

<b>Rank</b>	<b>When Budget Set</b>	<b>Actual Mix on payroll in October</b>	<b>(Higher)/ Lower than Budget</b>
PC	1,023	982	41
Sgt	226	232	(6)
Insp	79	78	1
Ch Insp	15	18	(3)
Supt	12	13	(1)
Ch Supt	1	3	(2)
Chief Officers	4	4	-
<b>Total</b>	<b>1,360</b>	<b>1,330</b>	<b>30</b>

5.13 The other area of unexpected costs is in relation to the payments that have resulted from a recent case decision (Allard and co v CC of Devon and Cornwall). It was determined that officers who handle contact from Covert Human Intelligence Sources (CHIS), outside their rostered tours of duty, are performing duty within the meaning of the Police Regulations, even if that contact is only by telephone. It determined that such duty is not subject to the 30 minute disregard on the first four occasions performed, nor were periods of less than 30 minutes not counted. It also identified that if it was a recall to duty that a minimum of 4 hours should be paid in line with the regulations prior to 2012. There is an allowance within the forecasts for costs of £300k in relation to back dated payments.

### 3.14 Police Overtime - £1,245k forecast overspend

Police overtime is forecast to be overspent by £1.2m after allowing for the transfer, from Supplies and Services, of £500k which was set aside for targeted initiatives to reduce crime and anti-social behaviour across the Force. Overtime is being used to maintain the expected Policing levels within the OPM model as Police Officer numbers have reduced faster than anticipated. Lack of uniformed officers and Detectives in some areas has resulted in greater than expected overtime and the forecast assumes that recruitment will not have any significant impact until very late in the financial year. The forecast also includes overtime for mutual aid provided to other Forces at short notice for which there is an element of over recovery of income to cover these costs.

3.15 PCSO Pay and Overtime - £420k underspend

The 2016/17 budget assumed that there would be 200 PCSO's in post throughout the financial year. The number of PCSOs vacancies at the end of October was 16 however Recruitment plans are in place for intakes in both January and March to bring forecast numbers to just over 200 by the end of the year. Overall it is expected that on average there will have been around 16 vacancies throughout 2016-17 which is driving most of the forecast underspend of £420k on PCSO pay.

3.16 Staff Pay and Overtime - £1,075k underspend

There continue to be a significant number of vacancies within the Force in relation to staff posts. It is forecast than on average over 2016/17 there will have been on average 119 FTE vacancies. The table below gives an overview of where roles are within the recruitment process:

Overview of where roles are within the Recruitment Process							
	Pre-Advert	Advert	Shortlisting	Interview	Recruitment Checks	Offer Accepted	Grand Total
Force Total	3	24	12	12	62	19	132

3.17 The 119 average FTE vacancies is considerable higher than the 40 factored into the original budget and would therefore have driven an under spend of circa £2.3m. However this has been offset by the use of Agency Staff – which is expected to total £0.6m during the year, £0.3m of additional overtime to cover vacancies and a further £0.3m associated with the costs of leavers.

3.18 The current forecast underspend has the potential to increase if the assumptions used to estimate how long roles will take to be filled turns out to be longer.

3.19 The current year summary is important to understand as it has a knock on impact into the MTFP especially around the ability to deliver the projects, savings plans and changes that underpin the current assumptions. This will be built upon as the year progresses to ensure that the learning and forecasts from 2016-17 are incorporated into the MTFP.

## **4. Planning and Funding Assumptions**

### **4.1 National Context**

Since the last update report in September the Autumn Statement took place on the 23<sup>rd</sup> November. A summary of the major points of interest from the statement are included at Appendix A.

4.2 There were no specific references within the statements to PCC's, Policing or the Home Office and no changes proposed to the Departmental Expenditure limits that were set out in the March 2016 budget.

### **4.3 Provisional 2016/17 Police Funding Settlement**

The Provisional 2017-18 Police Finance Settlement was announced in a written ministerial statement by the Minister of State for Policing and Fire Services, Brandon Lewis, on Thursday 15<sup>th</sup> December.

### **4.4 Headlines**

The statement announced that 'Following the principles set out on the 4 February 2016 when publishing the final police funding settlement for 2016/17 direct resource funding for each PCC, including precept, will be protected at flat cash levels compared to 2015/16, assuming that precept income is increased to the maximum amount available in both 2016/17 and 2017/18. No PCC who chooses to maximise precept in both years will face a reduction in cash funding next year compared to 2015/16. We have updated our precept forecasts for 2017/18 since February to reflect actual tax base increases in 2016/17'

4.5 The reduction applied to grant funding in 2017/18 is 1.25% in cash terms, which equates to a cash reduction of £961k for North Yorkshire.

4.6 As expected, this provisional settlement covers just one year and confirms the previously-announced council tax flexibility whereby the 10 Policing Areas with the lowest Band D precept level can increase their Band D precept by £5. North Yorkshire is not one of these areas.

4.7 Top-slices/Reallocations totalling £812m have been announced for 2017/18. The areas this funding will now be spent on, instead of being allocated to PCC's is as follows:

- PFI - £73m
- Police Technology Programme - £417m
- Arm's Length Bodies - £54m
- Strengthening the response to organised crime - £28m
- Police Transformation Fund - £175m
- Special Grant - £50m
- Pre-Charge Bail - £15m



- 4.8 Had this funding been provided to PCC directly, instead of being reallocated to these schemes then North Yorkshire would have received £8m more funding in 2017/18.
- 4.9 Legacy Council Tax funding is still separately identifiable and has not changed from 2016/17. The statement confirmed that there would be no council tax freeze scheme in 2017/18.
- 4.10 Police Capital Grant that is to be allocated to PCC has reduced by a further £8.2m, or just over 15%. This will have the impact of reducing the Capital Grant payable to North Yorkshire by £77k.
- 4.11 Counter Terrorism  
In the statement the Minister announced that he 'will continue to allocate specific funding for counter-terrorism policing over the course of the Spending Review period to ensure that the police have the capabilities to deal with the terrorist threats that we face, in addition to the funding set out in this settlement. Funding for counter terrorism policing is protected. The indicative Spending Review profile for counter terrorism police funding in 2017/18 is £670m; this figure will be confirmed separately. In addition a further £32m will be provided for armed policing from the Police Transformation Fund in 2017/18.'
- 4.12 Police and Crime Commissioners will receive full counter terrorism funding allocations in the New Year. For security reasons these allocations will not be available in the public domain.
- 4.13 Ministry of Justice (MoJ) Funding  
The Victim's Funding comes from the MoJ. The individual allocations to PCC's are expected 'imminently' but have not yet been released. At this stage the financial plan assumes no change from the funding received in 2016/17.
- 4.14 Based on this revised view of 'flat cash' settlements and the settlement for 2017/18 the forecast Grant movements within the MTFP have been revised as per the table below:

Assumed Government Grant Reductions			
	Feb 2016 MTFP	Sept 2016 MTFP	December 2016 MTFP
	%	%	%
2017/18	-0.6%	-0.6%	-1.3%
2018/19	-0.6%	-0.6%	-1.3%
2019/20	-0.6%	-0.6%	-1.3%
2020/21	N/A	2.0%	2.0%

- 4.15 Funding Formula  
The Government has been clear that existing arrangements for distributing core grant funding to police force areas in England and Wales need to be reformed. These arrangements are complex, outdated and reflect a picture of

policing risk and demand which has moved on and – fundamentally – are born out of the interaction between separate Home Office and DCLG funding formulae which can no longer be updated.

- 4.16 The Minister of State for Policing and the Fire Service wrote to all Police and Crime Commissioners on 14 September setting out plans for continuing work to review these arrangements, focussed on developing a new Police Core Grant Distribution Formula. The first stage of this work will be a period of detailed engagement with the policing sector and relevant experts. Any final decisions on implementation of a new formula will follow a period of public consultation.
- 4.17 The Review will take place between October 2016 and February 2017 and comprise a period of detailed engagement with the policing sector and relevant independent experts, which will make recommendations to the Home Office on a new formula for distributing Police Core Grant funding to PCCs (and their London equivalents) in England and Wales.
- 4.18 Specifically, the Review will have the following objectives:
- To agree a set of core principles that a future formula should be based on (using fairness; transparency; stability; alignment with expected relative risk and demands; and, appropriately incentivising efficiency and effectiveness as the starting point, and the balance that a new formula should strike between them;
  - To develop proposals on a new police core grant distribution formula which aligns with these principles and takes account of the significant drivers of risk and demands for policing services;
  - To consider whether and how to take into account regional cost variations in a new formula;
  - To consider whether and how a new formula should take into account forces' local council tax base;
  - To advise the Home Office on the options for transition to a new formula.
- 4.19 The formula will be based on 5 key principles:
- Stability
  - Fairness
  - Transparency
  - Incentivising efficiency & effectiveness, and
  - Alignment with risk.
- 4.20 These are complemented by 6 policy objectives:
- Encourages efficiency
  - Recognises local circumstances including ability to raise council tax
  - Avoids prolonged transition
  - Stable and predictable
  - Enables transformation and future proofing, and
  - Encourages upstream crime prevention.

- 4.21 There are 3 building blocks:
- Relative needs and demands (likely to be based around population, socio-economic factors, geography & environmental)
  - Relative costs and needs
  - Variation in local tax raising powers
- 4.22 While this is a new process, with a new minister, many of the key principles, objectives and building blocks are not that dissimilar to those previously looked at during the last Funding Formula Review. That review, prior to the discovery of an error in the formula by Devon and Cornwall, was forecast to result in a reduction in Funding for North Yorkshire of around £3.5m to £4.0m per annum.
- 4.23 The results from this original formula, across all Policing areas, was presumably acceptable to the Home Office and therefore it is likely to be prudent to plan for a formula that results in a similar impact on the Government Grant allocations for North Yorkshire.
- 4.24 The impact of any new Formula is likely to take place from 1<sup>st</sup> April 2018, with any changes phased. Based on these assumptions and for planning purposes this MTFP assumes that the Funding Formula will reduce the funding available to the PCC, in the form of Government Grant, by £1m per annum from 2018/19. In cumulative terms this has reduced the previous Government Grant forecasts by:
- 2018/19 - £1m
  - 2019/20 - £2m
  - 2020/21 - £3m
- 4.25 As more information becomes available these assumptions will be reviewed.
- 4.26 Precept  
Over 45% of the Net Budget Requirement within North Yorkshire is now funded by the local precept and therefore this will provide more of a cushion to cuts in government grants, including any reductions from a revised Funding Formula, than in most Police Force areas.
- 4.27 The assumption throughout this plan, for planning purposes, is that this element will continue to increase at a rate of 1.99% per annum, although this will be subject to an annual decision.
- 4.28 The Government have informed PCC's that 'You should plan on the basis that the overall referendum limit for police precept will be maintained at 2% over the Spending review period for Police and Crime Commissioners in England.' Therefore the risk in relation to this assumption going forward is manageable locally and subject to local decision and consultation annually.

- 4.29 DCLG has recently published a technical consultation on the 2017-18 Local Government Finance Settlement. The consultation, which closed on 28 October 2016, included details of the 2017-18 council tax referendum principles for police.
- 4.30 The Government's proposals for the council tax referendum principles for 2017/18 are:
- A core principle of 2%. As in 2016/17, this would continue to apply to shire counties, unitary authorities, London boroughs, the Greater London Authority, fire authorities, and Police and Crime Commissioners except those whose Band D precept is in the lower quartile of that category
  - Those Police and Crime Commissioners whose Band D precept is in the lowest quartile (this doesn't include North Yorkshire) of that category will be allowed increases of less than 2% or up to and including £5, whichever is higher.
- 4.31 There have therefore been no changes to the assumptions within this area since the February MTFP was approved.
- 4.32 Number of Band D Equivalent Properties and Collection Surplus'  
Over the last 3 years there have been significant increases in both the number of calculated Band D properties within North Yorkshire and also significant Collection Surplus' to which the PCC has benefited from.
- 4.33 In line with Government projections and based on historic trends the financial plans previously included a 0.5% increase in the underlying tax base on an annual basis and a £150k per annum collection surplus.
- 4.34 However the growth in tax base is expected to continue into both 2017/18 and beyond and therefore given the prudent view that has now been taken on the impact of the Funding Formula it is also appropriate to be less prudent on the forecasts in this area.
- 4.35 In the June MTFP report reference was made to the review that is taking place across each District area within North Yorkshire in relation to Single Person Discounts. Across North Yorkshire, over 86,000 households claim single occupancy discount at the rate of 25% with in excess of £31m being offset against taxpayer bills as a result. This reduction is reflected in the Council Tax base that is reported to us by each local council and that we use to raise the 'Police' precept
- 4.36 In addition to this the September report referenced that a number of Councils have reported that they are consulting on changes to the Council Tax Support schemes that currently operate within their areas. Council Tax Support (also

known as Council Tax Reduction) is a discount given to Council Tax payers on low income to reduce the amount of Council Tax they have to pay.

- 4.37 The impact of the proposed changes are, as mentioned in September, would be to increase the calculated number of band D equivalent properties within North Yorkshire, which will subsequently increase the amount of precept income received on a recurring basis.
- 4.38 These 'technical' changes, aligned with continued housebuilding is expected to see the tax base increase by more than 1.4% between 2016/17 and 2017/18 and given the recent trend and some forecast information from the Councils it would be reasonable to assume that this trend will continue across the life of the current plan. This revised MTFP therefore assumes an annual increase in the Tax Base of 1% per annum.
- 4.39 It is also expected that the combined Collection Surplus payable to the PCC in 2017/18 will be in excess of the £150k included within the previous MTFP. A current estimate of £600k is included within the MTFP. It is also reasonable to assume that the trend of higher collection surpluses continues across the life of the MTFP and therefore an annual collection surplus of £300k has now been included.
- 4.40 These changes will be kept under review as part of the MTFP planning process and revised as necessary in line with the rest of the plan.
- 4.41 Specific Grants, Other Income and Partnership Fees and Charges  
These sources of income and funding are forecast to provide between £12.3m and £13.0m across the life of the plan.
- 4.42 The entire funding therefore expected to be available to the PCC for the next 4 years in comparison to 2016/17 is shown below. The table also shows the impact of the revised assumptions around Grant and Precept, in comparison to the September 2016. The table also shows that the movement in Net Budget Requirement over the 4 year period, taking into account the changes discussed in this paper, is a reduction of £4.5m over the figures reported in September.

	Actual	Forecasts			
	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Funding</b>	£000s	£000s	£000s	£000s	£000s
Government Grant	(68,723)	(67,762)	(65,881)	(64,012)	(64,332)
Council Tax Precept	(63,563)	(65,450)	(67,075)	(69,080)	(71,150)
Council Tax Freeze Grant	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Council Tax Support Grant	(5,746)	(5,746)	(5,746)	(5,746)	(5,746)
<b>Funding for Net Budget Requirement (NBR)</b>	<b>(140,183)</b>	<b>(141,110)</b>	<b>(140,854)</b>	<b>(140,989)</b>	<b>(143,380)</b>
Specific Grants	(2,908)	(3,025)	(2,499)	(2,491)	(2,491)
Partnership Income/Fees and Charges	(6,978)	(9,970)	(9,817)	(9,961)	(10,084)
<b>Total Funding</b>	<b>(150,070)</b>	<b>(154,105)</b>	<b>(153,170)</b>	<b>(153,441)</b>	<b>(155,954)</b>
%age change in Total Funding	2.1%	2.7%	-0.6%	0.2%	1.6%
<b>NBR Assumption at September 2016</b>	<b>(140,183)</b>	<b>(140,468)</b>	<b>(141,613)</b>	<b>(142,803)</b>	<b>(145,992)</b>
<b>Changes to NR Funding Forecasts</b>	<b>0</b>	<b>(642)</b>	<b>759</b>	<b>1,813</b>	<b>2,612</b>

## 5. Expenditure Plans

- 5.1 A number of changes have either been agreed during the financial year, are proposed to be made or are required as a result of changes to previous assumptions/saving plans and/or inflation/legislation. The impact of these proposed changes are currently incorporated into this MTFP and are summarised in the table below.

	2017/18	2018/19	2019/20	2020/21
	£000s	£000s	£000s	£000s
<b>Savings required as at February 2016</b>	0	0	0	0
<b>Summary of significant changes included within Current Projections</b>				
ICT staff development and growth Proposal for transformation of ICT	863	1,150	1,150	1,150
Proposal for an increase of 14 additional PCSO's per Neighbourhood policing review	224	448	448	448
Legislative Requirement to Include overtime in Holiday Pay Calculations	186	186	186	186
Finance review and procurement team	172	196	213	213
Evolve Collaboration Costs	427	430	430	430
Camera Safety Income and Budget Review	120	120	120	120
Government Grant Reductions (actual and assumption) Changes	501	925	1,341	1,525
Allowance for potential loss of police grant due to formula funding review	0	1,000	2,000	3,000
Police Officer Employers Pension Contribution Rate Increase	0	0	1,000	1,000
Niche Project (Yrs 1&2 funded from Projects)	0	0	152	152
<b>Total Significant Cost changes since February 2016</b>	<b>2,492</b>	<b>4,455</b>	<b>7,041</b>	<b>8,225</b>
<b>Proposed Savings/Mitigations</b>				
Remove estimated borrowing costs re delays in need to borrow	(357)	-	-	-
Transfer from General Reserve to balance 17/18 budget	(775)	-	-	-
Precept and Collection Fund Adjustments	(1,144)	(1,166)	(1,527)	(1,913)
Sundry Adjustments re Inflation/Timing of Project Delivery	(217)	(465)	(364)	(312)
<b>Total Significant Proposed Savings/Mitigations</b>	<b>(2,492)</b>	<b>(1,631)</b>	<b>(1,891)</b>	<b>(2,225)</b>
<b>Forecast GAP as at December 2016</b>	<b>(0)</b>	<b>2,825</b>	<b>5,150</b>	<b>6,000</b>

5.2 A summary of the overall position is included below:

	Actual Budget	Forecasts			
	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Funding</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Funding</b>	<b>(150,070)</b>	<b>(154,105)</b>	<b>(153,170)</b>	<b>(153,441)</b>	<b>(155,954)</b>
%age Change in Funding	2.1%	2.7%	-0.6%	0.2%	1.6%
<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>911</b>	<b>911</b>	<b>911</b>	<b>911</b>	<b>911</b>
<b>Corporate Costs</b>	£000s	£000s	£000s	£000s	£000s
Staff Pay	7,922	9,277	8,336	8,333	8,416
Other Non Salary	579	551	322	325	329
Premises	5,215	4,621	4,500	4,385	4,475
Supplies and Services	9,237	10,620	9,062	9,191	9,103
Asset Management	834	510	846	846	846
<b>Total Corporate Costs</b>	<b>23,944</b>	<b>26,216</b>	<b>23,589</b>	<b>23,610</b>	<b>23,708</b>
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	69,601	70,213	70,532	72,626	73,175
Police Overtime	1,427	2,005	1,866	1,884	1,903
PCSO Pay (incl Overtime)	6,326	6,615	6,920	6,989	7,059
Staff Pay (incl Overtime)	27,328	28,222	27,377	27,445	27,732
<b>Pay Total</b>	<b>104,682</b>	<b>107,054</b>	<b>106,695</b>	<b>108,944</b>	<b>109,869</b>
<b>Non-Pay Budgets</b>					
Other Non Salary	874	1,415	1,409	1,423	1,437
Injury and Medical Police Pensions	3,168	3,199	3,231	3,263	3,296
Premises	79	65	66	66	67
Supplies and Services	10,419	12,339	11,970	12,098	12,250
Transport	2,224	1,916	1,631	1,680	1,730
<b>Non-Pay Total</b>	<b>16,763</b>	<b>18,933</b>	<b>18,306</b>	<b>18,531</b>	<b>18,780</b>
<b>Total Planned Force Expenditure</b>	<b>121,445</b>	<b>125,988</b>	<b>125,001</b>	<b>127,475</b>	<b>128,649</b>
%age Change in Expenditure	2.2%	3.7%	-0.8%	2.0%	0.9%
<b>(Surplus)/ Deficit before Reserves/Capital</b>	£000s	£000s	£000s	£000s	£000s
	<b>(282)</b>	<b>2,660</b>	<b>(266)</b>	<b>1,864</b>	<b>622</b>
Planned Transfers to/(from) General Fund	0	(2,140)	(808)	(318)	0
Contribution to Capital Programme	3,449	3,885	3,849	3,735	3,859
Planned Transfers to/(from) Earmarked Reserves	(3,167)	(4,405)	51	(130)	1,518
<b>Net (Surplus)/ Deficit After Reserves</b>	<b>0</b>	<b>(0)</b>	<b>2,825</b>	<b>5,150</b>	<b>6,000</b>
<b>General Reserves</b>	£000s	£000s	£000s	£000s	£000s
General Fund Balance b/f	9,697	9,697	8,257	7,449	7,131
Proposed (Use of)/Contribution to General Fund	0	(2,140)	(808)	(318)	0
General Fund Balance c/f	<b>9,697</b>	<b>8,257</b>	<b>7,449</b>	<b>7,131</b>	<b>7,131</b>
<b>Assumptions</b>					
Police Pay Increases	1.0%	1.0%	1.0%	1.0%	2.0%
Precept Increases	2.0%	2.0%	2.0%	2.0%	2.0%
Government Grant Reductions (Cash Basis)	-0.6%	-1.3%	-1.3%	-1.3%	2.0%



## 6. Affordability Programme

### 6.1 Affordability Programme

The Affordability Programme was established during 2015/16 to look at how we can shape the organisation and the operations to deliver the right service to the public of North Yorkshire within the budgetary constraints.

6.2 Significant savings and investment plans, which were detailed in setting the 2016/17 Budget, resulted from this work and were factored into the MTFP in line with the totals indicated below:

	Forecasts			
	2016/17	2017/18	2018/19	2019/20
<b>Current Savings Plans per Affordability Group</b>	<b>(3,582)</b>	<b>(7,299)</b>	<b>(9,409)</b>	<b>(10,977)</b>
<b>Current Investment Plans/Proposals</b>	<b>4,738</b>	<b>5,409</b>	<b>6,327</b>	<b>6,404</b>

6.3 The work to deliver both the savings and investment plans have continued throughout 2016/17 and as at this point it is expected that the following savings and investments will need to be delivered across the life of this MTFP to deliver those plans from a financial perspective.

	Forecasts			
	2017/18	2018/19	2019/20	2020/21
<b>Savings and Unavoidable Costs</b>				
Collaborations	(350)	(929)	(929)	(929)
Workforce mix	(522)	(452)	(452)	(452)
Criminal Justice Review	(400)	(800)	(800)	(800)
Deployment Technology (MAUDS)	(310)	(811)	(814)	(814)
Mobile Technology	0	(579)	(579)	(579)
Business Administration Review	0	(151)	(151)	(151)
Estates Review	(812)	(725)	(1,056)	538
<b>Outstanding Affordability Savings Plans to be Delivered</b>	<b>(2,394)</b>	<b>(4,447)</b>	<b>(4,781)</b>	<b>(3,187)</b>
	Forecasts			
	2017/18	2018/19	2019/20	2020/21
<b>Investments and Use of Reserves</b>				
Investment in Cybercrime/on line fraud	123	245	245	245
Invest in Neighbourhood Policing	201	201	201	201
Invest further in Commissioned Services for Vulnerability	153	153	153	153
Uniform, Training and Recruitment Costs	400	198	664	664
Investment in Police Staff Resources	534	716	716	717
<b>Outstanding Affordability Investment Plans to be Delivered</b>	<b>1,411</b>	<b>1,513</b>	<b>1,979</b>	<b>1,980</b>

- 6.4 The delivery of this programme will continue to be monitored through the Affordability Group, along with new areas for delivery of savings which can then aid in balancing the plan in future years and also enable continued investment in priority areas.
- 6.5 An update on the progress of this work will be included within the next MTFP update.

## **7. Capital Financing and Expenditure**

- 7.1 The assets owned by the PCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure. Plans have been drawn up and are being developed for capital investment which would aid the organisation in delivering against the Police and Crime Plan.
- 7.2 The investment and development programme continues to be significant in terms of scope, ambition and the finances set aside to deliver.
- 7.3 2015-16 saw both significant slippage and underspending against the Capital and Revenue Development Programme again. The overall programme had a budget of £32.2m for 2015/16, of this £12.2m was spent (38%), £17.6m (55%) was carried forward/slipped into future years and £2.5m was returned as underspends/funds that were no longer needed.
- 7.4 £13.6m of the £17.6m has now been profiled to be spent in 2016/17 with £3.0m profiled to be spent in 2017/18 and the final £1.0m in 2019/20.
- 7.5 When this is added to the £10.5m of 'new' schemes included within the 2016/17 budget and then the additional schemes approved during the current year then this provides £26.3m of Capital and Revenue Development schemes for delivery in 2016/17. With £6.0m set aside for the costs of project revenue costs and £20.3m for the Capital side of the projects.
- 7.6 It will be a significant challenge to deliver this level of development and investment in any one year and there will need to be an element of prioritisation of this work.

### **Current Year – Position to the end of October 2016**

- 7.7 The difficulty in delivering these schemes/projects, is referred to in section 3.8 in relation to discussion about the recruitment of staff to work on these projects. It is further highlighted by the amount that has been spent in the first 7 months of the 2016/17 financial year – this only totals £5.1m – which is only 20% of the overall total budget.
- 7.8 Despite identified slippage of £6.7m and £0.5m of budgets no longer needed Project Managers/Owners are forecasting that £19.1m will be spent in this financial year – which would require £14m of spend over the last 5 months of the year. Despite significant challenge and prompting from finance around this area is it clearly unrealistic that this will actually be delivered. Work will continue around the phasing and timing of expenditure to enable better forecasting of expenditure and better budgeting for future years.
- 7.9 It is therefore highly likely that significant further slippage will again occur and this will need to be taken into account when allocating funds for 2017/18 and beyond.
- 7.10 Further details around the plans will be developed during the year and incorporated into future updates of the MTFP. However the current projections of funding and expenditure are set out in the summary table below:

<b>SUMMARY</b>	<b>2016/17 Current</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>TOTAL from 2015/16 to 2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Available Reserves Brought forward</b>	<b>14,701</b>	<b>7,511</b>	<b>174</b>	<b>2,400</b>	<b>2,569</b>	<b>14,701</b>
Capital Grant	508	508	508	508	518	2,550
Capital Receipts	-	169	169	169	169	676
Estimated future Capital Receipts from Estates Strategy	4,425	3,205	2,090	-	1,634	11,355
RCCO from Revenue	3,539	3,885	3,849	3,735	3,859	18,866
Transfers from Revenue	229	-	-	-	1,578	1,808
Transfers to/from Earmarked Reserves	125	-	-	-	-	125
External Borrowing	-	6,670	-	-	-	6,670
Internal Borrowing	-	312	500	584	( 84)	1,312
Leasing	3,045	-	-	-	-	3,045
Transfer from General Reserve	-	-	562	-	-	562
<b>Projected Funding Available</b>	<b>26,572</b>	<b>22,260</b>	<b>7,852</b>	<b>7,396</b>	<b>10,244</b>	<b>61,670</b>
<b>Capital and Revenue Project Expenditure Plans</b>						
ISD	9,460	5,474	562	2,033	862	18,391
Transport	2,256	1,227	1,524	1,097	1,522	7,625
Other Rolling Programmes	523	1,100	1,094	1,080	1,235	5,031
Estimated Estates Strategy	3,546	1,986	760	-	817	7,109
Property and Facilities	613	2,181	1,199	618	1,236	5,847
Externally Funded	182	67	-	-	-	249
Other Projects	2,481	980	-	-	-	3,461
Estimated slippage not yet processed	-	8,760	-	-	-	8,760
Niche project not yet on CRDP	-	312	312	-	-	624
	<b>19,061</b>	<b>22,086</b>	<b>5,452</b>	<b>4,827</b>	<b>5,672</b>	<b>57,098</b>
<b>Earmarked and Capital Receipts Reserves C/Fwd</b>	<b>7,511</b>	<b>174</b>	<b>2,400</b>	<b>2,569</b>	<b>4,572</b>	<b>4,572</b>

## **8. Reserves**

- 8.1 As at the end of 2015/16 the PCC had Usable Reserves of £28.4m, this is down from £32.4m at the end of 2014/15 and £43.5m at the end of 2013/14. The main reserves currently being held are for the following reasons:
- Capital Reserves - £14.7m
  - General Reserves - £9.7m
  - Force Short Term Reserves - £1.7m
  - PCC Short Term Reserves - £1.8m
  - Insurance Reserve - £0.5m
- 8.2 The expected movements on all reserves held by the PCC will be incorporated within the reports for consideration in setting the 2016/17 budget. The current plans would see the reserves held by the PCC reduce to the following amounts at the end of the following financial years:
- 2016/17 - £20.5m (from £28.4m)
  - 2017/18 - £10.2m
  - 2018/19 – £11.6m
  - 2019/20 - £11.5m
  - 2020/21 - £13.5m
- 8.3 Given the vast majority of the reserves are held to fund the Capital and Revenue Development Programme continued slippage in the delivery in this area will lead to higher levels of reserves held in comparison to current forecasts.
- 8.4 With overall Usable reserves expected to reduce to around £11m this equates to just under 8% of the Net Revenue Expenditure of the organisation. A report by the National Audit Office in 2015/16 highlighted that Usable Reserves across Force areas ranged from 9% to 38%, with North Yorkshire having the 4<sup>th</sup> highest percentage nationally. A full review of reserves and the robustness of the assumptions within the MTFP will be prepared for consideration by the PCC before the 2017/18 budget is set.

## **9. Risks**

9.1 The major risks and unknowns surrounding the figures presented here are:

- Any differences between the future years' actual Government Grant settlements and the estimated figures.
- The impact of the funding formula review on the Government Grant received in North Yorkshire.
- That Legacy Council Tax grants are reduced in the future.
- Variations in future years between the estimated tax base used and the actual declared tax base.
- Changes in the referendum limits for Precept increases below the currently anticipated 2% pa.
- Increasing costs of the employers Pension Contribution into the Police Pension Fund.
- Sensitivity of assumptions, including inflation and borrowing costs.
- Ability of the organisation to deliver the significant change and investment programme that is currently underway.
- Ability to deliver the savings outlined within the Affordability Programme within the timeframes set and also to the level needed whilst delivering the required levels of service.

### **Report Information**

Author: Michael Porter, PCC Chief Finance Officer.

Date: 20<sup>th</sup> December 2016

### **Background Information and Related Documents**

MTFP Revenue and Capital Reports (v51) and associated documents

## **INTRODUCTION**

On 23 November 2016 the Chancellor of the Exchequer, Phillip Hammond MP, announced the [Autumn Statement 2016](#). This was the first Autumn Statement by Phillip Hammond who replaced George Osborne in July of this year, following the government reshuffle. This was the first economic statement given by the Government since the vote to leave the European Union.

The Office for Budget Responsibility (OBR) also published their [Economic and Fiscal Outlook \(EFO\)](#), setting out forecasts for the economy and the public finances, and an assessment of whether the Government is likely to achieve its fiscal mandate and supplementary target.

Phillip Hammond suggested that Britain, despite the vote to leave the EU, will be outward looking and capable of captivating the global market. He also stated that his main priorities were the 'housing challenge', 'productivity gap' and 'inequality'.

In response, the Shadow Chancellor John McDonnell said that the Autumn Statement highlighted the Government's "Abject failure of the past six years". He stated that it offers "no hope for the future" and that "the figures speak for themselves".

The Shadow Chancellor went on to say "We now face Brexit, the greatest economic challenge for a generation, and we face it unprepared."

This briefing outlines the key announcements in the Autumn Statement. References to the relevant paragraphs in the Autumn Statement report for each announcement are included in square brackets.

## **CHANGES TO THE FINANCIAL STATEMENTS**

To promote certainty and simplicity within the tax system, the government intends to move towards having a single major fiscal event each year.

In 2017 two budgets will be delivered in Spring and Autumn.

From 2018 onwards only one Budget will be delivered in Autumn. The OBR will continue to produce a Spring forecast and the government will make a Spring Statement responding to that forecast. However, the government will retain the option to make changes to fiscal policy at the Spring Statement if the economic circumstances require it.

The Government states that this will improve both external and Parliamentary scrutiny of proposed tax measures. [4.1, 4.2]

## **PUBLIC FINANCES**

### **Borrowing**

The Government has scrapped its target to be in budget surplus by 2019-20, as measured by the Public Sector Net Borrowing figure.

The Charter for Budget Responsibility has been updated and is based on three targets.

- *“a mandate to reduce cyclically-adjusted PSNB below 2% of GDP by 2020-21” [1.42]*
- *“a supplementary target for PSND as a percentage of GDP to be falling in 2020-21” [1.42]*
- *“a supplementary target to ensure that expenditure on welfare in 2021-22 is contained within a predetermined cap and margin set by the Treasury at Autumn Statement 2016” [1.42]*

The OBR’s forecast for the public finances has deteriorated since the 2016 budget with a few reasons cited

- Disappointing tax revenues over the first half of the year [2016]
- A poorer economic outlook which has adversely affected receipts from income taxes
- Higher spending by local authorities, welfare benefits and public corporations than previously expected [1.34]

The deficit has been cut by almost two-thirds from its 2009-10 post war high of 10.1% of GDP to 4.0% last year. Despite this, borrowing and debt remain high and the OBR has passed a judgment that the economic and fiscal outlook for the UK has deteriorated since the EU referendum. The connotation of this means that public finances will no longer reach a surplus by 2019-20.

- Public Sector net borrowing is higher than forecast in the 2016 budget for each year since and £32bn in 2020-21.
- Tax Receipts will be £15bn lower by 2020-21. This, in part, is due to lower National Insurance contributions (NICs) and Lower Income Tax

## **ECONOMY**

### **Inflation**

- Inflation (measured by CPI, consumer price index) has been falling since its peak of 5.2% in September 2011
- CPI averaged 0.0% percent in 2015.
- Inflation has been rising in recent months. This has been, in part, due to higher fuel costs coupled with the depreciation of the pound against the dollar.

<b>CPI Inflation</b>			
<b>Year</b>	<b>March Budget 2016</b>	<b>Autumn Statement 2016</b>	<b>Change</b>
<b>2015-16</b>	0.0%	0.0%	-
<b>2016-17</b>	0.7%	0.7%	↑
<b>2017-18</b>	1.6%	2.3%	↑
<b>2018-19</b>	2.0%	2.5%	↑
<b>2019-20</b>	2.1%	2.1%	-
<b>2020-21</b>	2.0%	2.0%	-

## **GDP**

The UK is forecast to be the fastest growing country in the G7 in 2016 with economic activity growing by 2.3% in the year to Q3 2016.

The UK will likely face uncertainty because of the recent Brexit vote. This has caused the OBR to reduce its growth prediction to 1.4% in 2017. However, it is expected to recover in the following years.

<b>Real Gross Domestic Product (GDP)</b>					
	<b>Summer Budget 2015</b>	<b>Autumn Statement 2015</b>	<b>March Budget 2016</b>	<b>Autumn Statement 2016</b>	<b>Change</b>
<b>2016-17</b>	2.5%	2.5%	2.0%	2.1%	↑
<b>2017-18</b>	2.4%	2.4%	2.2%	1.4%	↓
<b>2018-19</b>	2.4%	2.4%	2.1%	1.7%	↓
<b>2019-20</b>	2.4%	2.3%	2.1%	2.1	-
<b>2020-21</b>	2.4%	2.3%	2.1%	2.1	↓
<b>2021-22</b>	N/A	N/A	N/A	2.0	N/A

## **Productivity**

National Productivity Investment Fund - A new fund targeted at 4 areas that are critical for improving productivity: housing, transport, digital communications, and research and development (R&D). [3.4]

The NPIF will take total spending in these areas to £170bn over the period from 2017-18 to 2021-22, reaching 1.7% of GDP in 2021-22. The new spending includes:

- £7.2bn to support the construction of new homes, including spending by Housing Associations
- £4.7bn on science and innovation
- £2.6bn to tackle congestion and improve transport networks
- £0.7bn to support the roll out full-fibre connections and future 5G communications

[3.5]



## **National Insurance and Wages**

National Living Wage – Following the recommendations of the independent Low Pay Commission, the National Living Wage (NLW) will increase by 4.2% from £7.20 to £7.50 from April 2017. [3.46]

National Minimum Wage - The government will also accept the Low Pay Commissions recommendations for the other NMW rates to apply from April 2017, including:

- increase the rate for 21 to 24 year olds from £6.95 to £7.05 per hour
- increase the rate for 18 to 20 year olds from £5.55 to £5.60 per hour
- increase the rate for 16 to 17 year olds from £4.00 to £4.05 per hour
- increase the rate for apprentices from £3.40 to £3.50 per hour [3.47]

National Insurance thresholds - The National Insurance secondary (employer) threshold and the National Insurance primary (employee) threshold will be aligned from April 2017, meaning that both employees and employers will start paying National Insurance on weekly earnings above £157. This compares to a 2016-17 threshold of £156 for employers and £155 for employees. [4.7]

Personal Allowance - The Chancellor recommitted the government's intention to raise the Personal Allowance to £12,500 and to raise the higher rate threshold to £50,000 by 2020-21. Once the Personal Allowance reaches £12,500, it will increase in line with inflation.

Salary Sacrifice schemes will be subject to the same tax as cash income. However, this will exclude pensions, pensions advice, childcare, Cycle to Work and ultra-low carbon emissions.

## **Public Spending**

Given that the deficit remains so high, and the outlook for the public finances has deteriorated since Budget 2016, the government has remained committed to delivering overall spending plans that were set at Spending Review 2015. All new announcements in the Autumn Statement, apart from the NPIF, are fully funded.

Nonetheless spending is £4bn higher by 2020-21. The three main contributing factors here are:

- Not going ahead with the changes to the Personal Independence Payment (PIP)
- Changes to the Universal credit roll out Schedule
- Higher inflation

## **Prisons**

Prison safety and wider reforms to the justice system – The government will provide up to £500m of additional funding across the period to the Ministry of Justice. As announced by the Lord Chancellor and Secretary of State for Justice, as part of the Prison Safety and

Reform white paper, this will enable the recruitment of 2,500 extra prison officers to improve prison safety. It will also fund wider reforms to the justice system. [5.17]

### **Transport**

Fuel duty – The fuel duty rate will remain frozen for the seventh successive year, saving motorists around £130 a year compared to the pre-2010 escalator.

### **English devolution**

Devolution Deals – The Government will continue to work towards a second devolution deal with the West Midlands Combined Authority and will begin talks on future transport funding with Greater Manchester. [3.5]

Transfer of Work and Health Programme budget - The government will transfer to London, and to Greater Manchester, the budget for the Work and Health Programme, subject to the two areas meeting certain conditions, including on co-funding. [3.5]

London - The government has also confirmed the GLA's affordable housing settlement, under which the GLA will receive £3.15bn to deliver over 90,000 housing starts by 2020-21, and will devolve the adult education budget to London from 2019-20 (subject to readiness conditions). The government will continue to work with London to explore further devolution of powers over the coming months. [3.5]

### **Local Infrastructure**

Local Growth Fund – Allocation of £1.8bn to Local Enterprise Partnerships (LEPs) across England through a third round of Growth Deals including £556m to the North of England, £392m to the midlands, £151m to the east of England, £492m to London and the south east, and £191m to the south west. Awards to individual LEPs will be announced in the coming months. [3.49]

Mayoral combined authorities - The government will give mayoral combined authorities powers to borrow for their new functions, which will allow them to invest in economically productive infrastructure, subject to agreeing a borrowing cap with HM Treasury. [3.49]

Infrastructure project lending - The government will consult on lending local authorities up to £1bn at a new local infrastructure rate of gilts + 60 basis points for three years to support infrastructure projects that are high value for money. [3.49]

### **Business Rates**

Full fibre infrastructure relief - A new 100% business rates relief for new full-fibre infrastructure for a 5 year period from 1 April 2017 [3.20]

Rural rate relief – To remove the inconsistency between rural rate relief and small business rate relief the government will double rural rate relief to 100% from 1 April 2017 [4.33]

Revaluation – [The Chancellor announced](#) that DCLG “Will lower the transitional relief cap from 45% next year to 43%, and from 50% to 32% the year after”. This discretionary relief is fully funded through Section 31 grants.