



Sussex Police & Crime Commissioner

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| To: | The Police and Crime Commissioner for Sussex |
| From: | The Chief Constable for Sussex Police |
| Subject: | Proposed Revenue and Capital Budget 2016/17 and Medium Term Financial Plan |
| Date: | 14 March 2016 |

Version 1 Draft

1.0 Introduction

1.1 This report sets out the proposed Police Fund budget for 2016/17 and medium term financial plan including:

- the overall funding position and proposed total budget for 2016/17;
- budget and saving proposals for the Chief Constable's Operational Delivery revenue and capital budgets for 2016/17 and capital programme to 2020;
- budget proposals for the Office of the Police & Crime Commissioner (PCC) and other revenue budgets for 2016/17;
- reserves policy, proposed use of and forecast level of reserves to 2020; and
- Medium Term Financial Forecast

Grant Settlement

2.1 The final finance settlement was announced on 4 February 2016. Details are set out in Appendix 1 and summarised below.

Grant Settlement 2016/17

| | 2015/16 £'000 | 2016/17 £'000 | Difference £'000 | Difference % |
|---------------------------------|--------------------------|--------------------------|-----------------------------|-------------------------|
| Home Office Police Grant | 98,390 | 97,828 | (562) | (0.6)% |
| DCLG Formula Grant | 54,201 | 53,892 | (309) | (0.6)% |
| Total Core Grant | 152,591 | 151,720 | (871) | (0.6)% |
| Legacy CT Benefit Support Grant | 10,140 | 10,140 | - | - |
| Legacy CT Freeze Grants | 3,062 | 3,062 | - | - |
| Total Baseline Funding | 165,793 | 164,922 | (871) | (0.5)% |
| Capital Grant | 1,766 | 1,068 | (698) | (39.5)% |

- 2.2 The final settlement reduces the core revenue grant funding for Sussex by £0.9m (0.6%) on a like for like basis compared to 2015/16. This is a lower reduction than originally anticipated prior to the decision by the Chancellor to protect total cash funding for policing over the Government's Comprehensive Spending Review (CSR) period up to 2020.
- 2.3 Despite the protection of police funding there is a continuing need for a significant programme of savings in order to deliver a balanced budget. This is due to the level of additional costs, mainly pay related, which are expected to increase by 4% in 2016/17, outstripping any increases in income.
- 2.4 The CSR announcement made national commitments over the next four years in a number of areas, including;
- investment in new mobile digital technology, through the Emergency Services Mobile Communications Programme
 - an expectation of improved police procurement, encouraging greater collaboration between police forces and other public/emergency services.
 - transformational funding for forces which have "strong proposals to support efficiency and reform"
 - increase capacity for firearms/Counter Terrorism
 - protecting the National Crime Agency's budget
 - £200m of capital investment to fund new digital and investigative capabilities
 - a reduction in the Home Office administration budget of 30% by 2019/20
 - an apprentice levy of 0.5% of the pay bill.
- 2.5 The police finance settlement has been issued for the first year of the CSR period. This has been used to produce the final 2016/17 budget, although uncertainty still remains in some areas, including those highlighted in the paragraph above.
- 2.6 It was expected that a funding formula review would result in a change to the grant allocation for Sussex in 2016/17 and beyond. This has been postponed and will not be implemented until 2017/18 at the earliest. Due to the uncertainty and range of possible outcomes no assumptions regarding funding formula changes have been included in the Medium Term Financial Forecast (MTFF).
- 2.7 The Home Office has re-allocated funding within the total policing budget for counter terrorism, the police element of the new Emergency Services Network, Police Innovation Fund, Independent Police Complaints Commission (IPCC), Major Programmes and Special Policing Grant. The level of re-allocation (top slicing) has increased nationally by £51m to £218m, set out in the table below.

Home Office Police Budget Top Slicing (Nationally)

| Home Office Top Slicing | 2015/16 £m | 2016/17 £m | Variance £m |
|--|---------------|---------------|----------------|
| Innovation Fund | 70.0 | 55.0 | (15.0) |
| Independent Police Complaints Commission | 30.0 | 32.0 | 2.0 |
| College of Policing | 4.6 | 4.6 | - |
| Capital City Grant | 3.0 | 0 | (3.0) |
| Police Knowledge Fund | 5.0 | 0 | (5.0) |
| Police Special Grant | 15.0 | 25.0 | 10.0 |
| Major Programmes | 40.0 | 21.8 | (18.2) |
| Emergency Services Network | 0 | 80.0 | 80.0 |
| Total | 167.6 | 218.4 | 50.8 |

- 2.8 Legacy grants relating to Council Tax Freeze for 2011/12 and 2013/14, together with the Council Tax Support grant, continue to be included in the baseline Home Office settlement. These are now allocated as specific grants alongside Home Office core funding. These grant amounts remain unchanged but their allocation in future years is subject to the outcome of the funding formula review.
- 2.9 Specific grant figures covering PFI and Counter Terrorism (CT), victims and restorative justice are confirmed separately to the police settlement announcement. The PFI grant is expected to be unchanged for next year, while the Victims Services grant has increased to £1.9m.
- 2.10 Capital grant has reduced by £0.7m (40%) compared to 2015/16. This reflects further top-slicing reallocating over £10m from the total Home Office Police Capital Grant to support investment in National Police Technology Services.
- 2.11 No announcements have been made on individual force revenue or capital allocations for the CSR period. We continue to plan for a cash reduction in police core grant funding of circa 1% per annum up to 2019/20. This is based on an assessment of four year funding for policing, the actual force settlement in 2016/17 and potential for further reallocation or top slicing of funding within the overall Home Office budget.
- 2.12 All other grant and settlement announcements are in line with expectations.

Precept Funding

- 3.1 The Police and Crime Panel considered the Police and Crime Commissioner's draft budget and proposed precept on 22 January 2016. The panel unanimously supported a precept increase of up to a maximum of 3.47% (£5 per Band D Household per annum).
- 3.2 The Secretary of State for Communities and Local Government set the level at which a referendum would be required for 2016/17 at 2% for most police areas. An exception was granted to the ten Force areas with the lowest level of precept in England limiting these areas to a £5 cash increase on a Band D property per annum. Sussex has the fourth lowest Band D council tax in England and is able to increase precept by the higher cash amount. For 2016/17 a Band D property will be charged £148.91, representing an increase of £5 per annum or less than 10 pence per week per household.

- 3.3 The final tax base and collection fund positions have been received from billing authorities; these include the net impact of the on-going council tax support arrangements on the tax base.
- 3.4 The final position is better than expected. The improved tax base (£2.03m) and collection fund surplus (£1.24m) provides funding of £3.27m higher than assumed. The council tax funding position for 2016/17 compared to 2015/16 is set out below.

Precept Income 2016/17

| | 2015/16 £'000 | 2016/17 £'000 | Difference £'000 |
|--|------------------|------------------|---------------------|
| Baseline Precept (including taxbase increase) | 82,286 | 85,836 | 3,551 |
| Funding from Precept Increase of 3.47% (prior year 1.94%) | 1,594 | 2,982 | 1,388 |
| Collection Fund Surplus | 973 | 1,237 | 264 |
| Total Funding Precept | 84,852 | 90,055 | 5,203 |

- 3.5 The medium term financial forecast to 2020 is modelled on a taxbase increase of 1% per year for each of the following three financial years (2017 to 2020) and a precept of 3.47% in 2016/17 and 0% thereafter.
- 3.6 The impact of a 3.47% precept increase on the medium term financial plan assumptions is to provide additional funding of £3m in each of financial years up to 2019/20.

Revenue Budget

- 4.1 In summary, the proposed revenue budget for 2016/17 is:

Proposed Net Budget Requirement 2016/17

| | Gross £'000 | Grants £'000 | Income £'000 | Net £'000 |
|---|----------------|-----------------|-----------------|----------------|
| Operational Delivery Budget | 279,427 | (8,593) | (22,534) | 248,300 |
| Office of PCC Budget | 1,184 | 0 | 0 | 1,184 |
| Community Safety | 1,635 | 0 | 0 | 1,635 |
| Victim Support Services and Restorative Justice | 1,949 | (1,949) | 0 | 0 |
| Financial Provisions | 3,370 | 0 | 0 | 3,370 |
| Treasury Management Interest | 201 | 0 | (500) | (299) |
| Transfers to/(from) Earmarked Reserves | 1,237 | 0 | (450) | 787 |
| Total Net Budget Requirement 2016/17 | 289,003 | (10,542) | (23,484) | 254,977 |

- 4.2 The core grant funding and precept income provides resources to set an overall net revenue budget of £254.98m. The increase of £4.3m from 2015/16 is set out below and in more detail in Appendix 2.

Proposed Police Fund Revenue Budget 2016/17

| | £'000 |
|--|----------------|
| Base Budget 2015/16 | 250,645 |
| Base Budget Adjustments | 1,461 |
| Additional Pay Costs (inc. pay award) | 9,954 |
| Inflation and Other Additional Costs | 1,175 |
| New Investments | 3,281 |
| Savings Requirement | (11,539) |
| Proposed Net Revenue Budget 2016/17 | 254,977 |

- 4.3 The proposed budget includes unavoidable cost pressures and identified new commitments assessed as part of the budget setting process plus new investments funded from the increase in precept. The budget requires the delivery of £11.5m of cashable savings from efficiencies and improvements with all new policing demands and risks managed within the proposed level of resources.
- 4.4 Details of the Chief Constable's proposed Operational Delivery Budget are set out in Attachment A. Budgets under the control of the Office of the Police and Crime Commissioner and other revenue budgets are set out in Attachment B to this report.
- 4.5 The budget includes £3.3m of new investment in additional capacity and resources in line with Police and Crime Plan and Operational Delivery priorities. The most immediate priority areas identified by the Chief Constable are investments in digital forensics and protecting vulnerable people.
- 4.6 Total new investment is set out below.

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 |
|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Digital Forensics | 1,981 | 1,255 | 865 | 957 |
| Protecting Vulnerable People | 1,300 | 2,100 | 2,100 | 2,100 |
| Total New Investments | 3,281 | 3,355 | 2,965 | 3,057 |

- 4.7 Other priorities for investment will be considered over the four year period to 2020. These include investments in Counter Terrorism and prevention, neighbourhood policing, firearms, cyber-crime, and further digitisation of policing services and criminal justice plus implementation of new emergency services network infrastructure. These will be considered as part of the current Local Policing and Policing Together Programmes and national initiatives and changes programmes as they are developed.

Proposed Capital and Investments Budget

- 5.1 The proposed capital and investment budget for 2016/17 and programme to 2019/20 with proposed funding is summarised in the table below. Full details of the capital and investment budget proposals are set out in the Chief Constable's proposed Operational Delivery Budget (Attachment A)

Proposed Capital and Investment Programme and Financing

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | Total £'000 |
|---|------------------|------------------|------------------|------------------|----------------|
| Home Office Capital Grant | 1,068 | 1,068 | 1,068 | 1,068 | 4,272 |
| Revenue Contribution | 2,517 | 2,025 | 2,025 | 2,117 | 8,684 |
| Reserves and Receipts | 23,229 | 11,854 | 7,957 | 2,850 | 45,890 |
| Total Capital and Investment Programme | 26,814 | 14,947 | 11,050 | 6,035 | 58,846 |

- 5.2 The proposed capital budget of £26.8m for 2016/17 includes provision for the approved estates strategy, fleet replacement programme, completion of current ICT infrastructure programme, plus new investment in in-car technology, further development of mobile policing and implementation a new finance and HR system (with Surrey and Thames Valley Police). The proposed programme takes into account the latest agreed transfer of funding for specific capital schemes from 2015/16 to 2016/17 following capital reviews throughout the year.
- 5.3 The capital and investment plans to 2020 require no additional borrowing but subject to assumptions on the profile of delivery of the programme and achievement of the capital receipts, the capital and investment reserves will be nearly exhausted by 2020, i.e. there is limited headroom for further new investment requirements.
- 5.4 These could be significant in relation to new Emergency Services Network, further phases of ICT Infrastructure and enablement projects, Digitalisation of Policing Services and Criminal Justice. The reducing level of investment reserves over the four year period means prioritisation of capital schemes may have to be reviewed in 2016 and the current approach of not borrowing may have to be revisited before 2020 and/or provision made in revenue budget for financing of capital investment.
- 5.4 The proposal for financing the capital and investment budget for 2016/17 and programme to 2019/20 is set out in Appendix 3.

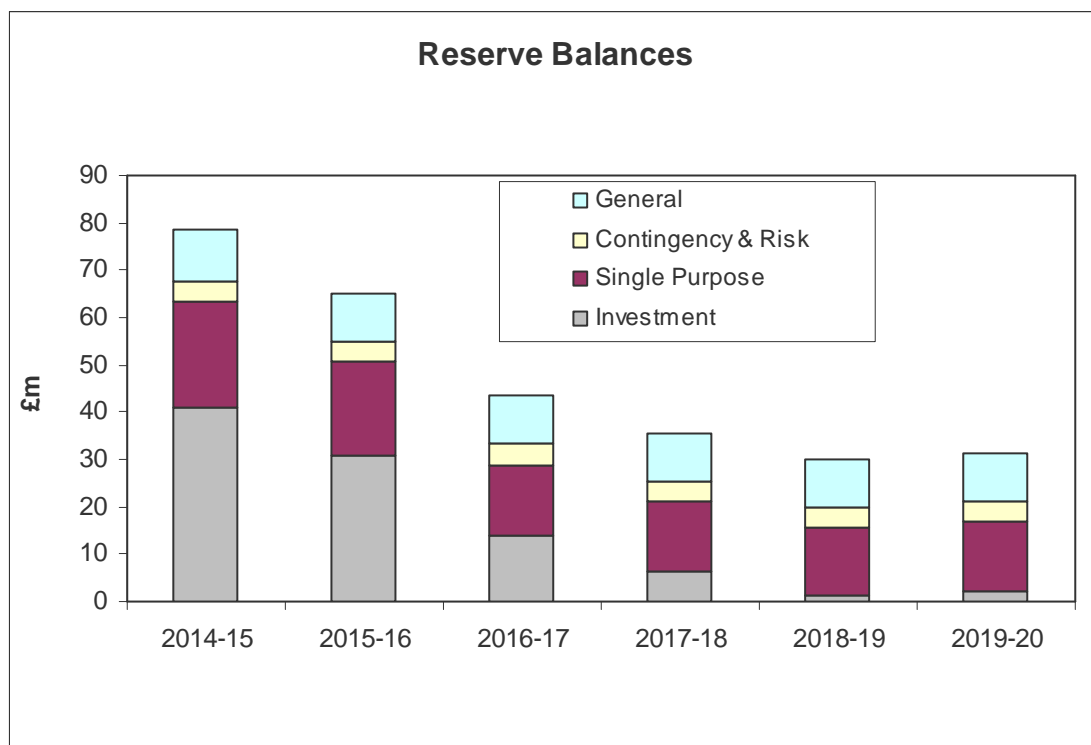
Use of Reserves

- 6.1 Reserves are a key part of budget setting and financial planning and the proposed budget has been prepared in accordance with the PCC's approved reserves policy. The reserves policy has been reviewed by the Chief Finance Officer and the Director of Finance.
- 6.2 The forecast level of reserves up to 2020 is set out in Appendix 4A and includes use of reserves to finance the capital and investment programme to 2020. The Reserves Policy is set out at Appendix 4B.

6.3 The Total Police Fund budget for 2016/17 includes the following proposals and assumptions regarding transfers to and from reserves:

- transfer of £1.2m from one off collection fund surplus to Investment reserve to fund future capital and investment programme requirements
- funding from the Capital and Investments reserve and Capital Receipts to fund the capital and investment budget (£22.8m);
- funding from the Safer Sussex Roads Partnership (SSRP) reserve to fund specific partnership capital investments (£0.3m);
- funding from the Delegated Budget Holder reserve to fund the final year of the annual subscription for the Microsoft Enterprise Agreement payment (£0.45m) and contribution to implementation costs of the Local Policing (LPP) and Policing Together Programmes (up to £4.0m).

6.6 The forecast level of total reserves at 31 March 2020 is £31.2m. This includes general balances of £10m (4% of net budget requirement) in line with the PCC's Reserves Policy.



6.7 The investment reserve is expected to be fully committed by 2020. The actual level of investment reserves remaining at 31 March 2020 will depend on achievement of capital receipts in line with approved estates strategy and any revenue budget surplus in 2015/16 and future years which may be transferred to the investment reserve.

Medium Term Financial Forecast

7.1 The impact of the latest MTFF assumptions is a savings requirement of £35m for the next four years as set out below.

Estimated Savings Requirement 2016 to 2020

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | Total £'000 |
|----------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Savings Target | 11,539 | 8,742 | 7,148 | 7,697 | 35,126 |

- 7.2 The Chief Constable is planning on delivering the current programmes of change, including the Local Policing and Policing Together programmes, to modernise policing in Sussex, deliver on the savings requirement over the next four years and enable maximum allocation of resources to national and local policing priorities.
- 7.3 In preparing the budget proposals for 2016/17 the Chief Constable, Chief Executive, Chief Finance Officer and Director of Finance consider the implications for future years of the commitments set out in the proposed budget, on-going levels of grant funding and potential new commitments and cost pressures. The latest MTFF and planning assumptions are set out in Appendices 5A and 5B.
- 7.4 The grant settlement for 2016/17 was better than anticipated with no PCC facing a cash reduction as long as they maximise their precept, but there remains some uncertainty on the level of funding for future years. The MTFF assumptions represent a mid case scenario based on available information at this time.
- 7.5 Funding for 2017/18 onwards is subject to the funding formula review, which is likely to have some impact for all forces over the period 2017 to 2020. Based on the Home Office consultation last year there is the potential for significant changes to individual force allocations by as much as 20% of core police grant funding.
- 7.6 The implication of the Chancellor's announcement on protection of police funding for Sussex is predicated on a £5 increase per annum for a Band D household in each of the next four years. The MTFF adopts a prudent approach and does not assume a Council Tax increase for 2017/18 or beyond. This is consistent with the continuation of the approach adopted in the last three years where precept decisions are made on an annual basis against the need for new investment in policing priorities.

7 Risks and Issues

- 8.1 New and significant risks emerging for the medium term are set out below.
- 8.2 A 1% pay cap per annum has been set for public sector pay over the CSR period and is reflected in planning assumptions. There remains specific pay pressures for certain specialist job roles for both police officers and staff. It will be difficult to manage pay pressures at this level for a further four years and there are other pay pressures and changes arising from employment tribunal cases and reforms being considered by both police officer and police staff pay bodies.
- 8.3 In his Autumn statement the Chancellor announced a new apprentice scheme including new funding arrangements and an apprentice levy. We expect new arrangements to be implemented from 2017/18 but do not yet know details of the scheme but have included a financial provision for this within the MTFF.

- 8.4 There are continuing risks surrounding the costs and investments required in national **Police IT systems**. The Home Office has made police forces and other law enforcement agencies aware they will now be required to individually purchase particular products in the future which were previously funded by the Home Office.
- 8.5 The Emergency services mobile communications programme (ESMCP) is replacing the current **Airwave system** with a new network to run over commercial 4G networks. ESMCP is a cross government departmental programme, including all three emergency services and a wide range of other users. Funding has been announced for the programme as part of the CSR but it is not yet clear on how much of this is new funding and how much will be allocated to individual forces for implementation and transition costs. It is clear that forces will be required to fund a significant portion of their implementation costs. Some provision has been included in the capital and investment programme for this.
- 8.6 The programme of change remains complex with operational and organisational risk to delivering the range and volume of change including:
- design work for new operating models for Joint Surrey and Sussex Operations Command and Specialist Crime Command, including scope for regional collaboration, are due to complete in January 2016;
 - regional and national programmes of changes re firearms capability and capacity plus other specialist functions.
 - implementation of a new core finance and HR system for Surrey, Sussex and Thames Valley is due by March 2017.
 - work underway to assess opportunities for collaboration on ICT infrastructure across four south east forces over a five year period.
 - new national and local transformation projects for digitalisation of policing and bluelight collaboration are expected to commence over the next three
- 8.7 As set out in section 5 there is potential new capital or one off investment required, over and above that set out in the current medium term financial plan, to implement current local and national change programmes.

Savings Proposals

- 9.1 The Chief Constable's saving plans are based on the programmes of change (Local Policing and Policing Programmes) to deliver improvements in policing and realise cashable savings. A summary of the savings planned up to 2019/20 is set out in the following table.

Savings Position as at 31 January 2016

| Work streams | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | Total £'000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Specialist Crime | 1,585 | 1,714 | 1,500 | 0 | 4,799 |
| Operations | 2,124 | 1,000 | 1,000 | 0 | 4,124 |
| Contact & Deployment | 343 | 810 | 802 | 0 | 1,955 |
| Support Services | 1,034 | 1,133 | 1,000 | 0 | 3,167 |
| Business Enablement | 797 | 638 | 184 | 0 | 1,619 |
| Local Policing | 8,209 | 9,600 | 9,600 | 0 | 27,409 |
| Other Savings Initiatives | (508) | 250 | 0 | 0 | (258) |
| Total Savings | 13,584 | 15,145 | 14,086 | 0 | 42,815 |
| Savings b/f from prior year | (563) | 1,482 | 7,885 | 14,823 | |
| Total Savings In Year | 13,021 | 16,627 | 21,971 | 14,823 | |
| Savings Requirement | 11,539 | 8,742 | 7,148 | 7,697 | |
| Remaining Savings Gap/(Surplus) | (1,482) | (7,885) | (14,823) | (7,126) | |
| Savings Risk Rating | | | | | |
| Green | 1,588 | 10 | 0 | 0 | 1,598 |
| Amber | 8,317 | 736 | 48 | 0 | 9,101 |
| Red | 604 | 9,988 | 9,600 | 0 | 20,192 |
| Purple | 3,075 | 4,411 | 4,438 | 0 | 11,924 |
| Total | 13,584 | 15,145 | 14,086 | 0 | 42,815 |

- 9.2 Nearly £65m of savings will have been delivered over the five year period up to March 2016.
- 9.3 Based on the savings plans for 2016/17 and their risk status there is a high level of confidence in achieving the savings requirement in year. There is, however, a level of risk in achieving this target as a number of plans are only rated as purple or red. Purple savings are where an evidence based target has been set for a business area but no plans have yet been developed for how this will be delivered; red savings are where proposals are at an early planning stage. A number of change projects are due to report to Chief Officers by April with more detailed delivery plans.
- 9.4 There is still a significant savings requirement up to 2020, currently estimated to be in the region of £35m. This is subject to further change as a result of any grant reductions and the outcome of the funding formula review.
- 9.5 Plans are currently scheduled to be delivered by 2019 but following CSR announcements we know that the savings requirement will be over four years to 2020. This provides the opportunity to phase delivery of saving plans over a longer period if needed.
- 9.6 The current level of planned savings, if delivered in full, would meet the savings requirement by 2019, although these plans include £12m of savings assessed

as 'purple' and more uncertain of being delivered, i.e. savings where an evidence based target has been set for a business area but no plans have yet been developed for how this will be delivered. If all saving plans and targets are delivered this will provide some headroom for funding in year implementation costs and new on-going investments.

Cash Flow

- 10.1 The PCC is required to set, before the beginning of each financial year, a number of statutory treasury management and cash flow limits. Details of the recommended prudential indicators, cash flow ratios and limits, required by the "Prudential Code" are summarised in Appendix 6.
- 10.2 The prudential indicators are based on the draft 2016/17 Treasury Management Strategy prepared by the, which is subject to a separate approval by the PCC.

PCC's Chief Finance Officer's Report

- 11.1 The Chief Finance Officer of the PCC has a personal fiduciary duty by virtue of his appointment as the person responsible for proper financial administration under the Police Reform and Social Responsibility Act 2011. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure, securing the efficient use of public funds and advising the PCC on the robustness of the budget and adequacy of financial reserves
- 11.2 The Chief Finance Officer's commentary on key financial risks is set out in Appendix 7. In summary, the on-going development and achievement of savings against target plus the level of earmarked reserves available to cover exceptional policing costs provides assurance and funding to cover the key risks identified. In addition a pay and price contingency of £0.4m is included within the base budget to meet other unforeseen costs.
- 11.3 The key financial risks in the medium term relate to the uncertainty of grant funding, council tax collection rates and the continuing delivery of sustainable savings plans. The level of general reserves is forecast to be at or around the target level of 4% for the next three years but this may be required to balance the timing of savings or address unexpected budget pressures up to 2020. This is a wholly acceptable use of reserves and the value of the reserves reflects this possibility and level of risk.
- 11.4 The Chief Constable's assessment is that the proposed budget will be sufficient to enable him to fulfil his operational delivery responsibilities in 2016/17 and meet some new operational risks and demands. There is some scope to fund further new investment in future years from achievement of savings over and above the current savings requirement currently estimated for the CSR period to 2020. This is unlikely to be sufficient to meet:
 - all the increased demand (domestic abuse, sexual abuse, protecting vulnerable people and cyber crime),
 - new operational requirements from national and local change programmes (Counter Terrorism, Firearms, new Emergency Services Network, Digitalisation of Policing and Criminal Justice); and
 - enable investment in neighbourhood policing (prevention and investigation)
- 11.5 Based on the Chief Constable's risk assessment, the level of savings carried forward from 2015/16 and new saving plans for 2016/17 assessed as green,

there is still a significant risk that not all saving plans will be delivered in full by 31 March 2017.

PCC's Chief Finance Officer's Statement

- 12.1 Taking into account the factors and risks set out above, the Chief Finance Officer is satisfied with the robustness of the estimates, the adequacy of reserves and the Chief Constable's savings plans, which the total Police Fund budget for 2016/17 provides. The Chief Finance Officer is also satisfied with the proposed capital financing and the prudential limits.

RECOMMENDATIONS

The Police and Crime Commissioner is asked to APPROVE:

Revenue and Capital Budget 2016/17

- [a] the total net revenue budget for the Total Police Fund for 2016/17 of £254.98m (gross budget of £289.0m);
- [b] the Chief Constable's proposed net Operational Delivery Revenue Budget for 2016/17 of £248.3m (net of operational income and grants of £31m);
- [c] the Chief Constable's proposed Capital Programme which includes a Capital budget for 2016/17 of £26.8m;
- [d] the proposed net revenue budget for the Office of the Police and Crime Commissioner for 2016/17 of £1.2m;
- [e] revenue budgets for Community Safety £1.64m, Victim support and witness services £1.95m (funded by grant £1.95m), net Financial Provisions (£3.07m) and transfers from reserves of £0.79m;

Reserves

- [f] the use, contributions and transfers of reserves required to support the revenue budget and capital and investment programme for 2016/17 and up to 2020 as set out in Appendix 4;

Medium Term Financial Plan

- [g] the planning assumptions for the Medium Term Financial Plan including MTFP, investment programme and use of reserves up to 2019/20.

Cash Flow

- [h] the prudential limits and capital financing proposals at Appendix 6.

Precept

- [i] The Council Tax Requirement for 2016/17 to be agreed at **£88,818,462.50** and to issue precepts to be collected by the Brighton and Hove City Council and the Borough and District Councils in the Counties of East Sussex and West Sussex in accordance with the details as set out in Appendix 8.

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Appendices

1. Sources of Funding
2. Proposed Revenue Budget
3. Proposed Capital Financing
4. Reserves and Balances forecast and planned to 2019
5. Medium Term Financial Forecast and Assumptions
6. Cash Flow and Prudential Code Indicators
7. Areas of Financial Risk
8. Tax Base and Levy

Attachments

- A. Chief Constable's Operational Delivery revenue budget, capital and investment budget proposals.
- B. Office of Police and Crime Commissioner, Victim Support and Restorative Justice Services and other budget proposals.

APPENDIX 1
Sources of Funding

| | 2015/16 £'000 | 2016/17 £'000 |
|--|--------------------------|--------------------------|
| Home Office Police Grant | 98,390 | 97,828 |
| DCLG Formula Grant | 54,201 | 53,892 |
| Core Grant | 152,591 | 151,720 |
| Legacy Council Tax Benefit Grant (in baseline) | 10,140 | 10,140 |
| Legacy Council Tax Freeze Grants | 3,062 | 3,062 |
| Total Legacy Council Tax Grants | 13,202 | 13,202 |
| Total Baseline Grant Funding | 165,793 | 164,922 |
| | | |
| Core Grant percentage increase/(decrease) | (5.1%) | (0.6%) |
| | | |
| Council Tax and Collection Fund | | |
| Police Precept from Council Tax | 83,879 | 88,818 |
| Collection Fund Surplus | 973 | 1,237 |
| Total Council Tax and Collection Fund | 84,852 | 90,055 |
| | | |
| FUNDING FOR NET EXPENDITURE | 250,645 | 254,977 |
| | | |
| Specific Revenue Grants | | |
| PFI Grant | 3,263 | 3,263 |
| Dedicated Security Posts Grant | 4,350 | 4,629 |
| Prevent Grant | 712 | 335 |
| Airport Security Grant | 367 | 366 |
| Victim Services | 1,498 | 1,949 |
| Total Specific Grants | 10,190 | 10,542 |
| | | |
| Other sources of Income and Funding | 25,007 | 23,484 |
| | | |
| FUNDING FOR GROSS EXPENDITURE | 285,842 | 289,003 |
| | | |
| Capital Grant | 1,766 | 1,068 |

| Incremental Budget Changes | 2016/17 £'000 |
|--|--------------------------|
| | |
| Base Budget 2015/16 | 250,645 |
| | |
| Changes to Contributions to/from Reserves | 2,228 |
| Changes to Capital Financing | 33 |
| Target Operating Model Implementation Team | (800) |
| Total Base Budget Adjustments | 1,461 |
| | |
| National Pay Awards | 1,021 |
| Contractual Pay Increments and allowances | 2,283 |
| Holiday Overtime | 753 |
| Employers National Insurance | 5,353 |
| Employers Police Staff Pension Contributions | 544 |
| Total Additional Pay Costs | 9,954 |
| | |
| Price Inflation | 404 |
| National Police IT and Operational Costs | 771 |
| Total Other Additional Costs | 1,175 |
| | |
| New Investments | 3,281 |
| | |
| Budget Requirement (before savings) | 266,516 |
| | |
| Savings Requirement | (11,539) |
| | |
| Net Budget Requirement | 254,977 |
| | |
| Financed by: | |
| | |
| Home Office Grant | 97,828 |
| Revenue Support Grant | 53,892 |
| Total Core Policing Grants | 151,720 |
| Council Tax Support Grant | 10,140 |
| Legacy Council Tax Freeze Grants | 3,062 |
| Collection Fund Surplus/(Deficit) | 1,237 |
| Council Tax Precept | 88,818 |
| Total Precept and Council Tax Grants | 103,257 |
| | |
| Net Budget Requirement | 254,977 |

Proposed Capital Investment Financing

| CAPITAL INVESTMENTS | £'000 |
|--|---------------|
| ICT Strategy | 5,500 |
| Fleet Strategy | 3,430 |
| Estates Strategy | 12,494 |
| Major Change projects | 3,660 |
| Operational Investments | 1,730 |
| Total Capital Investment Budget 2016/17 | 26,814 |

| FINANCING | £'000 |
|--|---------------|
| Capital Grant | 1,067 |
| Revenue Contribution | 2,517 |
| Capital Receipts | 4,800 |
| Capital and Investment Reserve | 18,141 |
| Other Reserves | 289 |
| Total Financing requirement 2016/17 | 26,814 |

| CAPITAL and INVESTMENT RESERVE | £'000 |
|---|---------------|
| Estimated Balance as at 1 April 2016 | 30,866 |
| Contribution | 1,237 |
| Financing Requirement | (18,141) |
| Estimated Balance as at 1 April 2017 | 13,962 |
| Contribution | 0 |
| Financing Requirement | (7,525) |
| Estimated Balance as at 1 April 2018 | 6,437 |

| CAPITAL RECEIPTS | £'000 |
|---|--------------|
| Estimated Balance as at 1 April 2016 | 0 |
| Receipts in 2016/17 | 4,800 |
| Financing Requirement 2016/17 | (4,800) |
| Estimated Balance as at 1 April 2017 | 0 |
| Receipts in 2017/18 | 4,050 |
| Financing Requirement 2017/18 | (4,050) |
| Estimated Balance as at 1 April 2018 | 0 |

Proposed Use of Reserves

APPENDIX 4A

| USABLE RESERVES | Investment | | Single Purpose | | | | Contingency and Risk | | General | | % NBR |
|-------------------------------------|--------------------------------|------------------|----------------|---------------------------------|--------------------------------|---------------|----------------------|--------------|-----------------|----------------|-----------|
| | Capital and Investment Reserve | Capital Receipts | Asset Seizures | Delegated Budget Holder Reserve | Sussex Safer Roads Partnership | PFI | Insurance | Operational | General Reserve | Total Reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Audited Balance at 31/3/15 | 33,141 | 7,896 | 262 | 7,350 | 2,003 | 12,794 | 1,874 | 2,450 | 10,807 | 78,577 | 4% |
| 2015/16 | | | | | | | | | | | |
| Approved Contributions | 1,000 | | 44 | 2,000 | | | | | 109 | 3,153 | |
| Estimated Contributions | | 2,895 | | | | | | | | 2,895 | |
| Estimated Commitments | (5,096) | (10,791) | | | (315) | | | | | (16,202) | |
| Approved Commitments | | | | (3,445) | | | | | | (3,445) | |
| Transfers Between Reserves | 1,821 | | | (1,067) | | | | 56 | (890) | 0 | |
| Estimated Balance at 31/3/16 | 30,866 | 0 | 306 | 4,838 | 1,688 | 12,794 | 1,874 | 2,506 | 10,106 | 64,978 | 4% |
| 2016/17 | | | | | | | | | | | |
| Approved Contributions | 1,237 | | | | | | | | | 1,237 | |
| Estimated Contributions | | 4,800 | | | | | | | | 4,800 | |
| Estimated Commitments | (18,141) | (4,800) | | (4,000) | (289) | | | | | (27,230) | |
| Approved Commitments | | | | (450) | | | | | | (450) | |
| Estimated Balance at 31/3/17 | 13,962 | 0 | 306 | 388 | 1,399 | 12,794 | 1,874 | 2,506 | 10,106 | 43,335 | 4% |
| 2017/18 | | | | | | | | | | | |
| Estimated Contributions | | 4,050 | | | | | | | | 4,050 | |
| Estimated Commitments | (7,526) | (4,050) | | | (279) | | | | | (11,855) | |
| Estimated Balance at 31/3/18 | 6,437 | 0 | 306 | 388 | 1,120 | 12,794 | 1,874 | 2,506 | 10,106 | 35,531 | 4% |
| 2018/19 | | | | | | | | | | | |
| Estimated Contributions | | 2,500 | | | | | | | | 2,500 | |
| Estimated Commitments | (5,405) | (2,500) | | | (52) | | | | | (7,957) | |
| Estimated Balance at 31/3/19 | 1,032 | 0 | 306 | 388 | 1,068 | 12,794 | 1,874 | 2,506 | 10,106 | 30,074 | 4% |
| 2019/20 | | | | | | | | | | | |
| Estimated Contributions | | 4,000 | | | | | | | | 4,000 | |
| Estimated Commitments | (0) | (2,850) | | | | | | | | (2,850) | |
| Estimated Balance at 31/3/20 | 1,032 | 1,150 | 306 | 388 | 1,068 | 12,794 | 1,874 | 2,506 | 10,106 | 31,224 | 4% |

Reserves Policy

| General Reserve | | Level or Target |
|---|---|--|
| Provides a working balance to cover day to day cash flow requirements and fall-back to cover exceptional unforeseen financial and operational risks. The target level of the reserve will be reviewed and as part of the annual budget setting process. | | 4% of Net Revenue Expenditure as at 31 March each year. |
| Contingency and Risk | | |
| Insurance Reserve | <p>Provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages. This Reserve is funded from revenue or transfers from other reserves and adjusted annually, following an independent actuarial review, to reflect inflation and risk management information.</p> <p>Potential obligations resulting from claims are split between provisions and reserves on the Balance Sheet. A provision on the balance sheet provides for the cost of claims received and outstanding; an insurance reserve then holds funds to cover claims incurred but not received or quantified. Claims that have been reported and assessed as more likely to require settlement will be carried as a financial provision, whilst known incidents where no claim has yet been made, would be covered by the Insurance Reserve. The revenue account will be used to any meet in-year liabilities if they arise. Any year-end variance in the revenue claims budget will not normally be met from or transferred to the general force budget, but transferred to/from the Insurance Reserve. The level of the reserve is reviewed annually.</p> | Assessed as part of the annual insurance actuarial review. |
| Operational Reserve | The Operational Reserve provides support for funding the cost of major policing operations and events. Where exceptional and unforeseen circumstances result in the Force incurring additional expenditure, the Home Office may pay special grant under Section 48 of the Police Act. However any grant will normally relate to additional costs above 1% of the net revenue budget. It should be noted that the General Reserve may also be used to provide support for Operational use. | In line with Special Grant conditions, maximum of 1% of net revenue expenditure as at 31 March each year. |
| Investment | | |
| Capital and Investment Reserve | To support planned one-off and non-recurring investments of a capital and revenue nature. Change management initiatives providing support for implementing cost-saving initiatives. Financing asset replacement plans and commitments over 5-10 years. | <p>In line with investment and replacement plans included within MTFE and dependant and financing requirements of the Capital Strategy.</p> <p>Funded from: approved in year revenue budget surplus; transfers from other reserves; specific approved contributions.</p> |
| Capital Receipts Reserve | This reserve holds the proceeds from the sale of assets, and can only be used for financing capital expenditure in accordance with regulations. | Receipts from the sale of assets will be taken to this reserve. |
| Capital Grants & Contributions | This reserve holds unused elements of grant and other external funding to be spent in the following financial year in line with the conditions of the grant or external funding. | As determined by the closure of accounts process |
| Single Use | | |
| PFI Reserve | <p>Exists to meet future contractual contributions to be paid towards the end of the custody PFI scheme. This balances contributions over the life of the contract and in accordance with the agreed PFI scheme financial model and specific grant funding.</p> <p>As the PFI reserve will not be required until the latter years of the contract, the reserve can be used for other purposes as set out for other reserves, e.g. capital and investment purposes; managing any temporary shortfalls in other reserves or capital receipts, this is on the basis that plans are put in place as part of the Financial Strategy to build up the PFI reserve to its appropriate level when required.</p> <p>This reserve will be discontinued once exhausted.</p> | <p>Inflows and outflows are in line with the PFI Financial Model.</p> <p>Underspends on the PFI Contract revenue budget as approved by the PCC as part of the final outturn.</p> |
| Asset Seizure Reserve | Balance of Proceeds of Crime Act (POCA) income received but not spent during the year to be used in accordance with Home Office guidance. | Target level of 12 months costs of financial investigations. |

| | | |
|--------------------------------------|--|---|
| Delegated Budget Holder Reserve | Under and overspendings on the revenue budgets are managed via this reserve in accordance with the PCC's carry-forward policy and approval. | Agreed annually by the PCC as part of the final outturn. |
| Sussex Safer Road Partnership (SSRP) | <p>Balance of funding for the Sussex Safer Roads Partnership. This reserve can be used to finance capital or revenue expenditure approved by SSRP.</p> <p>This reserve belongs to the SSRP Partners and any funds may be returned to the contributing partners in line with the partnership agreement.</p> | <p>Target - one years running costs/decommissioning costs.</p> <p>Funded by SSRP approved revenue budget surplus.</p> |

Total Police Fund Medium Term Financial Forecast

| Incremental Budget Changes | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Base Budget | 250,645 | 254,977 | 252,484 | 251,266 |
| Base Budget Changes | 1,461 | (1,237) | | |
| Pay Costs | 9,954 | 5,838 | 5,096 | 5,174 |
| Price Inflation | 404 | 1,125 | 1,224 | 1,247 |
| Cost Pressures | 771 | 450 | | |
| New Investments | 3,281 | 73 | (390) | 92 |
| Total Cost Increases | 15,871 | 6,249 | 5,930 | 6,513 |
| Gross Budget Requirement | 266,516 | 261,226 | 258,414 | 257,779 |
| Annual Savings Requirement | (11,539) | (8,742) | (7,148) | (7,697) |
| Net Budget Requirement | 254,977 | 252,484 | 251,266 | 250,082 |
| Home Office Grant | 151,720 | 149,747 | 147,801 | 145,879 |
| Council Tax Support Grants | 13,202 | 13,030 | 12,861 | 12,693 |
| Collection Fund Surplus/(Deficit) | 1,237 | 0 | 0 | 0 |
| Base Precept | 88,818 | 89,707 | 90,604 | 91,510 |
| Total Funding | 254,977 | 252,484 | 251,266 | 250,082 |

Medium Term Financial Forecast Planning Assumptions

| Assumption | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|------------------------------------|----------------|---------------------|---------------------|---------------------|
| Core funding changes | (0.6%) | (1%) | (1%) | (1%) |
| Specific Grants change | No Change | No Change | No Change | No Change |
| Council Tax Support Grant | No Change | (1%) | (1%) | (1%) |
| Legacy Council Tax Freeze Grants | No Change | (1%) | (1%) | (1%) |
| Tax base increase | 2.33% | 1% | 1% | 1% |
| Collection Surplus/(Deficit) | £1.24m | - | - | - |
| Pay award (Sept average) | 1.0% - 1.25% | 1.0% - 1.25% | 1.0% - 1.25% | 1.0% - 1.25% |
| Police staff pension contributions | 1% | 1% | 1% | 1% |
| Precept | 3.47% | 0% | 0% | 0% |
| General Price inflation | 2% | 2% | 2% | 2% |
| Investment Interest Returns | 0.6% | 0.4% | 0.4% | 0.4% |
| Employers NI Increase | £5.6m | No further increase | No further increase | No further increase |

Prudential code indicators**A. Cash Flow**

1. The Police and Crime Commissioner is required to agree and set before the beginning of each financial year:
 - 1) an operational limit for borrowing to reflect the likely level of borrowing required;
 - 2) an authorised limit for borrowing based on an assessment of realistic risk;
 - 3) the maximum to be borrowed at fixed rates;
 - 4) the maximum to be borrowed at variable rates; and
 - 5) the maximum to be invested for a year or longer
 - It is recommended that the operational limit be set at £24.1m for 2016/17, based on the current position with regard to debt outstanding and the spending and financing plans included in the draft capital programme.
 - It is possible that the Police and Crime Commissioner may also need to borrow temporarily for cash flow management purposes, pending receipt of income, or to meet a large expenditure flow, or to avoid withdrawing short-term investments, where interest rate effects would be detrimental. It is recommended therefore that an authorised limit for borrowing of £39.1m should be approved for 2016/17, to encompass the above operational limit and an additional £15m for temporary borrowing.
 - The Police and Crime Commissioner has long-term debt and would normally expect to borrow at fixed rates and therefore it is recommended that the limit on fixed rate debt be set to match the authorised borrowing limit. Because of market circumstances it may be advantageous to defer long-term borrowing at fixed rates for a period. The alternative would be to borrow at variable rates in the short-term and therefore it is recommended that a 25% limit should be set for 2016/17.
 - The Chief Finance Officer will continue to lend surplus cash funds in accordance with the Police and Crime Commissioner's Treasury Policy Statement. It is recommended that a limit of £15.0m be imposed on investments for a year or longer.
2. The Local Government Act 2003 also requires the setting of prudential ratios and limits in accordance within the requirements of the "CIPFA Prudential Code for Capital Finance in Local Authorities". The Code, which is based largely on self-regulation, sets out the indicators that it expects authorities to use, and the factors that they must take into account, to demonstrate that their plans are prudent, sustainable and affordable. It does not, however, include suggested, indicative limits or ratios. These are to be set by each individual Police and Crime Commissioner. Details of the recommended ratios and limits, required by the Code are summarised below:

APPENDIX 6a
Prudential Indicators to 2018/19

| | Base: Actual 2014/15 | Base: Actual 2015/16 | Base: Actual 2016/17 | Base: Estimate 2017/18 | Base: Estimate 2018/19 |
|---|---------------------------------------|---|---|---|---|
| Impact of Capital Plans on Council Tax | | | | | |
| Impact on Council Tax (Band D Equivalent) | 141.12 | 143.91 | 148.91 | 148.91 | 148.91 |
| Taxbase Increase | | | 2.33% | 1% | 1% |
| Financial | Actual 2014/15 £ '000s | Estimate 2015/16 £ '000s | Estimate 2016/17 £ '000s | Estimate 2017/18 £ '000s | Estimate 2018/19 £ '000s |
| Capital Expenditure | 6,011 | 21,560 | 26,814 | 14,947 | 11,050 |
| Capital Financing Requirement | 20,045 | 19,749 | 19,282 | 18,358 | 17,411 |
| Authorised Borrowing Limit | 39,722 | 39,531 | 39,144 | 38,231 | 37,290 |
| Operational Boundary (total l/t borrowing + 15%) | 24,722 | 24,531 | 24,144 | 23,231 | 22,290 |
| Net Borrowing | (77,454) | (65,500) | (40,500) | (35,500) | (25,500) |
| Financing costs | 1,848 | 2,100 | 2,000 | 2,400 | 2,400 |
| Net revenue Stream (Taxation and Non-specific Grant Income) | (293,899) | (287,391) | (291,025) | (288,532) | (287,313) |
| Financing costs/Net revenue Stream | 0.63% | 0.73% | 0.69% | 0.83% | 0.84% |
| Closing Liabilities as at 31 March | Actual 2014/15 £ '000s | Estimate 2015/16 £ '000s | Estimate 2016/17 £ '000s | Estimate 2017/18 £ '000s | Estimate 2018/19 £ '000s |
| Long Term Borrowing | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Long Term PFI Liability | 16,283 | 16,137 | 15,823 | 15,052 | 14,259 |
| Long Term Finance Lease | 714 | 694 | 672 | 649 | 624 |
| Total Long Term Debt | 21,497 | 21,331 | 20,995 | 20,201 | 19,383 |
| <i>15% x External Debt (Total Long term borrowing)</i> | 3,225 | 3,200 | 3,149 | 3,030 | 2,907 |
| Operational borrowing limit | 24,722 | 24,531 | 24,144 | 23,231 | 22,290 |
| <i>£15m additional</i> | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Authorised borrowing limit | 39,722 | 39,531 | 39,144 | 38,231 | 37,290 |
| Investments | (81,954) | (70,000) | (45,000) | (40,000) | (30,000) |
| Maximum investments at longer than 1 year | 0 | (17,500) | (11,250) | (10,000) | (7,500) |
| Maximum % investment longer than 1 year | 0% | 25% | 25% | 25% | 25% |
| Borrowing (actual external borrowing) | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Investments | (81,954) | (70,000) | (45,000) | (40,000) | (30,000) |
| Net Borrowing | (77,454) | (65,500) | (40,500) | (35,500) | (25,500) |
| Treasury Management | Actual 2014/15 | Estimate 2015/16 | Estimate 2016/17 | Estimate 2017/18 | Estimate 2018/19 |
| Compliance with CIPFA Code of Practice | YES | YES | YES | YES | YES |
| Debt Maturity: | | | | | |
| 15-20 Years | 100% | 100% | 44% | 0% | 0% |
| 10-15 Years | 0% | 0% | 56% | 100% | 100% |
| Actual Debt at Fixed Rates as % Net Borrowing | 28% | 33% | 52% | 57% | 76% |
| Actual Debt at Variable Rates as % Net Borrowing | 0% | 8% | 13% | 14% | 19% |
| Maximum % Borrowing at Fixed Rates | 100% | 100% | 100% | 100% | 100% |
| Maximum % Borrowing at Variable Rates | 0% | 25% | 25% | 25% | 25% |
| Maximum % Investments at Fixed Rates | 100% | 100% | 100% | 100% | 100% |
| Maximum % Investments at Variable Rates | 85% | 85% | 85% | 85% | 85% |
| Maximum Allowable Investment > 364 days | 0% | 25% | 25% | 25% | 25% |

Areas of Financial Risk 2016/17 and Beyond

| Issue | Assumption | Comment |
|---|--|--|
| Maintaining & improving service performance levels | <ul style="list-style-type: none"> Resources sufficient to meet targets and priorities in the Local Policing Plan and Strategic Policing Requirement | <p>The Chief Constable believes that the proposals set out in this report are in accordance with the delivery of the 2016/17 Police and Crime Plan priorities and Strategic Policing Requirement. The key risks are in relation to:</p> <ul style="list-style-type: none"> the implications of increases to firearms and counter-terrorism capacity, subject to national funding and planning major new operations/incidents and historic investigations meeting the demand for public protection investigations |
| Pay and price budgets and establishment control | <ul style="list-style-type: none"> Provision for nationally agreed pay awards. Staff turnover and increments based on detailed analysis of current staff profile and trends. General price inflation of between 0 and 2%. | <p>Budget includes the estimated costs of police officers and staff pay awards from September each year based on public sector pay announcements (1%). There remains a risk as to whether this level of pay restraint can be maintained over the next four years - particularly for specialist roles.</p> <p>The number of police officer leavers is difficult to predict but recruitment and promotions are managed during the year to match staffing need and resources to budget.</p> <p>Corporate monitoring of the overall budget and management action to address any new cost pressures arising.</p> <p>Pay and price contingency is available to meet any unexpected increases in year.</p> |
| Limits to Precept Increases | <ul style="list-style-type: none"> Precept planning assumption of between 0% and 3.47% up to 2019/20. | <p>The Localism Act 2011 gives a statutory obligation for council tax referendums to be held should the Police and Crime Commissioner propose a higher tax increase than prescribed by the Secretary of State for Communities and Local Government.</p> <p>The Comprehensive Spending Review (November 2015) and Home Office announcements indicate a limit of 2% per year until 2019/20 or £5 per annum on Band D for the ten lowest police precepting bodies. For Sussex the £5 limit would apply and equates to an annual increase of 3.47%</p> <p>The budget for 2016/17 is within the prescribed limit and the MTFP assumes a nil increase for 2017-20 subject to Police and Crime Commissioner agreement on an annual basis.</p> |
| Grant Levels | <ul style="list-style-type: none"> Overall grant reduction for core revenue funding (0.6%) and core capital (40%) in 2016/17. Other specific grants for Counter Terrorism, firearms, innovation and transformation still to be announced. Core grant funding levels for 2017-20 assumed to reduce by approx. 1% per annum | <p>The level of grants for 2016/17 has been confirmed with the exception of some specific grants.</p> <p>No indicative allocations for individual force allocations have been provided by the Home Office for 2017-20. Based on overall Home Office budget a reduction in core revenue funding of approx. 1% per annum has been assumed. This could be greater subject to 'top slicing' of Home Office funding to other policing priorities.</p> <p>Legacy council tax freeze and support grants are included in core revenue funding but this could change in future years.</p> <p>The Home Office will be continuing with a review of how core revenue funding is allocated across individual police forces for implementation from 2017/18. Any change to the grant formula could have a significant impact on base funding for Sussex.</p> |

| | | |
|---|--|--|
| Budget Estimates | <ul style="list-style-type: none"> Provision for specific on-going cost pressures | <p>The Chief Constable's finance team have undertaken a detailed examination of budget estimates including identified additional costs for 2016/17. Only spending pressures in future years that are known at this stage have been included in the MTFF.</p> |
| Cashable savings | <ul style="list-style-type: none"> Savings requirement of £11.5m included in 2016/17 | <p>Full year cashable efficiency savings of £43m have been identified for the four year period to 2019/20 of which at least £11.5m is planned to be delivered in 2016/17 to deliver a balanced budget.</p> <p>There is a potential risk of not achieving the level of savings required in future years as not all plans are fully developed and a number are part of collaboration with other police forces and local authorities. Action plans to deliver savings from April 2015 have been prepared by Chief Officers and regular monitoring will be undertaken to track achievement of savings and ensure any additional action required is undertaken during the year.</p> <p>The achievement of savings in 2016/17 is heavily dependent on the delivery of savings from the Local Policing Programme.</p> |
| Levels of reserves | <ul style="list-style-type: none"> Estimated General balances of £10.8m (4% of net revenue budget) at 31 March 2016 Other earmarked reserves as required to meet specific items of expenditure | <p>The policy on reserves has been agreed by the Police and Crime Commissioner. The level of reserves has been reviewed by the Chief Finance Officer, the Director of Finance and the Chief Constable and is considered adequate.</p> <p>Funding is available in investment and other earmarked reserves to deliver current capital and investment programme but without any contingency or headroom for further new investment.</p> <p>The level of reserves will need to be considered in the light of the 2015/16 outturn position.</p> |
| Interest rates, investment and borrowing | <ul style="list-style-type: none"> Interest rates assumptions of 0.6% Existing borrowing at fixed rates. | <p>Forecasts of investment income for 2016/17 are based on estimated cash balances and interest rate forecasts as set out in the treasury management strategy. A prudent position has been adopted with regard to anticipating future increases in interest rates.</p> <p>No borrowing has been planned to finance the capital programme.</p> |
| Policing of Gatwick Airport | <ul style="list-style-type: none"> Funding of £12.9m in 2016/17. | <p>A three year budget package has been agreed with Airport, which provides some stability on future funding until 2017/18.</p> |
| Major events and investigations | <ul style="list-style-type: none"> Additional cost of overtime and associated costs for major incidents | <p>There is a mix of events and investigations not all of which can be anticipated. Action will be taken to mitigate the overtime and other additional costs relating to policing public order operations and investigations.</p> <p>It is proposed that any over-achieved savings or police officer vacancies will be used as a first source for funding; otherwise the public order contingency, other revenue budget and operational reserve provides potential sources of funding if necessary.</p> |
| National IT & other requirements | <ul style="list-style-type: none"> New policing requirements for IT, Airwave and other without transfer of funding or new funding from Home Office. | <p>Budget provision has been made for Home Office charges for national IT systems.</p> <p>The Airwave replacement programme (ESCMP) will have significant financial and operational implications but the full cost to Sussex Police has yet to be finalised.</p> |

TAX BASE AND LEVY 2016/2017

The Tax Base for the year 2016/17 is the aggregate of the amounts tax bases calculated by the billing authorities to which the Police & Crime Commissioner for Sussex issues precepts totalling. This totals **596,457.34 for Band D equivalents** as set out in the table below. The basic amount of Council Tax (Police Precept) is the budget requirement less the amounts receivable from other funding sources, all divided by the tax base. For 2016/17 this shall be **£148.91** to the nearest penny, for Band D properties. The amounts per band are as follows:

| Valuation Band | Amount |
|-----------------------|----------------|
| A | £99.24 |
| B | £115.78 |
| C | £132.32 |
| D | £148.91 |
| E | £181.94 |
| F | £215.02 |
| G | £248.10 |
| H | £297.72 |

The amount of Council Tax payable for dwellings listed in a particular valuation band, calculated in accordance with the proportions set out in Section 5(1) of the Act, shall be as follows (shown to the nearest penny).

| | Tax Base | Precept Due 2016/17 | Surplus/(deficit) from prior year |
|----------------------------|-------------------|--------------------------------|--|
| West Sussex | | | |
| Adur | 20,520.60 | 3,055,722.55 | 4,188.51 |
| Arun | 57,803.00 | 8,607,444.73 | 90,000.00 |
| Chichester | 51,237.90 | 7,629,835.69 | 48,771.00 |
| Crawley | 33,368.50 | 4,968,903.34 | 54,656.48 |
| Horsham | 58,207.90 | 8,667,738.39 | 125,622.00 |
| Mid Sussex | 57,975.60 | 8,633,146.60 | 122,600.00 |
| Worthing | 37,360.30 | 5,563,322.27 | 32,308.08 |
| East Sussex | | | |
| Eastbourne | 33,606.10 | 5,004,284.35 | 118,050.00 |
| Hastings | 24,678.00 | 3,674,800.98 | 98,572.00 |
| Lewes | 35,797.10 | 5,330,546.16 | 92,200.00 |
| Rother | 36,808.84 | 5,481,204.36 | 103,367.00 |
| Wealden | 62,920.50 | 9,369,491.66 | 135,496.00 |
| Brighton & Hove | 86,173.00 | 12,832,021.43 | 211,023.00 |
| Total | 596,457.34 | 88,818,462.51 | 1,236,854.07 |

This table shows that the Brighton and Hove Council and the district and borough councils be requested to make payments of sums totalling **£88,818,462.51** due under precepts calculated in proportion to their Council Tax Band D equivalents. In addition surpluses and deficits on collection funds will be collected, to the total value of **£1,236,854.07**.

These payments will be made on the following schedule:

| | Brighton & Hove | East Sussex area | West Sussex area |
|------------|----------------------------|-------------------------|-------------------------|
| Payment 1 | 08 April 2016 | 11 April 2016 | 14 April 2016 |
| Payment 2 | 20 May 2016 | 20 May 2016 | 19 May 2016 |
| Payment 3 | 01 July 2016 | 01 July 2016 | 23 June 2016 |
| Payment 4 | 05 August 2016 | 08 August 2016 | 28 July 2016 |
| Payment 5 | 09 September 2016 | 12 September 2016 | 1 September 2016 |
| Payment 6 | 19 October 2016 | 20 October 2016 | 6 October 2016 |
| Payment 7 | 23 November 2016 | 24 November 2016 | 10 November 2016 |
| Payment 8 | 04 January 2017 | 04 January 2017 | 8 December 2016 |
| Payment 9 | 08 February 2017 | 09 February 2017 | 12 January 2017 |
| Payment 10 | 10 March 2017 | 13 March 2017 | 16 February 2017 |