

Report to : POLICE & CRIME COMMISSIONER for SUSSEX

PROPOSED REVENUE AND CAPITAL BUDGETS 2014-15 AND MEDIUM TERM FINANCIAL PLAN

Introduction

1.1 This report sets out the proposed Police Fund budget for 2014-15 and medium term financial plan including:

- the overall funding position and proposed total budget for 2014-15;
- budget and saving proposals for the Chief Constable's revenue and capital budgets for 2014-15 and capital programme to 2017;
- budget proposals for the Office of the Police & Crime Commissioner (PCC) and other revenue budgets for 2014-15;
- reserves policy;
- proposed use of and forecast level of reserves to 2017; and
- the latest medium term financial plan

Grant Settlement

2.1 The final finance settlement was announced on 5 February 2014. Details are set out in Appendix 1 and summarised below.

Grant Settlement 2014-15

	2013-14 £'000	2014-15 £'000	Difference £'000	Difference %
Home Office Police Grant	108,886	104,804	(4,082)	-3.6%
DCLG Formula Grant	58,741	56,003	(2,738)	-4.7%
Community Safety Fund (to core grant)	1,225	0	(1,225)	-
Total Core Grant	168,852	160,807	(8,045)	-4.8%
CT Benefit Support Grant	10,107	10,140	33	0.3%
CT Freeze Grant (2011-12)	2,176	2,176	0	0
CT Freeze Grant (2013-14)	886	886	0	0
Total Baseline Funding	182,021	174,009	(8,012)	-4.4%
CT Benefit Transitional Grant	259	0	(259)	-
PFI Grant	3,263	TBA		
CT Grants	5,038	TBA		
Victim Support Services and Restorative Justice	596	838	242	40.6%
Capital Grant	2,092	2,200	108	5.2%

2.2 The final settlement reduces the core revenue grant funding for Sussex by £8m (4.8%) on a like for like basis compared to 2013-14. This is higher than anticipated due to top-slicing of Home Office funding for policing to support other police reforms including earmarked funding for a new Innovation Fund and additional resources allocated to HMIC, IPCC, the College of Policing, City of London Police and the National Police Co-ordination Centre.

- 2.3 Council Tax Freeze legacy grants relating to 2011-12 and 2013-14 together with the Council Tax Support grant are now included in the baseline Home Office settlement and will be allocated as specific grants alongside Home Office core funding for future years. These grant amounts remain largely unchanged for 2014-15 and this is expected to continue in 2015-16. There is now greater certainty that these overall grant amounts will be continue beyond 2016 but subject to any reductions in line with core funding
- 2.4 Funding received in relation to the PFI grant, Counter Terrorism grants and Regional Crime and Asset Recovery were not announced as part of the settlement. Based on other notifications and indications from the Home Office we do not expect any change to the PFI grant and minimal changes to other grant funding streams.
- 2.5 New grants for victim support and restorative justice were devolved to Police and Crime Commissioners during 2013-14.
- 2.6 The capital grant for 2014-15 is £2.2m; this is a small increase on current funding but is in line with expectations and previous announcements.
- 2.7 The impact of the final settlement is that funding reductions for 2014-15 are £1.3m higher than anticipated due to a higher level of top-slicing of Home Office police funding. This will need to be managed within the overall budget and funding for 2014-15 as set out in this report. .
- 2.8 All other grant and settlement announcements are in line with expectations.
- 2.9 The Home Office has not announced individual force settlements for 2015-16 and is not expected to do so until a full review of Home Office budgets has taken place. The Home Office announcement in June 2013 indicated a further reduction in police funding of 3.2% for 2015-16 but this could be higher depending on how the Home Office manages the additional budget reductions announced in the Autumn statement. It is also possible that police force areas will face a higher reduction as a result of any further top-slicing to support other police reforms, e.g. further additional resources for IPCC.

Precept Funding

- 3.1 The Police and Crime Panel considered the Police and Crime Commissioner's draft budget and proposed precept on 24 January 2014. The panel supported a precept increase of up to a maximum of 3.6% or any limit that would not trigger a local referendum.
- 3.2 On the 5th February, the Secretary of State for Communities and Local Government set the level at which a referendum would be required for 2014-15 at 2%. No additional flexibility for Police and Crime Commissioners was announced. It is proposed therefore to set the level of precept for 2014-15 at the maximum permitted within the referendum limits, which is 1.95%. This means a Band D property will be charged £141.12 rather than the current £138.42. This is an increase of £2.70 per annum or 5 pence per week.
- 3.3 The final taxbase 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 taxbase.

- 3.4 The final position is better than expected. The improved taxbase (£0.9m) and collection funds (£0.7m) positions provides funding of £1.6m higher than assumed. This matches the adverse funding impact of the provisional settlement such that taken together there is no significant change to the overall funding position for Sussex compared to previous assumptions and plans. The council tax funding position for 2014-15 compared to 2013-14 is set out below.

Precept and Council Tax Benefit Grant 2014-15

	2013-14 £'000	2014-5 £'000	Difference £'000
Police Funding from Council Tax (1.95% increase)	78,182	80,672	2,490
Council Tax Benefit Grant	10,107	10,140	33
Transition Council Tax Benefit Grant	259	0	(259)
Sub Total	88,548	90,812	2,264
Collection Fund Surplus	432	684	252
Total Funding Precept and Benefit Grant	88,980	91,496	2,516

- 3.5 The medium term financial plan to 2017 is modelled on a precept of 1.95% in 2014-15 and 0% thereafter.

- 3.6 The impact of a 1.95% precept increase on the medium term financial plan assumptions is additional funding of £0.76m in each of 2014-15 and 2015-16 and £1.54m in 2016-17. This represents the funding over and above estimated council tax freeze grant (14-15) in each of these years.

Revenue Budget 2014-15

- 4.1 The core grant funding and precept income (based on a 1.95% precept increase) would provide resources to set a overall revenue budget of £255.365m. The movement from 2013-14 is set out below and in more detail in Appendix 2.

Proposed total Police Fund Revenue Budget 2014-15

Increase in current Band D precept (£141.12 per year)	
Net budget of £255.365m	
(equal to 0.5% budget reduction on 2013-14 in cash terms)	
	£'000
Base Budget 2013-14	256,607
Base Budget Adjustments	1,444
Additional Pay Costs	4,938
Inflation and Other Additional Costs	2,244
New Investments (see attachment A)	1,100
Savings Requirement	(10,968)
Proposed Total Revenue Budget 2014-15	255,365

- 4.2 The proposed budget includes unavoidable cost pressures, commitments identified and assessed as part of the budget setting process and new investments funded from the increase in precept. The budget includes the

delivery of nearly £11m of cashable savings from efficiencies and improvements with all new policing demands and risks managed within the proposed level of resources.

4.3 Details of the proposed Chief Constable's Operational Delivery Budget is 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.

4.4 In summary the proposed revenue budget for 2014-15 is:

Proposed Net Budget Requirement 2014-15

	Gross £'000	Income £'000	Net £'000
Operational Delivery Budget	284,875	(33,872)	251,003
Office of PCC Budget	1,184	0	1,184
Community Safety	1,634	0	1,634
Victim Support Services and Restorative Justice	838	(838)	0
Financial Provisions	2,842	(498)	2,344
Transfers to/(from) Earmarked Reserves		(800)	(800)
Total Net Budget Requirement 2014-15	291,373	(36,008)	255,365

4.5 The proposed precept provides at least £0.76m of additional funding compared to a 0% precept (council tax freeze) rising to £1.6m by 2016-17 to invest in new resources and capacity to meet emerging operational demands and risks with regard to neighbourhood policing, safeguarding and sexual violence and cyber crime. These are set out in more detail in the Chief Constable's Operational Delivery budget (Attachment A).

Proposed Capital and Investments Budget

5.1 The proposed capital and investment budget 2014-15 and programme to 2017 with proposed funding is summarised in the table below. Full details of the capital budget proposals are set out in the Chief Constable's proposed Operational Delivery Budget (Attachment A)

Proposed Capital and Investment Programme and Financing

	2014-15 £'000	2015-16 £'000	2016-17 £'000	Total £'000
Home Office Capital Grant	2,200	1,760	1,760	5,720
Revenue Contribution	2,000	2,000	2,000	6,000
Reserves and Capital Receipts	24,624	18,451	8,495	51,570
Total Capital and Investment Programme	28,824	22,211	12,255	63,290

5.2 The proposed capital budget for 2014-15 includes provision for the estates strategy and the latest proposed transfer of funding for specific capital schemes from 2013-14 to 2014-15 following the third quarter capital reviews.

- 5.3 The capital and investment plans to 2017 require no additional borrowing. The forecast residual balance of capital and investment reserves provides some funding headroom for further new investment requirements identified from 2017-18 onwards. The reduced forecast investment reserve means the current borrowing strategy may have to be revisited by 2017.
- 5.4 The proposal for financing the proposed capital and investment budgets for 2014-15 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 was reviewed and approved by the PCC in October 2013 and the following key changes were agreed:
- the amalgamation of various capital, asset replacement and investment reserves into one investment reserve to be used, along with capital receipts, to fund the approved capital and investment programme;
 - an increase in the level of the Operational Contingency Reserve to 1% of the net revenue budget (£2.5m) to reflect increasing risk of public order operations and Home Office special grant conditions for funding public order operations;
 - the transfer of any surplus on other reserves to the investment reserve.
- 6.2 The forecast level of reserves up to 2017 is set out in Appendix 4a and includes use of reserves to finance the capital and investment programme to 2017 and changes to the reserves policy set out above. The current PCC approved Reserves Policy is set out at Appendix 4b.
- 6.3 The Total Police Fund budget for 2014-15 includes the following assumptions and transfer to and from reserves:
- funding from the investment reserve for the proposed capital and investment programme (£15.3);
 - funding from capital receipts reserve to fund the proposed capital and investment programme (£9.2m);
 - funding from delegated budget holder reserve to fund a one-off revenue commitment (£0.45m) and to contribute to the cost of new investments in 2014-15 (£0.35m);
 - application of agreed transfers between reserves in line with the reserves policy; and
 - assumed transfer of estimated 2013-14 revenue budget surplus to the Investments reserve and the Delegated Budget-holder reserve.
- 6.4 The total forecast level of reserves at 31 March 2017 taking into account the proposed capital and investment programme is £38.6m. This includes general balances of £9.6m (4% of net budget requirement) and the forecast level of general reserves is expected to remain in-line with the target level set out in the PCC's reserve policy of 4% over the period up to 2017.
- 6.5 The forecast level of the uncommitted investment reserve by 2017 is £10.5m. The actual level of investment reserves remaining at 31 March 2017 will depend on achievement of capital receipts in line with Estates Strategy and any revenue budget surplus in 2013-14, 2014-15 and 2015-16 which may be transferred to the investment reserve.

Medium Term Financial Plan

- 7.1 In preparing the budget proposals for 2014-15 the Chief Constable, Chief Executive, and Chief Financial Officers consider the implications for future years of the commitments set out in the budget, on-going levels of grant funding and potential new commitments and cost pressures. The latest MTFP and planning assumptions are set out in Appendices 5a and 5b.
- 7.2 The grant settlement for 2014-15 was worse than anticipated and there remains significant uncertainty on the level of funding for 2015-16 and beyond. The Autumn Statement and subsequent announcements by the Chancellor indicate that government departments will be subject to further austerity pressure. The impact on police funding is almost certain to worsen.
- 7.3 Funding for 2016 onwards is subject to the next Comprehensive Spending Review (CSR) and possible changes to the police funding formula from 2016-17. Sussex's grant is still dependent on protection provided by the grant floor. Without this protection, £1.4m of grant funding is at risk.
- 7.4 Whilst legacy and future council tax freeze grants are now included in core funding, these will still be subject to reductions in funding and there are significant costs anticipated as a result of increased employer contributions to the local government pension scheme and an increase to employer National Insurance contributions in 2016-17.
- 7.5 As part of the Working Together Programme, a comparison of MTFP assumptions between Surrey and Sussex Police highlighted some areas where alignment should be made. For Sussex, this means increasing the assumption on pay awards to 2% from 2016-17 after the end of the current pay freeze, and a reduction in the base inflation rate to 2%.
- 7.6 The impact of the latest MTFP assumptions is a savings requirement for the next three years as set out below.

Estimated Savings Requirement 2014 to 17

Precept increase 14-15, 15-16, 16-17	2014-15 £'000	2015-16 £'000	2016-17 £'000
1.95% 0% 0%	10,968	14,103	17,873

- 7.7 The Chief Constable's saving plans are based on the Serving Sussex 2015 programme of change to deliver improvements in policing and realise cashable savings. Just over £40m of savings have been delivered up to 2013-14 from this programme and a further £11m planned and expected to be achieved in 2014-15. This will ensure delivery of savings against the original £50m target by 2015.

7.8 A summary of the savings achieved to date and planned for 2014-15 and beyond are set out below and in more detail in Appendix 4 of Attachment A.

Latest Serving Sussex 2015 Position as at January 2014

Work streams	2011-13	2013-14	2014-15	2011-15	2015-16	2016-17	2011-17
	£000	£000	£000	£000	£000	£000	£000
Spending Wisely	13,942	3,911	2,319	20,173	1,587	572	22,332
Local Policing	9,707	800	462	10,968	0	0	10,968
Service Delivery (Digital Age)	0	200	0	200	0	0	200
Joint Command	1,134	1,342	522	2,998	61	10	3,069
Support Functions	5,941	1,436	1,177	8,554	27	0	8,581
Flagship Projects	787	1,352	6,415	8,554	1,377	0	9,931
Total Savings	31,511	9,041	10,895	51,447	3,052	582	55,081
B/F Savings (previous year)		4,112	3,529		3,456	(7,595)	
Total Savings in Year	31,511	13,153	14,424	51,447	6,508	(7,013)	55,081
Target	27,399	9,624	10,968	47,991	14,103	17,873	79,967
Funding Gap/(Surplus)	(4,112)	(3,529)	(3,456)	(3,456)	7,595	24,886	24,886

7.9 It should be noted that whilst there is a total of £11m of savings identified for next year, there is a risk that some of these may be delayed or not be achievable in full in 2014-15. Plans have been developed to mitigate the risk to the overall budget against the achievement of savings in 2014-15 as set out in the proposed Operational Delivery budget (Attachment A).

7.10 For 2015-16 and 2016-17, plans are being developed to meet the further savings requirements driven by pressure on grant funding, estimated to be up to a gross amount of £32m (a further 12% of the revenue budget).

7.11 These are expected to be achieved through a combination of:

- realisation of further savings from current Serving Sussex 2015 projects
- new projects and plans for savings on third party spend, pay and allowances and other divisional and departmental efficiencies
- collaboration with Surrey through the Policing Together programme, with a significant element of the savings requirement for 2015-16 expected to be achieved through delivery of joint services covering specialist operational services; Lead Force (Crime); Lead Force (Operations) and Support Services (initially covering HR, Finance and IT functions).

Cash Flow

8.1 The PCC is required to set, before the beginning of each financial year, a number of statutory treasury management and cashflow limits. Details of the recommended prudential indicators, cashflow ratios and limits, required by the "Prudential Code" are summarised in Appendix 6.

8.2 The prudential indicators are based on the draft Treasury Management Strategy prepared by the Chief Finance Officer, which is subject to a separate approval by the PCC.

Chief Finance Officer's Report

- 9.1 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
- 9.2 The Chief Finance Officer's commentary on key financial risks is set out in Appendix 7. An estimated overachievement of savings against target in 2014-15 and earmarked reserves are available to cover exceptional policing costs if necessary and there is a pay and price contingency of £0.4m included within the base budget to meet other unforeseen costs.
- 9.3 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 2017. This is a wholly acceptable use of reserves and the value of the reserves reflects this possibility and level of risk.
- 9.4 The Chief Constable's assessment is that the proposed budget will be sufficient to enable him to fulfil his operational delivery responsibilities in 2014-15 and meet some of the new operational risks and demands but that there is limited scope to fund further new investment from additional savings over and the above the current requirement already estimated for the next CSR period to 2019 without significant risk to operational policing and delivery of Police and Crime Plan priorities.
- 9.5 Based on the Chief Constable's risk assessment, the level of savings carried forward from 2013-14 and new saving plans for 2014-15 assessed as green, there is still a significant risk that not all saving plans will be delivered in full by 2015 and new saving proposals for 2015-16 are yet to be firmly identified.

Chief Finance Officer's Statement

- 10.1 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 2014-15 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 2014-15

- [a] the total net revenue budget for the Police Fund for 2014-15 of £255.365m;
- [b] the Chief Constable's proposed net Operational Delivery Revenue Budget for 2014-15 of £251.003m (net of operational income and grants of £33.872m);

- [c] the Chief Constable's proposed Capital Programme which includes a Capital budget for 2014-15 of £28.824m;
- [d] the proposed net revenue budget for the Office of the Police and Crime Commissioner for 2014-15 of £1.184m;
- [e] revenue budgets for Community Safety £1.634m, Victim support and witness services £0.838m (funded by grant £0.838m), net Financial Provisions (£2.344m) and transfers from reserves of £0.800m;

Reserves

- [f] the use, contributions and transfers of reserves required to support the revenue budget and capital and investment programme for 2014-15 and up to 2017 as set out in Appendix 4;

Medium Term Financial Plan

- [g] the planning assumptions for the Medium Term Financial Plan including MTFF, investment programme and use of reserves up to 2016-17.

Cash Flow

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

Precept

- [i] The Council Tax Requirement for 2014-15 to be agreed at **£80,672,063.67** 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 2017
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

	2013-14 £'000	2014-15 £'000
Core Grant Funding		
Home Office Police Grant	108,886	104,804
DCLG Formula Grant	58,741	56,003
Community Safety Fund -now in Main Police Grant	1,225	0
Core Grant	168,852	160,807
Council Tax Freeze Grant (2011-12) -now in baseline	2,176	2,176
Council Tax Freeze Grant (2013-14) -now in baseline	886	886
Total Legacy Council Tax Grants	3,062	3,062
Council Tax Benefit Grant -now in baseline	10,107	10,140
Total Baseline Funding	182,021	174,009
Grant percentage increase/(decrease)	(1.6%)	(4.8%)
Council Tax and Collection Fund		
Police Precept from Council Tax	78,182	80,672
Collection Fund Surplus	432	684
Transitional Council Tax Benefit Grant	259	0
Total Council Tax and Collection Fund	78,873	81,356
Adjustment for legacy council tax and community safety grants transferring to baseline funding in 2014-15	(4,287)	-
FUNDING FOR NET EXPENDITURE	256,607	255,365
Specific Revenue Grants		
PFI Grant	3,263	TBA
DSP Grant	4,342	4,219
Prevent Grant	329	TBA
Airport Security Grant	367	TBA
ROCU Grant (transferred to Thames Valley Police)	2,000	N/A
RART Grant (transferred to Thames Valley Police)	930	N/A
Victim Support Services and Restorative Justice	596	838
Capital Grant	2,092	2,200

Incremental Budget Changes	2014-15 £'000
Base Budget 2013-14	256,607
Council Tax Freeze Grant (11-12) to Core Funding	2,176
Council Tax Freeze Grant (13-14) to Core Funding	886
Transfer of Community Safety fund to Core grant	1,225
Removal of one -off commitments	(2,113)
Changes to contributions to/(from) reserves	(581)
Reduction in Investment Income	120
Lower Requirement for Pay and Price contingency	(235)
Reduction in Discretionary Funding to Divisions	(34)
Total Base Budget Adjustments	1,444
Pay Awards	2,131
Pay, Increments and Allowances	1,986
Ill Health Pensions	251
Police Staff Pension Contributions	570
Total Additional Pay Costs	4,938
Price Inflation	972
IT and Communications Contractual increases	277
College of Policing and National Police Contract Changes	214
Microsoft Enterprise Licence	450
Operational Cost Pressures	317
Special Constables	14
Total Other Additional Costs	2,244
New Investments	1,100
Savings Requirement	(10,968)
Net Budget Requirement	255,365
Financed by:	
Home Office Grant	104,804
Revenue Support Grant	56,003
Council Tax Support Grant	10,140
Legacy Council Tax Freeze Grants	3,062
Total Core Policing Grants	174,009
Collection Fund Surplus	684
Council Tax Precept	80,672
Total Precept and Council Tax Grants	81,356
Net Budget Requirement 2014-15	255,365

Proposed Capital Investment Programme Financing

CAPITAL INVESTMENTS	£'000
Core Capital Programme	10,260
Serving Sussex Flagship Projects	4,897
Estates Strategy	11,725
Asset Replacement	1,942
Total Capital Investment Budget 2014-15	28,824

FINANCING	£'000
Capital Grant	2,200
Revenue Contribution	2,000
Capital Receipts	9,253
Capital Expenditure Reserve	15,371
Total Financing requirement 2014-15	28,824

CAPITAL EXPENDITURE RESERVE	£'000
Estimated Balance as at 1 April 2014	38,324
Contribution	6,640
Financing Requirement	-15,371
Estimated Balance as at 1 April 2015	29,593

Contribution	250
Financing Requirement	-14,351
Estimated Balance as at 1 April 2016	15,492

CAPITAL RECEIPTS	£'000
Estimated Balance as at 1 April 2014	4,978
Receipts in 2014-15	4,275
Financing Requirement 2014-15	-9,253
Estimated Balance as at 1 April 2015	0

Receipts in 2015-16	4,100
Financing Requirement 2015-16	-4,100
Estimated Balance as at 1 April 2016	0

Proposed use of Reserves

	Investment			Single purpose					Contingency and Risk			General	Total Reserves	General Reserve % NRE	Operational Reserve % NRE
	Capital and Investment Reserve	Capital Receipts	capital grants and contributions unapplied	Asset Seizures	Delegated Budget holder Reserve	Sussex Safer Roads Partnership	PFI	Insurance	Operational	General Reserve					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	% NRE	% NRE
Audited balance at 31 March 2013	40,806	3,336	19	555	6,770	0	12,727	1,365	1,270	12,227	79,075	4.8%	0.5%		
2013-14															
Outturn Contributions															
Approved contributions	1,894	5,002									6,896				
Other Estimated Contributions	994			500			148				1,642				
Planned Commitments	(6,970)	(3,360)	(19)	(825)	(2,209)						(13,383)				
Transfers Between Reserves	1,600				(1,572)	1,212		1,180		(2,420)	0				
Estimated balance at 31 March 2014	38,324	4,978	0	230	2,990	1,212	12,875	1,365	2,450	9,807	74,230	4.0%	1.0%		
2014-15															
Outturn 13-14 Contributions	5,000				1,000						6,000				
Approved contributions											0				
Other Estimated Contributions		4,275					149				4,424				
Planned Commitments	(15,371)	(9,253)			(800)						(25,424)				
Transfers Between Reserves	1,640				(1,640)						0				
Estimated balance at 31 March 2015	29,593	0	0	230	1,550	1,212	13,024	1,365	2,450	9,807	59,230	4.0%	1.0%		
2015-16															
Approved contributions											0				
Other Estimated Contributions		4,100					151				4,251				
Planned Commitments	(14,351)	(4,100)			(1,100)					(250)	(19,551)				
Transfers Between Reserves	250										0				
Estimated balance at 31 March 2016	15,492	0	0	230	450	1,212	13,175	1,365	2,450	9,557	43,930	4.0%	1.0%		
2016-17															
Approved contributions											0				
Other Estimated Contributions		3,450					153				3,603				
Planned Commitments	(5,045)	(3,450)			(450)						(8,945)				
Transfers Between Reserves											0				
Estimated balance at 31 March 2017	10,447	0	0	230	(0)	1,212	13,328	1,365	2,450	9,557	38,588	4.0%	1.0%		

Reserves Policy

General Reserve		Level or Target
Provides a working balance to cover day to day cash flow requirements and fallback 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 will be 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>To improve consistency in funding claims, there is a need to split claims between a provision on the balance sheet for the cost of claims received and outstanding; and funds held in the reserve to cover claims incurred but not received or quantified. Claims that have been reported and assessed as more likely to settled will be carried as a financial provision whilst know 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 will be 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 Chief Constables revenue budget 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>

APPENDIX 5A

Total Police Fund Medium Term Financial Forecast

	Precept	1.95%	0.0%	0.0%
Incremental Budget Changes	2014-15	2015-16	2016-17	
	£'000	£'000	£'000	
Base Budget 2013-14	256,607	255,365	246,181	
Council Tax Freeze Grant (11-12) to Core Funding	2,176			
Council Tax Freeze Grant (13-14) to Core Funding	886			
New Council Tax Freeze Grant (15-16)		(780)		
Transfer of Community Safety fund to Core grant	1,225			
Removal of one -off commitments	(2,113)			
Changes to contributions to/(from) reserves	(581)	(300)		650
Reduction in Investment interest	120			
Lower Requirement for pay and price contingency	(235)			
Reduction in Discretionary Funding to Divisions	(34)	(25)		(24)
Total Base Budget Adjustments	1,444	(1,105)		626
Pay Awards	2,131	2,183		3,536
Pay, Increments and allowances	1,986	2,018		2,104
Ill health Pensions	251			
Employers National Insurance contributions				6,785
Police Staff Pension Contributions	570	585		601
Total Additional Pay Costs	4,938	4,786		13,026
Price Inflation	972	924		918
IT and Communications Contractual increases	277			
College of Policing and national police contract changes	214			
Microsoft Enterprise Licence	450			
Operational Cost Pressures	317			
Special Constables	14	14		
Total Other Additional Costs	2,244	938		918
New Investments	1,100	300		200
Savings Requirement	(10,968)	(14,103)		(17,873)
Net Budget Requirement	255,365	246,181		243,078
Financed by:				
Home Office Grant	104,804	152,766		149,712
Revenue Support Grant	56,003			
Council Tax Support Grant	10,140	9,633		9,440
Legacy Council Tax Freeze Grants	3,062	2,909		2,851
Total Core Policing Grants	174,009	165,308		162,003
Collection Fund Surplus/(Deficit)	684	0		0
Council Tax Precept	80,672	80,873		81,075
Total Precept and Council Tax Grants	81,356	80,873		81,075
Net Budget Requirement	255,365	246,181		243,078

APPENDIX 5B

Medium Term Financial Forecast Planning Assumptions

Assumption	Risk	2014-15	2015-16	2016-17
Precept	Medium	1.95%	0%	0%
Core Home Office Grant	Medium	-4.8%	-5.0%	-2.0%
Specific Grants	Medium	No Change	No Change	No Change
Council Tax Freeze Grant (11-12)	Low	£2.176m	-5.0%	-2.0%
Council Tax Freeze Grant (13-14)	Low	£0.886m	-5.0%	-2.0%
Council Tax Freeze Grant (15-16)	Low	N/A	£0.780m	No Change
Council Tax Support Grant	Low	0.3%	-5.0%	-2.0%
Tax base Increase	Medium	1.21%	0.25%	0.25%
Collection Surplus/(Deficit)	Medium	£0.6m	0	0
Pay award (Sept average)	Low	1.0%	1.0%	1.6%
Pay Increments	Low	0.5%	0.5%	0.5%
Police staff Pension Contributions	Low	1.0%	1.0%	1.0%
Price inflation	Medium	3.0%	2.0%	2.0%
Fuel and Utilities Inflation	Medium	5.0%	5.0%	5.0%
Investment Interest Returns	Low	0.4%	0.4%	0.4%

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 £24.7m for 2014-15, 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 £39.7m should be approved for 2014-15, 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 2014-15.
 - 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 2016-17

Impact of Capital Plans on Council Tax	Base: Actual 2012-13	Increase From Base 2013-14	Increase From Base 2014-15	Increase From Base 2015-16	Increase From Base 2016-17
Impact on Council Tax (Band D Equivalent)	£138.42	£138.42	£141.12	0.16%	0.16%
Less Government Supported Capital Expenditure				-0.13%	-0.13%
Net Impact on Council Tax				0.03%	0.03%
	Actual	Estimate	Estimate	Estimate	Estimate
	2012-13	2013-14	2014-15	2015-16	2016-17
Financial	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Capital Expenditure (excluding leasing and PFI)	10,450	14,296	28,824	22,211	12,255
Capital Financing Requirement (Inc PFI & Leases)	21,228	20,584	20,045	19,749	19,282
Authorised Borrowing Limit	40,782	40,191	39,722	39,531	39,144
Operational Boundary	25,782	25,191	24,722	24,531	24,144
Net Borrowing	(80,515)	(70,500)	(55,500)	(40,500)	(35,500)
Financing costs	1,741	2,000	2,100	2,100	2,100
Net funding stream	(287,151)	(297,661)	(295,503)	(286,476)	(282,881)
Financing costs / Net funding Stream	0.61%	0.67%	0.71%	0.73%	0.74%
Debt Management	Actual	Estimate	Estimate	Estimate	Estimate
	2012-13	2013-14	2014-15	2015-16	2016-17
	£ '000s	£ '000s	£ '000s	£ '000s	£ '000s
Long Term Borrowing - Fixed (PWLb)	4,500	4,500	4,500	4,500	4,500
Long Term Liability - PFI	17,168	16,672	16,283	16,137	15,823
Long Term Finance Lease Liability - Brighton East	751	733	714	694	672
Total Long Term Debt	22,419	21,905	21,497	21,331	20,995
15% x External Debt (Total Long term borrowing)	3,363	3,286	3,225	3,200	3,149
Operational Borrowing limit	25,782	25,191	24,722	24,531	24,144
Temporary Borrowing limit	15,000	15,000	15,000	15,000	15,000
Authorised Borrowing limit	40,782	40,191	39,722	39,531	39,144
Investments	(85,015)	(75,000)	(60,000)	(45,000)	(40,000)
Maximum investments at longer than 1 year	(1,511)	(18,750)	(15,000)	(11,250)	(10,000)
Percentage of investment longer than 1 year	1.8%	25%	25%	25%	25%
Borrowing (actual external borrowing)	4,500	4,500	4,500	4,500	4,500
Investments	(85,015)	(75,000)	(60,000)	(45,000)	(40,000)
Net Borrowing	(80,515)	(70,500)	(55,500)	(40,500)	(35,500)
Treasury Management	Actual	Estimate	Estimate	Estimate	Estimate
	2012-13	2013-14	2014-15	2015-16	2016-17
Compliance with CIPFA Code of Practice	YES	YES	YES	YES	YES
Debt Maturity:					
26-30 Years	0%	0%	0%	0%	0%
20-25 Years	22%	0%	0%	0%	0%
15-20 Years	78%	100%	100%	100%	44%
10-15 Years	0%	0%	0%	0%	56%
5-10 Years	0%	0%	0%	0%	0%
1-5 Years	0%	0%	0%	0%	0%
Actual Debt at Fixed Rates as a % of Net Borrowing	28%	31%	39%	53%	59%
Actual Debt at Variable Rates as a % of Net Borrowing	7%	8%	10%	13%	15%
Maximum % Borrowing at Fixed Rates	100%	100%	100%	100%	100%
Maximum % Borrowing at Variable Rates	25%	25%	25%	25%	25%
Maximum % Investments at Fixed Rates	14%	100%	100%	100%	100%
Maximum % Investments at Variable Rates	86%	85%	85%	85%	85%
Maximum Principal Invested > 364 days	0%	25%	25%	25%	25%

Areas of Financial Risk 2014-15 and Beyond

Issue	Assumption	Comment
Maintaining & improving service performance levels	Resources sufficient to meet targets and priorities in the Local Policing Plan and Strategic Policing Requirement	The Chief Constable believes that the proposals set out in this report are in accordance with the delivery of the 2014-15 Police and Crime Plan priorities and Strategic Policing Requirement. However there remains risk from the cost of major operations including counter-terrorism, particularly if these are not fully funded nationally.
Pay and price budgets and establishment control	<p>Provision for national pay awards ceiling of 1%.</p> <p>Staff turnover and increments based on detailed analysis of current staff profile and trends.</p> <p>General price inflation of 3% Fuel and utilities at 5.0%</p>	<p>The number of police officer leavers is difficult to predict but recruitment and promotions will be managed during the year across the Force to aim to match staffing need and resources to budget.</p> <p>Close corporate monitoring of the overall budget and management action to maintain financial discipline.</p> <p>Potential risk of a significant increase in Electricity and Gas prices from 2015-16.</p> <p>Pay and price contingency is available to meet any unexpected increases in year.</p>
Limits to Precept Increases	Precept planning assumption of between 0% and 2% up to 2016.	<p>The Localism Act 2011 included powers to abolish capping in England and Wales and gives a statutory obligation for council tax referendums to be held should a precept higher than prescribed be considered by the Police and Crime Commissioner. The Secretary of State for Communities and Local Government has set the level which a referendum would be required for 2014-15 at 2%. No additional flexibility for Police and Crime Commissioners was announced.</p> <p>Compared to other police areas, Sussex has one of the lowest levels of precept in the country.</p>
Grant Levels	<p>Overall revenue grant reduction of 4.8% in 2014-15.</p> <p>Other specific grants still to be announced.</p> <p>Funding levels for 2015-16 and beyond uncertain but assumed on-going grant reductions year on year.</p>	<p>The level of grants for 2014-15 has been confirmed with the exception of some counter terrorism grants.</p> <p>2015-16 allocations have been deferred pending a scrutiny of Home Office budgets. Further austerity targets and further top slicing of Home Office budgets remain a risk in 2015-16.</p> <p>It has been confirmed that legacy council tax freeze grants remain in base Home Office funding this could change in future years.</p> <p>The protection of £1.4m provided by the grant floor arrangements could be removed or reduced. Any change to the grant formula would have a significant impact on base funding.</p>
Budget Estimates (Expenditure)	Provision for specific on-going cost pressures	The Chief Constable and his finance team have undertaken a detailed examination of the budget estimates including all identified additional costs for 2014-15, supported by input and review by the PCC's Chief Financial Officer. Only spending pressures in future years that are known at this stage have been included in the Medium Term Financial Forecast (MTFF).

Issue	Assumption	Comment
Serving Sussex 2015 - Cash releasing savings	Savings requirement of £11m included in the 2014-15 `budget	<p>Full year cash-releasing efficiency savings of £51m up to 2015 have been identified of which at least £10.9m is planned to be delivered in 2014-15.</p> <p>There is a potential risk of not achieving the level of savings required in future years in light of the worsening assumptions on the level of grant funded following Autumn Statement and Finance Settlement. Action plans to deliver savings from April 2014 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 2015-6 and 2016-17 is heavily dependant on the delivery of savings from the Policing Together Programme (joint vision and services with Surrey Police).</p>
Levels of reserves	<p>Estimated General balances of £9.8m (4.0% of net revenue budget) at 31 March 2014</p> <p>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 Financial Officer, the Director of Finance and the Chief Constable and is considered adequate. The level of reserves will need to be considered in the light of the 2013-14 outturn position.
Interest rates, investment and borrowing	<p>Interest rates assumptions of 0.40%</p> <p>Borrowing at fixed rates.</p>	<p>Forecasts of investment income for 2014-15 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 in 2014-15.</p>
Income Assumptions	Income budgets reduced for specific items.	Some risk of achieving on-going level of income targets included in Divisional and Department budgets. This will be monitored during the year and appropriate action or mitigation agreed as necessary. Additional income may be received in-year due to unforeseen events. Budget adjustments will be requested where appropriate.
Policing of Gatwick Airport	Funding of £12.3m in 2014-15.	<p>Action plans to achieve efficiency savings have been formally agreed with Airport. There is a potential risk of not achieving the necessary savings.</p> <p>A three year budget package has been agreed which provides some stability on future funding.</p>
Operation Otter	Costs to be met from Reserves or central reimbursement	The next autumn party conference in Brighton is scheduled for 2015 and is only partially funded by government grant.
Reductions in security grants	Potential reductions in Airport and other security grants.	MTFF assumes that grants will continue at current level. If subsequently reduced, savings will be made to cover the reduction outside of SS 2015. There is a potential risk of not achieving the necessary savings.
Public disorder	Additional cost of overtime and associated costs	Whilst action will be taken to mitigate the overtime and other additional costs relating to policing public order operations, costs of up to £1m may be incurred on anticipated events in 2014-15, particularly related to anti-shale gas drilling protests. It is proposed that over-achieved savings 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.

Issue	Assumption	Comment
National IT Systems	Move to full cost charging without transfer of funding from Home Office.	Additional costs of £0.400m are included in the current MTF. Further potential costs related to the national changes to training and the creation of the national police college are yet to be fully quantified.
PFI Contract	Renegotiation of the Custody PFI contract	The renegotiation of the Custody PFI contract could be finalised in 2014-15. This could lead to costs or savings associated with the new contract.

APPENDIX 8

TAX BASE AND LEVY 2014-2015

The Tax base for the year 2014-15 is the aggregate of the amounts calculated by the billing authorities to which the Police & Crime Commissioner for Sussex issues precepts totalling **571,655.78 Band D equivalents** as set out in the adjacent table.

TOTAL TAX BASE			
Brighton and Hove	81,359.20	West Sussex	
East Sussex		Adur District Council	19,697.80
Eastbourne Borough Council	32,126.50	Arun District Council	55,894.00
Hastings Borough Council	23,733.00	Chichester District Council	49,763.60
Lewes District Council	34,670.70	Crawley Borough Council	32,168.00
Rother District Council	35,377.08	Horsham District Council	55,233.30
Wealden District Council	60,034.30	Mid Sussex District Council	56,269.30
	185,941.58	Worthing Borough Council	35,329.00
			304,355.00

The basic amount of Council Tax, being the budget requirement less the amounts receivable all divided by the tax base shall be **£141.12** to the nearest penny. 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:-

Valuation Band	Amount
	£ p
A	94.08
B	109.76
C	125.44
D	141.12
E	172.48
F	203.84
G	235.20
H	282.24

That the Brighton and Hove Council and the district and borough councils be requested to make payments of sums totalling **£80,672,063.67** due under precepts calculated in proportion to their Council Tax Band D equivalents as follows:-

	£ p
Brighton and Hove City Council	11,481,410.31
East Sussex	
Eastbourne Borough Council	4,533,691.68
Hastings Borough Council	3,349,200.96
Lewes District Council	4,892,729.18
Rother District Council	4,992,413.53
Wealden District Council	8,472,040.42

	£ p
West Sussex	
Adur District Council	2,779,753.53
Arun District Council	7,887,761.28
Chichester District Council	7,022,639.23
Crawley Borough Council	4,539,548.16
Horsham District Council	7,794,523.30
Mid Sussex District Council	7,940,723.61
Worthing Borough Council	4,985,628.48

That the Brighton and Hove City Council and the district and borough councils are required to make payment by equal instalments of the above sums due on or before:-

Brighton and Hove and East Sussex	West Sussex
April 9 th 2014	April 17 th 2014
May 22 nd 2014	May 22 nd 2014
July 2 nd 2014	June 26 th 2014
August 8 th 2014	July 31 st 2014
September 12 th 2014	September 4 th 2014
October 22 nd 2014	October 9 th 2014
November 21 st 2014	November 13 th 2014
January 2 nd 2015	December 11 th 2014
February 12 th 2015	January 15 th 2015
March 13 th 2015	February 19 th 2015

The budget requirement to meet the total net expenditure of the Police & Crime Commissioner for Sussex for the financial year 2014-15 be set at **£255,365,000**

The following sums be payable for the year into the Police Fund:

	£
Police Grant	104,803,928
DCLG Formula Funding	56,003,368
Legacy Council Tax Grants	13,201,621

The following sums be payable for the year to the Police Fund:

	£	p
Collection Fund Surplus	684,552.	89