

Report to: Police & Crime Panel

Item: 9

24 January 2014

Budget 2014/15

Report of the Police and Crime Commissioner

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1. Purpose

- 1.1 The purpose of this paper is to present the proposed council tax precept for 2014/15. The report will also outline the financial position for future years and includes feedback from public consultation undertaken by the Police and Crime Commissioner.
- 1.2 The budget is designed to assist in achieving the priorities set out in the Police and Crime Commissioner's Police and Crime Plan:
 - Improve frontline policing to deter criminals and keep communities safe
 - Place victims and witnesses at the heart of policing and the wider criminal justice system
 - Work together to reduce crime and anti-social behaviour in your community
 - Reducing re-offending
- 1.3 The report will also give illustrative indications of the impact on policing of council tax decisions.

2. Recommendation

- 2.1 It is recommended that the Police and Crime Panel agree the proposed precept increase of £4.54, which is 3.0%, in line with the proposed Police & Crime Commissioner decision as follows:
 - a. the 2014/15 budget as set out in this report at appendix C is approved, based upon a £4.54, which is 3.0% precept increase
 - b. the Police and Crime Commissioner for Hampshire's basic Council Tax for the year beginning 1 April 2014 be £155.79 per annum at Band D.
 - c. the Police and Crime Commissioner for Hampshire's basic Council Tax for the year beginning 1 April 2014 for each band be as set out in appendix B
 - d. the Council Tax Requirement for the Police and Crime Commissioner for Hampshire for the year beginning 1 April 2014 will be £99,111,250.24* as per appendix B

- e. precepts are issued totalling £99,111,250.24* on the billing authorities in Hampshire and the Isle of Wight requiring payment, in such instalments and on such dates set by them and previously notified to the Police and Crime Commissioner for Hampshire, in proportion to the tax base of each billing authority's areas as determined by them and as set out in appendix B.

*The council tax taxbases provided by billing authorities are estimates at the time of writing the report so may be subject to alteration when finalised.

3. Summary and background

- 3.1 The Police and Crime Plan sets out the Police and Crime Commissioners priorities, targets and success measures. These are subject to ongoing review and consultation to ensure that they remain relevant and that progress is being made. It is not possible to divide the budget into each of the priorities as much of the actions undertaken will aim to assist with more than one priority. However, the priorities are considered within the development of the budget and in the commissioning of services.
- 3.2 2014/15 is the final year of the four year Spending Review 2010 (SR2010). The Home Office announced that during this period Government grant allocations would reduce by 20% in real terms. The Home Office stated that the real terms reduction for policing would only be 14% as annual police council tax precept increases of 3.4% were expected to offset some of the grant reductions, based on the estimates provided by the Office for Budget Responsibility.
- 3.3 The actual grant reductions have been greater as additional grant reductions have been made by the Government and Home Office during this period. The original four year settlement in SR2010 included a cash grant reduction of 1.3%. Subsequently, the Chancellor announced an additional cut in Government Department budgets of 1% in 2013/14 and 2% in 2014/15. The 1% cut in 2013/14 was absorbed by the Home Office, but the 2% cut in 2014/15 has been passed on by the Home Office to policing services, creating a 3.3% reduction in the police service allocation for 2014/15. However, within the police service allocation for 2014/15, £50m has been used to create a new Innovation Fund, £18m extra has been issued to the Independent Police Complaints Commission (IPCC) and £9m for a new annual HMIC inspection programme. This has reduced the amount available to PCC's further to equate to a cash cut of 4.8%, which equates to a cut of approximately £10m in Hampshire and the Isle of Wight, which is approximately £7m greater grant reduction than was set out in SR2010.
- 3.4 In addition to the grant cuts, local decisions were taken to freeze the council tax precept for 2011/12 and 2012/13. Additional grant was received from Government to compensate, however, this is short term, with the 2011/12 grant (£2.5m) expected to cease from 2016/17 and the 2012/13 grant (£3m) having already ceased as it was only a one year grant.

- 3.5 In 2013/14 the Police and Crime Commissioner approved a precept increase of 3.4%. This reduced the requirement for ongoing savings by £3m compared to a council tax freeze, but in effect only offset the loss of the 2012/13 council tax freeze grant (£3m) that was received in 2012/13 only. The council tax rate for Hampshire in 2013/14 remained in the bottom quartile and saved Hampshire and Isle of Wight council taxpayers a total of £15m compared to the average council tax rate for shire police bodies.
- 3.6 The Department for Communities and Local Government (DCLG) has recently stated that it intends to include council tax freeze grant within the baseline for future local government grant calculations. The Home Office has stated that this will not be the case for Police.
- 3.7 An independently facilitated public consultation event held in January 2014 found that 81% of the attendees were supportive of an increase in council tax of 3% for 2014/15. For indicative purposes, a 1% increase in council tax is approximately equivalent to £1m, which would pay for approximately 22 police officers. An increase in council tax of 3% in one year would pay for 64 officers on an ongoing basis. A 3% increase per annum for 3 years would equate to 198 officers.
- 3.8 In Hampshire and the Isle of Wight a savings target of £55m was set in order to bridge the estimated budget shortfall over the SR2010 period (2011/15). The Government grant reductions were 'front-loaded', requiring £36m of the savings to be made in the first two years. Savings totalling £42m have been made in the 2011/12 to 2013/14 budgets. Budget monitoring for 2013/14 shows that these are on track to be delivered. Further savings have been identified for 2014/15 totalling £12m. The £1m shortfall from the original £55m target has been identified and will be made in 2015/16.
- 3.9 A significant programme of work is currently underway to identify a further £25m of savings to cover the expected budget reductions for 2015/16 and 2016/17. The Police and Crime Commissioner has agreed to allow the Chief Constable to engage consultants to assist with a review of operational policing that will combine with other ongoing programmes of work including the Estate Development Programme, Joint Working (with Hampshire County Council and Hampshire Fire and Rescue Authority) and Collaboration Programme to deliver savings in 2015/16 and 2016/17 to meet the funding gaps set out in this report.
- 3.10 Her Majesty's Inspectorate of Constabulary (HMIC) Value for Money Profile 2013, shows that Hampshire Constabulary remains in the top quartile for Value for Money, with the 6th lowest cost per head of population out of 41 forces included in the review.
- 3.11 Provisional figures have been announced by the Chancellor of the Exchequer for 2015/16, but the 2016/17 figures have had to be estimated based on current trend and figures included in Treasury publications.

4. Government Grant

- 4.1 As outlined above, the grant reduction for 2014/15 was expected to be 1.3%. Table 1 sets out the original planned reductions to grant set out in SR2010.

Table 1 – Total Government Grant reductions 2011/15

Reduction measure (%)	11/12	12/13	13/14	14/15
Real terms cut each year	6	8	4	4
Real terms cut cumulative	6	13	17	20
Cash cut each year	3.79	5.48	1.90	1.30
Cash cut cumulative	4	9	11	12

Note: The annual reductions appear to add up to more than the cumulative because the amount the reduction is applied to reduces each year.

Source: Police Settlement Factual Brief, Home Office, January 2011

- 4.2 However the 1.3% cash reduction in 2014/15 was revised in the Provisional Police Grant Report 2014/15 released on 18th December 2013, with the general grant reduction increasing to 4.8% as acknowledged in the Written Ministerial Statement. This increased the grant reduction for Hampshire and the Isle of Wight by approximately £7m compared to the original 1.3% reduction announced in SR2010.
- 4.3 The overall reduction in police funding nationally in 2014/15 is 3.3%, but funding to Police and Crime Commissioners has been reduced further by the Home Office top-slicing the previous amount to create a £50m Innovation Fund in 2014/15 and giving £18m to the Independent Police Complaints Commission (IPCC). Bids will be made to try to ascertain one-off funding from the Innovation Fund, but this will reduce the ongoing revenue budget. The funding provided to the IPCC is not expected to result in offsetting savings for police forces.
- 4.4 Table 2 shows the actual cash reductions in general grant for policing in Hampshire and Isle of Wight over the SR2010 period after adjusting for changes in funding classifications made by the Government.

Table 2 – General Grant cash reductions 2011/15 after adjusting for changes in funding classifications

General Grant Reduction	11/12	12/13	13/14	14/15
Cash cut each year (%)	6.3%	6.7%	1.6%	4.8%
Cash cut each year (£m)	14.3	14.2	3.2	9.7
Cash cut cumulative (£m)	14.3	28.5	31.7	41.4
Cash cut cumulative (%)	6.3%	12.6%	13.6%	17.6%

- 4.5 In 2014/15, as in previous years, all Police and Crime Commissioners receive the same percentage reduction to their general grant, rather than applying the agreed funding formula which would result in some police bodies losing more and some less each year. This process has the effect of reducing the amount of funding Hampshire and the Isle of Wight should receive according to the agreed funding formula. The amount of funding 'lost' in 2013/14 was £10m pa (Appendix A). The Home Office will not be using the formula until a new formula is introduced in circa 2016, therefore, the damping 'loss' for 2014/15 will not be published but will be similar to the £10m 'loss' in 2013/14 which has a significant impact on the budget and the service that can be provided.
- 4.6 The Police and Crime Commissioner will receive council tax support grant again of £10.4m, which is equivalent to 10% of the council tax precept in 2012/13, to reduce the impact of the loss of council tax precept expected from lower council tax bases as a result of the changes to council tax support made in 2013/14. The decisions taken by local billing authorities regarding council tax support impact directly on the council tax base and, therefore, on the amount of precept that the Police and Crime Commissioner will receive.
- 4.7 In June 2013, the Government announced that following the 4 year spending review to 2014/15, further reductions were expected to be required each year to 2020, including a 3.2% cash reduction for the police service allocation in 2015/16.

5. Council Tax

- 5.1 The Police Authority accepted a precept freeze for 2011/12 and 2012/13. In return, a council tax freeze grant equivalent to 2.5% (£2.5m) for 4 years (2011/15) was received for freezing council tax in 2011/12. That has been extended and it is now expected that the final year of receipt will be 2015/16. The council tax freeze grant for 2012/13 has ceased as this was a one-off grant equivalent to a 3% council tax increase (£3m) in 2012/13 only.
- 5.2 A council tax freeze grant equivalent to 1% of council tax precept (£1m) is available for 1 year only if council tax is frozen again in 2014/15. Each year

of freeze creates additional cumulative pressure on the short and medium term budget. The MTFs assumptions at the start of the Spending Review period equated to an annual precept increase of 3% (£3m), representing an increase of 12% (£12m) in the council tax precept budget by the end of 2014/15. If council tax is frozen for 2014/15 period, the council tax receivable in 2015/16 will be £8.4m less than the original forecast. Decisions made by Hampshire Police Authority to freeze grants will result in the loss of £5.5 million in recurring funding for policing when the freeze grants end. The increase of 3.4% for 2013/14 has helped to reduce the savings requirement, but a further freeze in 2014/15 would increase the need for savings by £2.9m.

- 5.3 Using the average gross salary cost of a police officer of £45,000, Table 3 below gives illustrative sensitivity analysis of the potential impact of council tax decision on police officer numbers. Table 3 shows how many police officers could be ‘protected’ by the increase in council tax funding made available.

Table 3 – Impact on police office numbers of council tax decisions

Annual increase in council tax precept	14/15	15/16	16/17	17/18
0%* with freeze grant	21*	43*	0	0
1% per annum	21	43	65	87
2% per annum	43	87	131	177
3% per annum	64	130	198	269

*The 0% increase in 14/15 and 15/16 assumes that 1% freeze grant is received in each of those years and retained until 2015/16.

- 5.4 Table 3 shows that an annual council tax precept increase of 3% would pay for 269 police officers more by 2017/18 compared to a 0% increase. It should be noted that the estimated value of grant reduction exceeds the value of the council tax increase in each of these scenarios and therefore total funding will reduce in every year. Therefore, the council tax increase is more likely to protect officer numbers rather than increase them.
- 5.5 In 2013/14, 25 of the 37 Police and Crime Commissioners in England did not freeze council tax and therefore did not take the grant offered. The main reason given was the short term nature of the grant available and the medium and long term impact of continued council tax freezes. The average increase for police bodies in England increasing council tax precept in 2013/14 was 2.4%. The 2013/14 council tax precept for Hampshire remained in the bottom quartile. If the council tax rate was raised to the 2013/14 average rate for shire police bodies, it would generate an additional £15m of income. A chart of shire police bodies’ 2013/14 band D council tax rates is shown in Appendix B.

- 5.6 The MTFs assumes an annual council tax precept increase of 3% in 2014/15 and 3% thereafter as this is similar to the level assumed by the Office for Budget Responsibility.

“the police settlement for the Spending Review 2010 period was based on the Office of Budget Responsibility’s assumption that police council tax precepts in England would increase by an average of 3.4% each year from 2012/13 to 2014/15. The offer of a grant equivalent to a 1% increase therefore represents less than a third of the increase previously assumed by the Government in October 2010. As a result overall police funding is declining at a rate higher than set out by the Chancellor in the Spending Review”

Source: PACCTS and the Association of Police and Crime Commissioners (APPCS)

- 5.7 At the time of writing the report no referendum limit has been set for 2014/15 yet. However, the Home Secretary has stated publicly that she believes flexibility should be given to Police and Crime Commissioners. An announcement will be made in the 2014. An update on this aspect and any impact it has on the proposals will be provided at the meeting. The delay in announcing the referendum limit is unhelpful from a financial planning and a general public perspective as there will now be little opportunity to consult the public on the referendum limit.
- 5.8 The public consultation exercise conducted in January 2014, more fully explained in section 10 of this report, found that 81% of attendees supported a 3% increase in council tax.
- 5.9 A 3.0% increase in council tax generates £2.9m per annum which goes some way to offsetting the reductions that would otherwise be required as a result of the grant reductions. It will assist with the achievement of the objectives set out by the Police and Crime Commissioner during the election. It is likely that Hampshire will remain in the bottom quartile of shire policing bodies for council tax precept even with a 3.0% increase. An increase of 3.0% represents a £4.54 pa increase for Band D council tax payers, which equates to 38p per month or 9p per week. The amount of council tax precept generated is calculated in appendix B.

6. Budget 2014/15

- 6.1 The budget is shown at appendix C, with a summary of the budget for the Office of the Police and Crime Commissioner is included at appendix D and a subjective analysis breakdown at appendix E.
- 6.2 The budget for the Office of the Police and Crime Commissioner is the same as the previous Police Authority budget plus inflation apart from:
- new grants provided to the Police and Crime Commissioner such as the Community Safety Fund which is included in the main police grant from 2014/15 (£1.389m estimate), funding for victims services and restorative justice (£1.024m in 14/15).

- Stage 2 transfer is implemented with effect from 1 April 2014. This is a national process signed off for individual police bodies by the Home Secretary to agree which resources and powers sit with the Police and Crime Commissioner and which sit with the Chief Constable. The Stage 2 transfer has not been finalised at the time of writing the report but the budget presented assumes the transfer of budget from the Constabulary to the Office of the Police and Crime Commissioner for functions that more properly sit with the Police and Crime Commissioner, for example, the budget for premises as all assets and liabilities are owned by the Police and Crime Commissioner so it is more appropriate to present the budget under the Police and Crime Commissioner.
- 6.3 A one-off budget of £2.001m was set aside in 2013/14 only, to be able to provide funding to support the attainment of the Police and Crime Plan priorities. There is no similar amount in 2014/15, but the unspent balance will be carried forward to continue to support multi-year initiatives. Appendix F shows how this budget along with other budgets including the Community Safety Fund element of main grant and funding for victims services and restorative justice will be used to commission work that will assist in delivering the Police and Crime Plan priorities. These plans have been informed by consultation undertaken by the Police and Crime Commissioner, but will be subject to ongoing consultation and review. The performance of recipients of funding will be monitored to ensure that the funding assists with the delivery of the priorities.
 - 6.4 The ongoing work of the Change Programme is delivering transformational change that will introduce a new structure capable of providing top quartile policing services within the reduced budget available, providing top quartile value for money. The budget and MTFs includes £54m of savings for the Spending Review period 2011/15. The current savings target for the Spending Review period 2011/15 remains at £55m. A target of £25m has been set for the period 2015/16 to 2016/17, based on the available information and some assumptions around precept and grant. The savings included in the 2014/15 budget are included at appendix G.
 - 6.5 The savings for 2014/15 are on track with the majority of changes required already delivered, contributing to underspending in 2013/14 which will be used to replenish the Transformation Reserve, which has been used to invest in the changes required to deliver the savings. The Zero Based Budget review has been completed and the amounts removed from the budget. This process analyzes spending in 2013/14 to remove elements of budgets that can be 'squeezed', for example, reducing mileage budgets where fuel inflation has been less than forecast.
 - 6.6 Appendix F also includes relevant costs charged to the revenue budget which are related to savings. In cases where these costs are short term in nature, there will be further savings available as the cost is removed in later years.
 - 6.7 The revenue budget includes the revenue impact of the capital programme and the proposed budget pressures and growth, although these will all be

subject to final business case approval by the Police and Crime Commissioner. The budget pressures and growth included within the 2013/14 budget are shown at appendix H.

7. Medium Term Financial Strategy 2014/15 and future years

- 7.1 This report is focused on the 2014/15 budget, but makes references to future financial years as decisions taken for 2014/15 could significantly impact on the medium term position. A provisional figure for the 2015/16 budget settlement has been announced by Government, but no further information is available for 2016/17 or beyond. Estimates have been included within the projections based on previous Government statements and proposed allocations to the Home Office by the Treasury; however, these are uncertain at this stage. It has been announced by the Chief Secretary to the Treasury that cuts are expected to continue until at least 2020.
- 7.2 The MTFS at appendix B shows an estimated budget shortfall of £24.9m by 2017/18 assuming 3% council tax precept increases from 2014/15 onwards. The sensitivity analysis at the foot of appendix B shows the impact of different levels of council tax precept increase. A council tax freeze each year would increase the shortfall by £12m by 2017/18.
- 7.3 The budget proposals have been developed taking consideration of the draft Police & Crime Commissioner's Police & Crime Plan 2013-17 and the Strategic Risk Register. The budget is based on budgeted establishment which is assimilated with the workforce planning forecasts and monitoring.
- 7.4 The effects of the Winsor Review have been taken into account where possible. Proposed changes to employers' National Insurance rates will involve a significant increase for the year 2016/17, which it is estimated will impact the budget to the effect of £4.358m. Budgeted employees, pension contribution rates and inflation have been included as per appendix I. This includes an increase for police staff pension lump sum from £3.690m to £4.752m by 2017/18. In some cases such as electricity, inflation factors will be known as they are included within multi-year contracts. In most cases inflation is unknown. A default rate of 2.5% has been used where inflation is unknown. This is in line with current inflation rates.
- 7.5 A budget for secondments is set each year. This is a notional offsetting income and expenditure budget as the cost of seconding officers and staff is fully recovered. The offsetting budgets are set at £1.1m.
- 7.6 A number of partnerships are supported. These included the ACPO Criminal Records Office (ACRO) which is wholly funded by the Home Office, ACPO, fees and European funding. Staff at ACRO are officially employed by the Police and Crime Commissioner. The costs of supporting ACRO are recharged. In addition, a surety of £2.25m is held in reserves to guard against any liabilities. Less financially significant partnerships exist with the Local Criminal Justice Board, Youth Offending Team (YOT) and Community Safety Partnerships.

8. Capital Programme including Estate Development Programme

- 8.1 The capital programme is set out in appendix J. The revenue budget includes the costs of funding all of the schemes listed. However, schemes marked with a “#” symbol are still subject to final business case approval by the Police and Crime Commissioner. This includes the Estate Development Programme (EDP) which is currently under review but has already been reduced from £83m to a provisional £38m since the Police and Crime Commissioner took office. The values included for capital receipts are based on prudent valuations from an independent valuer. There are signs that the property market is growing in confidence as properties recently made available for sale have sold at amounts above the valuation. The EDP will continue to review the estate requirement and opportunities to realise capital receipts in line with changes in market conditions.
- 8.2 The capital programme includes a new scheme, subject to approval, for the regional IT network, South East Police Shared Network Services Agreement (SEPSNSA), which will provide revenue budget savings and increased functionality that creates a platform for greater collaboration going forward. The previous Network Replacement scheme has been closed and removed.
- 8.3 The scheme for the HR IT system has completed and been removed. The system was scaled back due to the move to Joint Working with Hampshire County Council and Hampshire Fire and Rescue Service.

9. Reserves and Financial Stability

- 9.1 Reserves and their use are an important aspect of maintaining strong financial stewardship, the projected reserves and the protocol for managing them are set out in appendix K. The general reserve will be maintained at a minimum level of £5.5m.
- 9.2 The Transformation Reserve was created specifically to address the need to provide appropriate ‘cost of change funding’, this was facilitated through a strategy of aiming to deliver savings early which are then utilised to enable sustainable expenditure reductions to be achieved. There is therefore a planned reduction in the level of the Transformation Reserve over the medium term. It is likely that ongoing savings will be required in future years and changes planned to achieve the savings will require initial investment. Funds would have to be borrowed and paid back, if it is not possible to fund from reserves.
- 9.3 Where it is possible to deliver savings ahead of the schedule required by the reduction in grant funding, a part-year underspend can be generated to replenish the Transformation Reserve so that investment can be made to achieve further savings required. A contribution of £4m has been made during 2013/14 from in-year savings. A decision on the use of remaining underspend at the end of the financial, will be made closer to the end of the financial year in order to take account of developments, for example, the outcome of funding applications to the Police Innovation Fund.

- 9.4 The amounts included within the reserve strategy for the Transformation Reserve are estimates based on business cases that are under development but not at a sufficiently mature state to request funding.
- 9.5 There is currently £6.7m in the Risk Reserve, this recognises that in a period of sustained high levels of reducing funding there will inevitably be issues regarding the need for short term cash flow related to savings proposals
- 9.6 The Capital (Revenue Contributions) Reserve is used to make contributions from the revenue budget to capital items. The equipment reserve is maintained at £1m to assist with future costs in relation to major equipment replacements, for example, body armour. The Performance Reserve was recently created to fund Operation Fortress in Southampton on a two year basis. This directly targets additional policing resources to tackle an emerging risk of drug-related organized crime groups attempting to locate to Southampton. The insurance reserve was increased last year in response to a trend of seeing larger payments for insurance claims made. A review of insurance concluded that it was most cost effective to keep contracted insurance at similar levels and have an increased reserve to meet any exceptional cases.
- 9.7 The Chief Finance Officer's Statement at appendix L reviews the robustness of the budget and the assumptions included.

10. Consultation

- 10.1 Consultation exercises are carried out by the Office of the Police and Crime Commissioner on an ongoing basis. The election has also allowed the wider electorate to express preferences for the first time. The MTFs has been developed in consultation with the Constabulary. Consultation will take place with the Police and Crime Panel before the budget is finally approved.
- 10.2 An independently facilitated public consultation exercise was undertaken on 11 January 2014. The event replicated similar events in 2011 and 2013. 94 participants attended the event, representing a full demographic cross section of Hampshire and Isle of Wight residents.
- 10.3 In the morning session, presentations to all the attendees were given on the budget - setting out the context around the proposed increase in policing precept as outlined in this report. This was followed by eight parallel 80 minute focus groups.
- 10.4 The Police and Crime Commissioner's presentation, together with those from the Chief Finance Officers of the Office of the Police and Crime Commissioner and Hampshire Constabulary, gave detailed background to the budget, how the budget was spent and the impact of a 3% increase in the precept (average £4.54 increase a year in Council Tax for a Band D household).

10.5 During the day, two polls were conducted:

Table 4 – Support for the overall increase in council tax

	Very supportive	Fairly supportive	Fairly negative	Dead against
Number (87 voted)	29	42	14	2
%	33%	48%	16%	2%

10.6 81 % of those who attended were supportive of the proposed 3% policing precept increase.

Table 5 – Justification for level of precept increase per year, per household

	Greater than £4.50	About £4.50	Increase it, but by less than £4.50	No increase at all justified
Number (87 voted)	9	57	10	11
%	10%	66%	11%	13%

10.7 Having understood the context as a result of the morning's presentations, the public were far more accepting of the planned 3% increase.

10.8 Outside of this consultation exercise, careful explanation, communication and accurate media coverage that explains the budget, the justification for the increase and plans for how the increase and budget will be spent, are critical to explaining the current economic environment and the impact on policing to enable the public to form and express an opinion on what they are prepared to pay. Effective communication is essential given the majority of the public generally will not have as much time to digest this information as the group that took part in the deliberation day.

11. Risks

11.1 Plans are already in place through the Change Programme to make further savings due to expected further reductions in Government grant. There is a risk that reductions in grant, inflation or new additional expenditure will be greater than forecast, hence further savings will be required. The position will continue to be closely monitored and, if required, the Risk Reserve can provide some one-off assistance to allow time for changes to be implemented.

11.2 Council tax bases and collection funds will be revised as a result of the Localism Act changes to council tax benefit. There is a risk that the

provisional information received is inaccurate. This is mitigated by close liaison with other local authority partners.

- 11.3 Specific grant for counter terrorism is not announced until early 2014, however, the overall total for the police service remains stable.

Section 100 D - Local Government Act 1972 - background documents

The following documents disclose facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report.

NB the list excludes:

1. published works; and,
2. documents which disclose exempt or confidential information as defined in the Act.

Appendix A

Damping adjustments for policing bodies 2013/14

Policing Body	£
Northumbria	21,646,837
Cumbria	16,146,262
West Mercia	11,289,920
Cheshire	11,174,685
City of London	10,838,105
North Yorkshire	9,415,888
Merseyside	8,833,009
Lancashire	7,700,476
Surrey	6,257,140
Durham	6,074,960
Kent	5,822,489
Devon & Cornwall	3,605,644
Wiltshire	2,613,964
Gloucestershire	1,862,431
Sussex	1,402,612
Cleveland	1,341,929
Suffolk	1,134,057
Warwickshire	1,075,715
Essex	91,308
Norfolk	29,685
Lincolnshire	-237,331
South Yorkshire	-1,807,926
Dorset	-1,938,371
Derbyshire	-2,145,554
Staffordshire	-2,366,873
Northamptonshire	-2,511,967
Hertfordshire	-2,953,793
Bedfordshire	-3,028,976
Humberside	-3,693,512
Thames Valley	-4,258,419
Cambridgeshire	-4,495,316
Leicestershire	-4,796,405
West Yorkshire	-5,416,798
Greater London Authority	-6,752,890
Greater Manchester	-6,921,089
Hampshire	-10,088,267
Nottinghamshire	-10,477,328
Avon & Somerset	-10,711,010
West Midlands	-43,755,289

Council Tax Precept Rates 2014/15

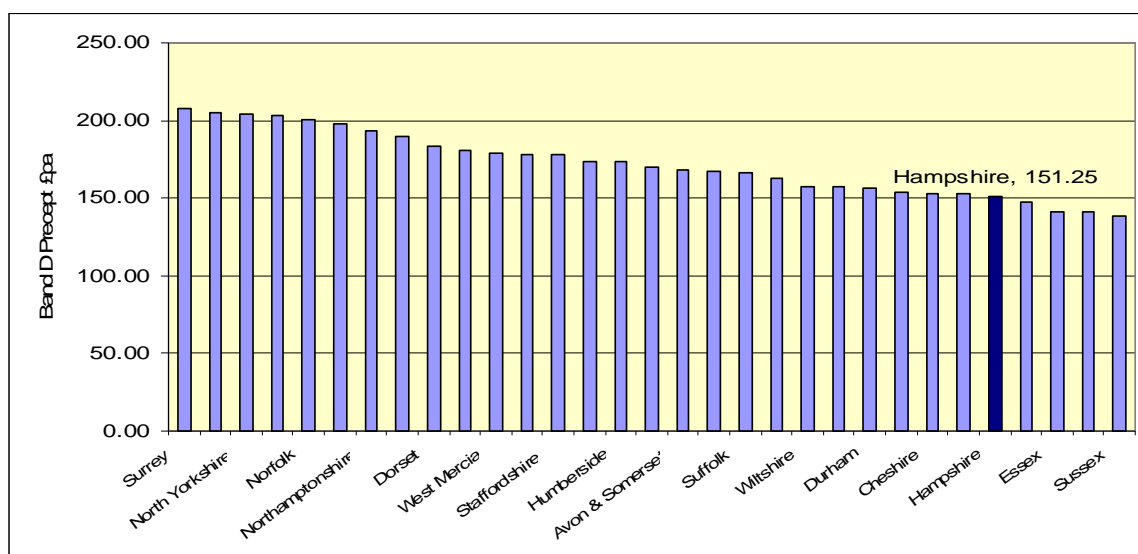
The calculations below include a 3% increase to the band D rate with estimated tax base information from billing authorities. Final confirmation of tax base information will occur after the report is issued, but before the meeting, so any alterations required as a result of changes to tax bases will be updated at the meeting.

Council tax at each band								
Band	A	B	C	D	E	F	G	H
£	103.86	121.17	138.48	155.79	190.41	225.03	259.65	311.58

Collection authority tax bases and share of precept 2014/15

Collection authority	Tax base	Precept (£)
Basingstoke and Deane	60,797.30	9,471,611.36700
East Hampshire	46,802.77	7,291,403.53830
Eastleigh	41,934.45	6,532,967.96550
Fareham	40,974.40	6,383,401.77600
Gosport	24,794.10	3,862,672.83900
Hart	37,544.47	5,849,052.98130
Havant	38,002.00	5,920,331.58000
Isle of Wight	48,712.00	7,588,842.48000
New Forest	68,581.20	10,684,265.14800
Portsmouth	51,532.10	8,028,185.85900
Rushmoor	29,540.17	4,602,063.08430
Southampton	57,044.00	8,886,884.76000
Test Valley	44,164.00	6,880,309.56000
Winchester	45,761.97	7,129,257.30630
Total	636,184.93	99,111,250.24470

Shire police bodies Band D council tax rate 2013/14



Appendix C

Budget 2014/15 and Medium Term Financial Strategy

Medium Term Financial Strategy 2013/14 to 2017/18	Revised Budget 2013/14	Inflation	Efficiency Savings	Growth & Budget Pressures	Other changes	Forward Budget 2014/15	Forecast Budget 2015/16	Forecast Budget 2016/17	Forecast Budget 2017/18
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Funding:									
Expected amount from General Grants	(202,374)	0	0	0	8,253	(194,122)	(187,910)	(181,896)	(176,076)
Council tax freeze and benefit grant	(12,911)	0	0	0	(33)	(12,944)	(12,944)	(10,424)	(10,424)
Council tax precept	(94,570)	0	0	0	(4,541)	(99,111)	(102,133)	(105,248)	(108,460)
Council tax collection fund surplus	(449)	0	0	0	(1,066)	(1,514)	(485)	(485)	(485)
Total amount funding expected:	(310,304)	0	0	0	2,613	(307,691)	(303,472)	(298,053)	(295,445)
Office of the PCC									
PCC Expenses and Grants (Refer to App. D)	3,492	96	(2,001)	0	1,398	2,984	2,966	2,961	2,941
Premises	11,623	381	(620)	0	(11)	11,373	10,849	11,087	11,469
Capital Financing (net)	3,945	0	0	0	247	4,192	4,093	4,431	4,431
Interest on Balances	(500)	0	0	0	0	(500)	(500)	(500)	(500)
Net Expenditure on Office of the PCC	18,559	476	(2,621)	0	1,634	18,049	17,408	17,979	18,341
Police Services									
Expenditure:									
Employees	262,076	2,454	(7,044)	0	2,636	260,121	263,329	268,734	269,706
Transport	5,741	134	(536)	0	(130)	5,210	5,512	5,722	5,942
Travel and Subsistence	3,143	68	(372)	0	(25)	2,814	2,881	2,950	3,020
IT and Communications	4,660	98	(315)	100	(997)	3,546	3,907	4,132	3,723
Supplies and Services	29,461	719	(2,261)	711	902	29,532	30,481	31,325	31,773
National Levies	1,582	40	258	0	0	1,879	1,926	1,974	2,024
Grants Paid	214	5	(5)	40	0	254	260	267	273
Total Expenditure on Police Services:	306,877	3,517	(10,274)	851	2,385	303,356	308,296	315,105	316,461
Income:									
Service Income	(11,262)	(285)	617	0	1,147	(9,783)	(10,053)	(10,280)	(10,517)
Additional Specific Grants	(3,684)	(1)	246	0	(305)	(3,743)	(3,744)	(3,746)	(3,747)
Total Income on Police Services:	(14,946)	(286)	863	0	842	(13,526)	(13,798)	(14,025)	(14,263)
Net Expenditure on Police Services:	291,931	3,231	(9,411)	851	3,227	289,830	294,498	301,080	302,197
Total Overall Net Expenditure:	310,491	3,708	(12,033)	851	4,861	307,878	311,906	319,059	320,539
Contributions to / (from) Reserves:	(187)	0	0	0	0	(187)	(187)	(187)	(187)
Amount from General Grants and Taxation:	310,304	3,708	(12,033)	851	4,861	307,691	311,719	318,872	320,351
Budget (surplus)/ shortfall:	0	3,708	(12,033)	851	7,474	0	8,247	20,819	24,906
<i>Effect of alternative precept increases:</i>									
<i>0% increase each year</i>						2,888	14,110	29,747	36,999
<i>1% increase each year</i>						1,928	12,175	26,831	33,087
<i>2% increase each year</i>						961	10,214	23,844	29,048
<i>3% increase each year</i>						0	8,247	20,819	24,906

Appendix D

Office of the Police and Crime Commissioner

	£'000
2013/14 OPCC Budget	
Office of the Police & Crime Commissioner	1,491
Sub-total for Office of the Police & Crime Commissioner core	1,491
One-off budget to support priorities	2,001
Community Safety Fund	1,459
Community Safety Fund Specific Grant	-1,459
2013/14 Net Budget	3,492
2014/15 OPCC Budget	
Office of the Police & Crime Commissioner 13/14	1,491
Inflation & increments 14/15	96
Other changes - efficiency savings 14/15	-96
Sub-total for Office of the Police & Crime Commissioner core	1,491
Other changes - CSF funding moved to general grant	1,389
Other changes - Stage 2 transfer Communications & Performance staff	104
Victims Services and Restorative Justice	1,024
Victims Services and Restorative Justice specific grant	-1,024
Office of the Police & Crime Commissioner core	2,984
Stage 2 transfer - Premises budget	11,373
Capital financing budget	4,192
Interest on Balances	-500
2014/15 Net Budget	18,049
Baseline reference	£'000
Hampshire Police Authority budget 2013/14 (current policies as per MTFS)	1,491

Appendix E

Office of the Police and Crime Commissioner

Office of the Police and Crime Commissioner Forward Budget 2014/15	Budget 2013/14	Price Changes / Inflation	Efficiency Savings	Other Changes	Proposed Forward Budget 2014/15
	£'000	£'000		£'000	£'000
EXPENDITURE:					
Employees:					
OPCC Staff	802	83	0	104	989
Training & conferences	14	1	0	13	27
Travelling etc	15	1	0	7	22
	831	85	0	124	1,038
Premises:					
Rent and rates etc	130	3	0	(32)	101
Other (incl. building maintenance, cleaning, gas and electricity)	30	1	0	(4)	27
	160	4	0	(35)	127
Supplies and services:					
Printing and stationery	12	0	0	(1)	11
Subscriptions (ACPO and APCC etc)	48	2	0	0	50
Other (incl. office equipment, postage, publications, advertising and catering)	98	2	0	(0)	100
	158	5	0	(1)	161
Audit Committee costs:	5	0	0	(0)	5
Independent Custody visitors	17	0	0	0	17
Tribunals and misconduct hearings	19	0	0	(0)	19
Legal advice	31	1	0	(0)	32
Treasurer's services:					
Treasurer	52	0	0	0	52
Internal audit	85	1	0	(2)	84
	137	1	0	(2)	136
External audit:	61	0	0	(2)	59
Grants:					
Community Safety Fund	1,431	0	0	(42)	1,389
Victims Services	0	0	0	1,024	1,024
Standing Grants	74	0	0	(74)	0
Protecting People & Places Grant	138	0	0	(138)	0
	1,643	0	0	770	2,413
Carry Forward*:	(110)	0	0	110	0
Total Expenditure:	2,950	96	0	962	4,008
SPECIFIC GRANTS					
Community Safety Fund moved to general grant in 14/15	(1,459)	0	0	1,459	0
Victim	0	0	0	(1,024)	(1,024)
Total Income:	(1,459)	0	0	435	(1,024)
Office of the PCC Total:	1,491	96	0	1,397	2,984
ADDITIONAL EXPENDITURE FOR THE PCC:					
One-off budget to support the Police & Crime Plan priorities:	2,001	0	(2,001)	0	0
Total Overall Net Expenditure:	3,492	96	(2,001)	1,397	2,984

*Unspent 13/14 funding for priorities and Victims Services will also be carried forward into 14/15.

The Police and Crime Commissioner's Commissioning Plan and Commissioning Funding

The Commissioning Plan for 2013/17 has been published on the Police and Crime Commissioner's website. It is the result of conferences, multi agency workshops and many discussions with service providers, users, and statutory and voluntary agencies. The Commissioner will establish a commissioning programme that focuses funding and activity on clear priorities derived from the Police and Crime Plan and further developed with partners and service users. The Commissioning themes are as follows:

Theme	Details	Police and Crime Plan Priority
Domestic and Sexual Abuse	The Commissioner's focus will be on preventing domestic and sexual abuse through working with education and other partners, supporting work with perpetrators, and supporting people who have experienced domestic and sexual violence.	3, 4
Data and Technology	To improve the availability of crime data.	1, 4
Children, Families and Young People	Prevention of crime requires focused work with young people including those on the cusp of the criminal justice system. The Commissioner will support the Troubled Families projects and will look for ways to support families of offenders to prevent reoffending. The Commissioner will work with Children's Services and will look at safeguarding issues.	3, 4
Victims and Witnesses	In April 2014, additional funding for supporting victims of crime will be available to the Commissioner and a commissioning approach is now required.	2
Preventing Substance Misuse	Preventing substance misuse, supporting people to stop misusing, and supporting families	3, 4
Anti Social Behaviour	The Commissioner will work with local Authorities and local Community Safety	3, 4

	Partnerships (CSPs) to reduce the incidence of anti social behaviour.	
Preventing Reoffending	The Commissioner will support the work of Integrated Offender Management (IOM) services and wishes to ensure stability of service while changes are taking place within the management of the probation service.	3, 4
Restorative justice	To develop ideas and approaches towards Restorative Justice.	4

The Commissioning fund is made up of the Community Safety Fund, which is included in the main police grant from 2014/15, the Victims Support Services grant (including Restorative Justice Services) from the Ministry of Justice and the Commissioning Reserve, made up from the £2.001m that was set aside in 2013/14 only, to be able to provide funding to support the attainment of the Police and Crime Plan priorities. The level of the Commissioning funding and the projected spend from each of these funds can be found in the appendix and further explanation to each can be found below. The application process for organisations to apply for grants and funding for 2014/15 opened on Monday 13 January and will run until Friday 31 January 2014.

Community Safety Fund

- 1 The Community Safety Fund was previously administered by District Council based Community Safety Partnerships who spent it to met priorities decided in local strategic needs assessments.
- 2 The fund was then transferred to top tier authorities. This made no difference in the three unitary authority areas, but within Hampshire it led to the creation of the County Strategy Group for Crime and Disorder, whose aim was to achieve consensus about spending.
- 3 When the Police and Crime Commissioner role was created the Community Safety Fund was transferred, and the Commissioner now has a unified budget for Hampshire, Portsmouth, Southampton, and the Isle of Wight.

Victims and Witnesses

- 1 Funding for support for Victims and Witnesses, including funding the charity, Victim Support, is currently administered through the Ministry of Justice (MoJ).
- 2 The majority of the funding currently held by MoJ is being devolved to PCCs in stages. £704,207 has come to the Commissioner in 2013/14 to fund development and capacity building. There is a requirement and expectation that most of this will be spent by the end of the financial year but as the money wasn't announced until November 2013 there is flexibility with this.
- 3 Funding for a range of specialist services will be devolved in October 2014, and funding for the Victim Support service itself, will be devolved in April 2015.

The Commissioning Reserve

This is a one off amount that can be rolled forward. It is to be used to

1. **Stabilise the Community Safety Fund at £1.6m.** Given the history of the CSF and the fact that it has declined in absolute terms over the last few years, there has been significant instability in the sector and year on year cuts to important services. By guaranteeing to stabilise funding the Commissioner has made a significant step to address this, at least for the next three years. The CSF will be used for services that can expect their funding to continue year on year, again providing stability in the sector
2. **Uplift CSF in line with inflation.** Again this will help providers ensure their services are stable and sustainable.
3. **Fund the Innovation Grant at £300,000 for two years.** This grant gives more flexibility to service providers and commissioners to come forward with new ways of working and addressing the issues that we face. Whereas the CSF will be used for services that can expect their funding to continue there will not be the same commitment with Innovation Grant funding
4. **Fund commitments made before the Commissioning Plan was in place.** The Commissioner and Assistant Commissioners worked actively with services and providers in 2013/14, the period before the Commissioning Plan was agreed. This resulted in a limited number of commitments which have resulted in new and innovative services being able to start up. Some of the Commissioning Reserve is being used to honour those commitments and enable those developments.

Commissioning Budget

Victim & Witnesses Grant Funding 2013/14

Income:	Ministry of Justice Funding Received	704,207
Expenditure:	CSP Funding	150,000
	Needs Assessment	10,000
	Staff: Secondees	57,000
	Restorative Justice	160,000
	Gender Violence funding (including ISVAs & IDVAs)	210,000
	Victim Support Call Centre Options	30,000
	Community Courts funding (53%)	87,207
		704,207

Victim & Witnesses Grant Funding 2014/15

Income:	Ministry of Justice Funding Received	1,024,000
Expenditure:	CSP Funding	150,000
	Staff: Secondees	57,000
	Restorative Justice	160,000
	Referral & Associated Funding	407,000
	Gender Violence funding (including ISVAs & IDVAs)	210,000
	Call Centre & Response Service Procurement	40,000
		1,024,000

Community Safety Fund 2014/15

Income:	Home Office Funding	1,389,000
	Commissioning Reserve	211,000
		1,600,000
Expenditure:	Youth Offending Teams	200,000
	Crime Analysis	60,000
	Integrated Offender Management	450,000
	Community Safety Fund grants	890,000
		1,600,000

Community Safety Fund 2015/16

Income:	Home Office Funding	1,345,000
	Commissioning Reserve	295,000
		1,640,000
Expenditure:	Youth Offending Teams	200,000
	Community Safety Fund grants	1,440,000
		1,640,000

Community Safety Fund 2016/17

Income:	Home Office Funding	1,302,000
	Commissioning Reserve	379,000
		1,681,000
Expenditure:	Youth Offending Teams	200,000
	Community Safety Fund grants	1,481,000
		1,681,000

Innovations Grant

Income:	Contributions from Commissioning Reserve	600,000
Expenditure:	Innovation Grants 2014/15	300,000
	Innovation Grants 2015/16	300,000
		600,000

Commissioning Reserve

Income:	Commissioning Reserve	1,956,500
Expenditure:	Community Safety Fund (over 3 years)	885,000
	Community Speed Watch funding	138,000
	Neighbourhood Watch funding	20,000
	Community Courts funding (47%)	77,793
	Innovation Grant funding (over 2 years)	600,000
	Diversions Scheme research	30,000
	Perpetrator Scheme research	30,000
		1,780,793
	Commissioning Reserve remaining	175,707

Victim Support Call Centre	Options Appraisal on delivery models for Victim Support
CSPs	Funding for Community Safety Partnerships to support victims of ASB
Referral & Associated Funding	Referral and associated funding remaining with MoJ for 2014/15
Crime Analysis	New proposal for jointly funding crime analysis
Diversions Scheme	Research into effectiveness of diversionary schemes
Perpetrator Scheme	Research into effectiveness of Perpetrator schemes - domestic & sexual abuse

Appendix G

Savings

Strand	Description	2014/15	
		£'000s	FTE
ACPO	Full Year Effect of National Police Air Support	-100.0	0.00
	Removal of Director of Finance & Resources post	-119.9	-1.00
Public Service	Call Management - senior management review, increase in alarms income, final changes to structure	-611.6	-19.70
	Corporate Comms - reduce campaigns	-20.0	0.00
	Force Property - retain income in revenue, staff rationalisation	-41.2	-1.20
	Front Offices - further staff & overtime reductions	-183.7	-7.00
	Partnerships - officer reductions and workforce modernisation	-97.8	-1.00
	Local Policing	Finalise Area restructure	9.8
Serious Crime Directorate	HMIT - increase of POCA income and finalise restructure	-173.0	6.00
	IMU & Crime Standards - full restructure and process change	-1,160.0	-25.00
	Public Protection - finalise restructure, mainly workforce modernisation	-234.5	-1.00
	Scientific Services - final workforce modernisation and reduce outsourcing	-30.7	0.00
	Special Branch - finalise restructure	-103.7	-6.90
Management of Risk	Firearms Licensing - increase staff grades, offset by increase in income	-9.3	0.00
Tasking & Co-ordination	Crime Prevention - increase in income and reduction in staff hours	-67.9	-0.60
	Extended Police Family - workforce modernisation	-43.2	0.00
	Intelligence - finalise restructure	55.6	-0.70
	Reduction in number of officers for Event Planning	-55.5	-1.00
	Research & Analysis - income from CSPs	-60.0	0.00
	Resource Management - reduce posts	-140.8	-2.00
Operations	Final savings from Staff Review and Event Planning	-55.4	-1.00
	External Funding for Road Safety posts	-242.8	0.00
Custody & Criminal Justice	C&CJ HQ - temporary increase to be removed in following year	67.0	1.00
	CJU - restructure of unit	-1,009.5	-41.40
	Coroners - costs to be shared with HCC	-140.0	0.00
	Court Liaison - remove final 2 posts	-91.9	-2.00
	Identity - remove manager post	-39.2	-1.00
Corporate Support	Estates - rationalisation of estate, increase due to requirement to take on new SNT accommodation prior to sale of existing property.	146.5	0.00
	Facilities - reduction in staff following sale of buildings	-32.6	-1.50
	ICT - target set, plans are being developed	-1,000.0	0.00
	Learning & Development - final stage of restructure	-414.7	-10.23
	Shared Service Centre - reduction of finance staff following introduction of purchase to pay	-201.8	-9.00
	Shared Service Centre - reduction of HR staff	-21.8	-1.00
	Stores - internal process changes	-149.0	0.00
	Transport	2.5	0.00
	Procurement - contract reviews	-175.0	0.00
Joint Working	Print Services	-54.6	-2.00
Other	Reductions in Allowances for staff and officers in line with reduction of FTEs	-2,000.0	0.00
	Winsor - reduction of Competency Related Threshold Pay	-1,103.8	0.00
	Essential User and Pool Car Review	-103.0	0.00
	Zero Based Budget Review (ZBB)	-2,226.1	0.00
Total		-12,032.6	-128.63

Budget Pressures and Growth

Title	Ref	Priority Level	Detail	Risk	2014/15	2015/16	2016/17	2017/18
					Proposal	Proposal	Proposal	Proposal
					£'000	£'000	£'000	£'000
Network Infrastructure Growth	ICT E Ongoing Revenue	No Choice	Increase in capacity in areas where demand is growing, e.g. internet connectivity (MDTs), video conferencing, content checking.	Use will have to be restricted or bottlenecks will occur	20.0	10.0	10.0	0.0
Network Equipment Refresh	ICT F Ongoing Revenue	No Choice	Network equipment required for new network contract	Risk of End Of Life failure not being recoverable as manufacturer no longer supports the equipment	5.0	12.0	12.0	0.0
Support of Existing ICT Applications & Services	ICT H Ongoing Revenue	No Choice	Restart, continuation and future planning of maintenance and support for existing systems	Faults will not be fixed and the systems may fail	146.0	357.0	148.0	148.0
Technology Selection	ICT L	No Choice	Provide a single set of infrastructure and applications that integrate to ensure consistent and integrated access to data.	Desktop operating system must be replaced. Failure to maximise efficiencies from SEPSNA and Digital Information Vision.	485.0	497.0	509.0	509.0
Local Safeguarding Adult Boards	SCD 1	No Choice	Contribution towards LSABs for each local authority	Obligations not fulfilled.	40.0	40.0	40.0	40.0
Forensic Accreditation - UKAS ISO 17025	SCD 2 Ongoing Revenue	No Choice	Requirement to allow forensic work to be carried out in house.	Work would have to be outsourced at higher cost	55.2	47.2	59.4	60.0
Open Source Monitoring Solution	TC 1	High	To improve intelligence through investigation of social media.	Missed opportunities for preventing and solving crime.	100.0	100.0	100.0	100.0
					851	1,063	878	857

1. The costs above include the full revenue costs for revenue items and the ongoing revenue cost for capital items.
2. There is scope within the annual IT capital allocation to cover the capital costs in 2014/15 of ICT F and ICT H.
3. All schemes above are subject to final business case approval by the Police and Crime Commissioner.

Inflation and Assumptions

Employees (FTEs)	2014/15	2015/16	2016/17	2017/18
Officers	3,275.10	3,274.10	3,274.10	3,274.10
Staff	1,934.04	1,932.04	1,932.04	1,932.04
PCSOs	333.00	333.00	333.00	333.00
Total	5,542.14	5,539.14	5,539.14	5,539.14

Basic Pay	Sep 2014	Sep 2015	Sep 2016	Sep 2017
Officer pay	1.00%	1.00%	1.00%	1.00%
Staff pay	1.00%	1.00%	1.00%	1.00%

Basic Pay	2014/15	2015/16	2016/17	2017/18
Officer pay	101.00%	101.00%	101.00%	101.00%
Staff pay	101.00%	101.00%	101.00%	101.00%

National Insurance	2014/15	2015/16	2016/17	2017/18
Secondary Threshold	£7,696	£7,696	£7,696	£7,696
Upper Accrual Point (UAP)	£40,040	£40,040	£40,040	£40,040
Upper Earnings Level	£41,450	£41,450	£41,450	£41,450
Below UAP Average -officers	10.52%	10.52%	13.80%	13.80%
Below UAP Average -staff	10.86%	10.86%	13.80%	13.80%
Above UAP Average	13.80%	13.80%	13.80%	13.80%

Pensions	2014/15	2015/16	2016/17	2017/18
Actual rate if in scheme:				
Officers	24.20%	24.20%	24.20%	24.20%
Staff	13.10%	13.10%	13.10%	13.10%

Budgeted rate (based on scheme membership)				
Officers	23.33%	23.33%	23.33%	23.33%
Staff	11.32%	11.32%	11.32%	11.32%

Police staff lump sum (£)	4,014,300	4,367,500	4,751,900	4,751,900
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Non-pay	2014/15	2015/16	2016/17	2017/18
Gas	7.00%	7.00%	7.00%	7.00%
Electricity	9.00%	9.00%	9.00%	9.00%
Cleaning	2.50%	3.00%	2.50%	2.50%
Vehicle fuel	2.50%	5.00%	5.00%	5.00%
Grants	0%	0%	0%	0%
Other	2.50%	2.50%	2.50%	2.50%

Capital Programme

Relevant spend prior to 2013/14	Estimated spend 2013/14	Estimated spend prior to 31 March 2014	Those schemes which have already been approved and are either annual programmes or projects for which full business cases and / or project appraisals have been agreed (with the exception of those marked #).	Total scheme cost	2014/15	2015/16	2016/17	2017/18 and later years	Variance
£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
0	3,209	0	Estate						
			# Total Estate Development Programme	38,092	18,873	15,535	475	0	0
			Total Estate:	38,092	18,873	15,535	475	0	0
			Technology						
Annual Programme	387	Annual Programme	Capitalisation of IT equipment	Annual Programme	1,000	1,000	1,000	1,000	n/a
			# South East Police Shared Network Service Agreement	2,585	2,373	212			
			# Replacement of Data Centre hardware (13/14 growth)	810	760	50			0
2,452	570	3,022	Mobile Information (Growth 12/13 & RCCOs)	4,011	498	115	389		13
42	216	258	Body Worn Video (RCCO 11/12)	261	3				0
210	226	436	Automatic Number Plate Recognition (RCCO 12/13)	639	203				0
			Technology:	10,620	4,837	1,377	1,389	1,000	(359)
			Transport						
Annual Programme	4,294	Annual Programme	Vehicle Replacement Programme	Annual Programme	3,000	3,000	3,000	3,000	n/a
			Transport:	0	3,000	3,000	3,000	3,000	
	5,693		Grand Totals:	48,712	26,710	19,912	4,864	4,000	

Capital Receipts:			
Residential properties	(620)	(220)	(205)
Operational buildings-Estate Development Programme	(10,090)	(20,125)	(3,000)
Vehicles and fleet		(300)	(300)
Other	0	0	0
Total Capital Receipts:	(10,710)	(20,645)	(3,505)
Capital Grant:	(2,800)	(2,800)	(2,800)
Revenue Contributions to Capital Outlay:	(700)	(700)	(200)
Funded by Transformation Reserve:	(1,128)	(1,358)	(447)
Shortfall to be funded by borrowing	11,372	(5,591)	(2,088)

Reserves Strategy**Background**

The Chief Finance Officers have a responsibility to ensure that the level of reserves maintained is sufficient. The Police Reform and Social Responsibility Act 2011 states that only the Police and Crime Commissioner, and not the Chief Constable, is permitted to hold reserves. In Hampshire, it is proposed that this continues to be the case after the Stage 2 transfer in April 2014.

The Chartered Institute of Public Finance and Accountancy (CIPFA) produces guidance on reserves, but the exact level of reserves to be held is left as a local decision due to the need to reflect individual circumstances. Whilst there are no firm requirements on the amount, it is clear that reserves must be held to ensure that the organisation is able to meet any unexpected liabilities. The outgoing Chief Executive of CIPFA Steven Freer has warned that the use of reserves to deal with shortfalls in day-to-day spending would be a “recipe for significant financial problems”.

Reserves required for accounting purposes only are not covered by this strategy as they are not optional and follow proper accounting practices.

The level of reserves held is audited annually by the external auditors, currently Ernst & Young LLP.

Matters for consideration in assessing the level of reserves

The current financial climate has resulted in the Government introducing a programme of austerity measures that has reduced the amount of funding made available to many public sector organisations, including the police service. There have also been other changes as a result of the Winsor Review of police terms and conditions and changes to pension arrangements as a result of the Hutton Review. Other Government fiscal policy decisions such as the increase in employers' national insurance contributions will have a significant impact on costs. Some of the changes made have to be implemented at relatively short notice. Therefore, the austerity programme and the resulting changes create an increased risk to financial stability which will naturally require an increase in reserves to reflect this risk.

Current reserves and levels

The General Reserve has been set at a minimum target balance of £4.500m, with an additional £1.000m added to the target (to make £5.500m) due to inherent risks associated with the significant Estate Development Programme. The balance on the General Reserve as at 31 March 2013 was £14.306m but much of this has been committed elsewhere resulting in a planned balance of £7.863m by March 2014 and £6.702m by March 2017.

In addition, a Risk Reserve has also been created to guard against the possibility of short notice reductions in funding and/or delays in delivering the savings required to address the funding reductions. The balance on the Risk Reserve is £6.689m. The plan is to make budget savings as required in order to leave the Risk Reserve available for investment in performance improvements once greater financial stability is achieved within the wider financial environment.

The financial challenges are requiring the Constabulary to implement transformational change. These changes require additional investment to cover significant one-off costs such as the cost of redundancies, investment in infrastructure, investment in technology and project costs. A Transformation Reserve has been created to fund the costs required. The Transformation Reserve had a balance of £21.036m as at 31 March 2013, but again this is committed to initiatives, so the balance is expected to be zero by March 2017. The criteria for accessing the Transformation Reserve ensure that all funding is used to deliver efficiency savings and/or improve performance. Therefore, all the cost of change will be recouped through year on year savings, required in order to balance future budgets with the reduced funding available.

Her Majesty's Inspectorate of Constabulary have reviewed the Constabulary's preparedness for austerity and commented favourably on the approach.

The Government has announced further financial cuts in 2015/16 which will require more transformational change, which is again likely to result in some cost. Therefore, the Change Programme needs to continue to deliver savings ahead of the actual budget reduction in order to generate reserves that can be used to pay for the next round of savings initiatives.

The Police and Crime Commissioner holds some other smaller reserves for specific purposes. These are the:

- Equipment Reserve (£1.000m) available to offset the impact of large scale equipment replacement such as the need to replace body armour when the warranty for body armour expires. This reserve will be used when needed and then replenished as the financial position allows.
- Performance Reserve (£1.700m) being used to pay for Operation Fortress which is an operation to deter criminal gangs from Southampton. This reserve is expected to be fully used by March 2014.
- Insurance Reserve (£0.894m) is available to pay for items that are not covered by the insurance contract. Research and experience has shown that it is more cost effective to hold a reserve for some things that are low risk and low probability rather than pay an insurance premium to cover them. This reserve is expected to be maintained at a similar level.
- Laboratory Reserve (£0.050m) is available to pay for renewal of equipment as part of a joint scheme with Hampshire County Council. This reserve will be used periodically and replenished in between.
- Capital (Revenue Contributions) Reserve (£1.815m) holds funds that have been set aside from within the annual revenue budget to pay for capital schemes such as Body Worn Video. This reserve will collect funds

on a temporary basis as the funds will usually then be paid out in the next one or two years to cover the cost of a capital scheme.

In addition to the reserves set out above, the accounts include earmarked reserves that are ring fenced for specific purposes and are not available for other use. These include:

- ACRO Surety (£2.250m) and AVCIS Surety (£0.300m) held to cover any potential costs to the Police and Crime Commissioner should ACRO cease to trade on its current basis
- ACRO of other balances (£5.921m) held on behalf of ACRO.
- Safer Roads Unit (£1.148m) balances ring-fenced to be used on safer roads initiatives. This funding is planned to be used to replace existing safety cameras with digital cameras.
- Repairs and Maintenance (£2.702m) ring-fenced for essential repairs and maintenance agreed with the Health and Safety Executive
- Data Centre move (£0.800m) ring-fenced for moving the Data Centre from the current Police HQ which is being sold.

Reserves Position as at March 2017

The Reserves Profile shows that existing planned commitments will result in a reduction of reserves by March 2017 to £15m which is circa 5% of the annual revenue budget at that point. This assumes that there are no adverse issues that impact on the General Reserve or the Risk Reserve.

The use and level of reserves held will be kept under continual review.

Reserves Profile

Reserves	As at 31/03/13	13/14	As at 31/03/14	14/15	As at 31/03/15	15/16	As at 31/03/16	16/17	As at 31/03/17
£000									
General Reserve:									
Commissioner carry forward		(135)							
Constabulary carry forward		(1,504)							
Transformation Reserve		(4,367)							
Other movements		(437)		(387)		(387)		(387)	
Balance	14,306		7,863		7,476		7,089		6,702
Transformation Reserve									
Contributions to Transformation Reserve		8,367							
Use of reserve		(10,345)		(8,210)		(6,248)		(4,600)	
Balance	21,036		19,058		10,848		4,600		0
Risk Reserve:									
Movement									
Balance	6,689		6,689		6,689		6,689		6,689
Commissioning									
Movement		1,957		(807)		(595)		(379)	
Balance	0		1,957		1,150		555		176
Equipment Reserve:									
Movement									
Balance	1,000		1,000		1,000		1,000		1,000
Performance Reserve:									
Movement		(1,700)							
Balance	1,700		0		0		0		0
Insurance Reserve:									
Movement		0		0		0		0	
Balance	894		894		894		894		894
Laboratory Reserve:									
Movement		50		(50)		0		0	
Balance	0		50		0		0		0
Capital (Revenue Contributions) Reserve:									
Contribution from revenue account		200		200		200		200	
Used to support capital programme		(1,809)		(200)		(200)		(200)	
Balance	1,815		206		206		206		206
Sub-total of Reserves available to use	47,440	(9,723)	37,717	(9,454)	28,263	(7,230)	21,033	(5,366)	15,667
% of Total Net Expenditure Budget	15.3%		12.3%		9.1%		6.7%		4.9%
Earmarked Reserves:									
ACRO surety (£2,250k opening balance)									
AVCIS surety (£300k opening balance)									
Netley Business Plan (£128k open balance)									
Reserves which are carried on the balance sheet but are ring-fenced or committed (e.g. ACRO balances)		(11,561)		0		0		0	
Balance	14,239		2,678		2,678		2,678		2,678
Revenue Grants Unapplied									
Movement		(230)							
Balance	230		0		0		0		0
Total Revenue Reserves:	61,909	(21,514)	40,395	(9,454)	30,941	(7,230)	23,711	(5,366)	18,345

**Chief Finance Officer Statement
Local Government Act 2003**

1. The Act comprises of a series of duties and powers that give statutory support to important aspects of good financial practice.
2. Section 25 of the Act requires the Chief Financial Officer to report to the Police and Crime Commissioner when setting its council tax on:
 - the robustness of the estimates included in the budget
 - the adequacy of the financial reserves in the budget
3. The Police and Crime Commissioner is required to have regard to this report in approving the budget and council tax. It is appropriate for this report to be part of the council tax precept provided that the content is also fully available to the Police and Crime Commissioner in making the final decision.
4. The proposed increase in council tax is expected to be within the referendum limit authorised by the Secretary of State for Communities and Local Government.
5. CIPFA guidance on reserves and balances provides the general framework for this report. This puts emphasis on the Medium Term Financial Strategy (MTFS). The level of reserves has been scrutinised and a forward strategy set. The report updates the forecast for reserves and sets out the purpose, use and monitoring of each reserve.
6. The Police and Crime Commissioner's decision on the budget and precept is the conclusion of the process involving consideration of the draft budget by:
 - considering the MTFS and grant, budget and council tax outlooks in the Autumn prior to transition to the Police and Crime Commissioner;
 - the Constabulary's Executive;
 - including savings identified through the Change Programme;
 - budget consultation with residents, staff associations, business and council tax payers/residents associations.
7. The Chief Finance Officer has ensured that appropriate information and advice was given at all of these earlier stages in order that a positive opinion can be given at this stage.

8. In setting the budget, the Police and Crime Commissioner should have regard to the strategic, operational and financial risks facing the Police and Crime Commissioner and Constabulary in the context of an overall approach to risk management. The risks include:

- Inflation
 - Inflation rate assumptions are set out in the report. These should be adequate, particularly for pay, but action might be required if inflation in some areas is greater than provided for.
 - interest rates are covered in more detail in the Treasury Management report. The budget assumes that rates are fairly static or, if they do change, it is not likely to significantly adversely affect the budget;
- pay drift – increments are budgeted for;
- additional spending and savings included in the budget - details of these are fully set out and implications understood in previous consideration.
- budgets and MTFs – these are well established processes;
- strength of financial information and reporting arrangements – again well established with regular monitoring reports;
- capital programme – payments generally tend to slip rather than accelerate. Provisional sums have been included for capital schemes that are still subject to final business case approval.
- capital financing costs present a considerable strain on the revenue budget and the Police and Crime Commissioner will need to review the priority and timing of commitments. Capital receipts are based on a detailed review of when assets become available for sale and will take into account any changes in property prices brought about by market rates;
- the level of borrowing and outstanding debt is relatively low but will increase in future years as major projects are undertaken and the availability of capital receipts reduces. An income budget for interest receivable has been included. These matters are fully covered in the Treasury Management report and Prudential Indicators;
- there is no indication at this stage that any contingent liabilities will result in any financial cost to the Police and Crime Commissioner, but reserves are sufficient to cover these costs if required;
- major incidents is the most uncertain risk, but the general reserve should be adequate based on previous experience;

- a risk reserve has been created to protect against any sudden reductions in funding or non-delivery of savings;
- HMIC and the Audit Commission have stated that the financial planning framework remains sound;
- the announcement of the provisional budget settlement in December 2013 provides greater certainty of grant levels for 2014/15.

10. In setting the levels of reserves due regard has been given to Local Authority Accounting Panel Bulletin 77 issued in November 2008. This includes:

- the treatment of inflation and interest rates;
- estimates of the level and timing of capital receipts;
- the treatment of demand led pressures;
- the treatment of planned efficiency savings and productivity gains;
- the financial risks inherent in any significant partnerships, major outsourcing arrangements or major capital developments;
- the availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions;
- the general financial climate to which the Police and Crime Commissioner is subject.