

## Report to : POLICE & CRIME COMMISSIONER for SUSSEX

### PROPOSED REVENUE AND CAPITAL BUDGET 2013-14 AND MEDIUM TERM FINANCIAL PLAN

#### Introduction

1.1 This report sets out the proposed Police Fund budget for 2013-14 and medium term financial plan including:

- the overall funding position and proposed budget for 2013-14;
- budget and saving proposals for the Chief Constable's revenue and capital budgets for 2014-13 and capital programme to 2016;
- budget proposals for the Office of the Police & Crime Commissioner (PCC) and other revenue budgets for 2013-14;
- proposed use of and forecast level of reserves to 2016; and
- the latest medium term financial plan.

#### Grant Settlement

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

##### Grant Settlement 2013-14

|                               | 2012-13<br>£m  | 2013-14<br>£m  | Difference<br>£m | Difference<br>% |
|-------------------------------|----------------|----------------|------------------|-----------------|
| Police Grant                  | 101.135        | 108.886        | 7.751            | 7.6%            |
| Neighbourhood Policing Fund   | 7.189          | -              | (7.189)          | -               |
| <b>Sub Total</b>              | <b>108.324</b> | <b>108.886</b> | <b>0.562</b>     | <b>0.5%</b>     |
| Revenue Support Grant         | 61.975         | 58.741         | (3.234)          | (5.2%)          |
| <b>Total Core Funding</b>     | <b>170.299</b> | <b>167.627</b> | <b>(2.672)</b>   | <b>(1.6%)</b>   |
| CT Freeze Grant (2011-12)     | 2.176          | 2.176          | -                | -               |
| CT Freeze Grant (2013-14)     | -              | 0.880          | 0.880            | -               |
| CT Benefit Support Grant      | -              | 10.107         | 10.107           | -               |
| CT Benefit Transitional Grant | -              | 0.259          | 0.259            | -               |
| PFI Grant                     | 3.263          | 3.263          | -                | -               |
| Community Safety Fund         | -              | 1.225          | 1.225            | -               |
| Capital Grant                 | 2.332          | 2.092          | (0.240)          | (10.3%)         |

2.2 The settlement reduces the core revenue grant funding for Sussex by £2.7m (1.6%) compared to 2012-13. Core revenue grant funding now includes the Neighbourhood Policing Fund, previously allocated as a specific grant. The overall reduction in core funding is better than anticipated due to: lower reductions than originally indicated by the Home Office, no additional savings applied from Autumn Statement 2012 and no savings applied in relation to the 1% public sector pay cap.

- 2.3 The Home Office has not announced individual force settlements for 2014-15 and is not expected to do so before summer 2013 at the earliest. On-going protection from Autumn Statement 2012 announcements and savings relating to 1% public sector pay cap are not guaranteed for 2014-15 and are still reflected in medium term financial planning assumptions.
- 2.4 In line with previous years, damping has been applied such that all Forces face the same percentage reduction in core funding. For Sussex, damping provides an extra £1.4m funding above formula grant, this is at risk if damping arrangements are removed. A fundamental review of the police grant formula and damping arrangements has been requested by Ministers in time for the 2015-16 settlement.
- 2.5 The value of the 2011-12 Council Tax Freeze grant remains unchanged at £2.176m and was excluded from the 2012-13 baseline for damping calculations. This grant was treated as part of Formula Grant in 2012-13, but will be paid as a specific grant in 2013-14.
- 2.6 A Community Safety Grant of £1.225m has been allocated to the PCC for 2013-14. This grant replaces various funding streams previously provided to Police Authorities, Local Authorities, Health Agencies and other partnerships. It is difficult to fully establish the equivalent 2012-13 level of funding which this grant replaces for Sussex, however nationally it has been confirmed that funding has reduced by 25%. In order to ensure a similar level of funding is available for 2013-14 would require additional budget provision of £0.41m and this is included in the budget proposals.
- 2.7 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.
- 2.8 The capital grant for 2013-14 of £2.1m has been reduced by £0.24m (10%) compared to 2012-13; this is in line with expectations and previous announcements. The provisional capital grant announced for 2014-15 is a small increase to £2.2m

### **Precept Funding**

- 2.9 The 0% precept increase for 2013-14 was confirmed by the Police and Crime Panel on 11 January 2013. This level of precept attracts an additional Council Tax Freeze Grant (2013-14) for two years at a level equivalent to 1% of the 2012-13 precept. This additional grant has been confirmed at £0.88m in each of 2013-14 and 2014-15.
- 2.10 The medium term financial plan to 2016 is modelled on precept options of 0%, 1% and 2% per annum.
- 2.11 The final taxbase and collection fund positions have been received from billing authorities; these include the forecast net impact of the new council tax support arrangements on the taxbase. Taking into account the new council tax support grant the funding position for 2013-14 compared to 2012-13 is set out below.

### Precept and Council Tax Benefit Grant 2013-14

|  | 2012-13<br>£m | 2013-14<br>£m | Difference<br>£m |
|--|---------------|---------------|------------------|
| Police Funding from Council Tax                | 87.459        | 78.182        | (9.277)          |
| Council Tax Benefit Grant                      | -             | 10.107        | 10.107           |
| Transition Council Tax Benefit Grant           | -             | 0.259         | 0.259            |
| <b>Sub Total</b>                               | <b>87.459</b> | <b>88.548</b> | <b>1.089</b>     |
| Collection Fund Surplus                        | 0.081         | 0.432         | 0.351            |
| <b>Total Funding Precept and Benefit Grant</b> | <b>87.540</b> | <b>88.980</b> | <b>1.440</b>     |

2.12 This is better than expected; the planning assumption was that the new arrangements would have an adverse financial impact of up to £1m.

2.13 As new arrangements are being implemented in all billing authorities from April 2013 the impact on collection rates is still uncertain. It is therefore proposed to transfer this surplus to community safety funding (as set out in paragraph 2.6) and the balance to investment reserves (to be used to fund Serving Sussex 2015 investments) rather than include in the on-going revenue budget. The medium term financial plan continues to assume an on-going deficit in collection funds for 2014-15 and beyond of £0.5m.

### Overall Funding Position

2.14 The core grant funding, 0% precept increase and collection fund surplus provides resources to set a revenue budget of £256.607m. The movement from 2012-13 is set out below and in more detail in Appendix 2.

### Proposed Police Fund Revenue Budget 2013-14

| <b>No change to current Band D precept (£138.42 per year)</b><br><b>Net budget of £256.6m</b><br><b>(equal to 0.5% budget reduction on like for like basis)</b> |                |
|---|----------------|
|   | <b>£'000</b>   |
| <b>Base Budget 2012-13</b>  | <b>252,826</b> |
| Base Budget Adjustments   | 5,968          |
| Additional Pay Costs  | 3,454          |
| Inflation and Other Additional Costs  | 1,278          |
| One-off Commitments   | 2,113          |
| New Investments (inc new CSF)   | 592            |
| Savings Requirement   | (9,624)        |
| <b>Proposed 2013-14 Revenue Budget</b>  | <b>256,607</b> |

2.15 Details of the proposed Chief Constable's Operational Delivery Budget, budgets under the control of the Office of the PCC and other revenue budgets are set out as attachments to this report. In summary the proposed revenue budget for 2013-14 is:

### Proposed Net Budget Requirement 2013-14

|   | Gross<br>£'000 | Income<br>£'000 | Net<br>£'000   |
|---|----------------|-----------------|----------------|
| Operational Delivery Budget                 | 290,763        | (35,275)        | 255,488        |
| Office of PCC Budget                        | 1,184          |                 | <b>1,184</b>   |
| Community Safety Grants                     | 1,901          | (1,225)         | <b>676</b>     |
| Financial Provisions                        | 2,801          | (3,673)         | <b>(872)</b>   |
| Transfers to/(from) Earmarked Reserves      | 2,244          | (2,113)         | <b>131</b>     |
| <b>Total Net Budget Requirement 2013-14</b> | <b>298,893</b> | <b>(42,286)</b> | <b>256,607</b> |

\* includes transfer of £0.266m YOT funding from the Operational Delivery Budget

### Capital and Investments Budget

3.1 The proposed capital budget 2013-14, capital programme to 2016 and proposed funding is summarised in the table below. Details of the capital budget proposals are set out in the Chief Constable's proposed budget.

#### Proposed Capital and Investment Programme and Financing

|   | 2013-14<br>£'000 | 2014-15<br>£'000 | 2015-16<br>£'000 | Total<br>£'000 |
|---|------------------|------------------|------------------|----------------|
| Home Office Capital Grant                     | 2,092            | 2,200            | 2,200            | 6,492          |
| Revenue Contribution                          | 1,644            | 1,644            | 1,644            | 4,932          |
| Reserves and Capital Receipts                 | 17,889           | 8,210            | 3,136            | 29,235         |
| <b>Total Capital and Investment Programme</b> | <b>21,625</b>    | <b>12,054</b>    | <b>6,980</b>     | <b>40,659</b>  |

3.2 The proposed capital budget for 2013-14 includes proposed transfer of funding for specific capital schemes from 2012-13 to 2013-14 following the quarter three capital review; these are detailed within the Chief Constable's proposed budget. Any further requests to transfer funding from 2012-13 to 2013-14 will be considered as part of the final outturn for 2012-13.

3.3 The capital and investment plans to 2016 require no additional borrowing. The forecast balance of capital and investment reserves provides some funding headroom (together with any new capital receipts and the balance on the asset replacement reserve) for further new investment requirements identified from Serving Sussex 2015, the most significant of which are likely to be for the Estates and Future Workplace programme. The longer term impact of reducing capital reserves means the current borrowing strategy may have to be revisited before 2016.

3.4 In addition to the capital and investment funding set out above, the Chief Constable's budget proposal for 2013-14 includes a number of one off revenue commitments totalling £2.1m that were approved by the Police Authority during 2012-13 and where commitments continue into 2013-14 and up to 2016. Funding for these investments has been earmarked from the Delegated Budget Holder Reserve.

3.5 The proposed capital and investment budgets and financing for 2013-14 is set out in Appendix 3.

### **Use of Reserves**

4.1 The proposed budget has been prepared in accordance with the PCC's approved reserves policy. The Police Fund budget for 2013-14 includes the following transfer to and from reserves:

- funding from capital reserves, major change reserve, asset replacement reserve to fund the proposed capital and investment programme (£17.9m);
- funding from delegated budget holder reserve to fund previously approved one revenue investments (£2.1m);
- one off contribution to major change reserve (£1.9m)
- annual contribution to the asset replacement reserve (£0.35m)
- application of previously agreed transfers between reserves in line with the reserves policy.

4.2 The forecast level of reserves up to 2016 is set out in Appendix 4 and includes use of reserves to finance the capital and investment programme to 2016.

4.3 The total forecast level of reserves at 31 March 2016 taking into account the proposed capital and investment programme is £38.6m. This includes general balances of £10.6m (4.4% of net budget requirement). The forecast level of general reserves is expected to remain above the target level set out in the PCC's reserve policy of 4% over the period up to 2016.

4.4 The forecast level of uncommitted investment reserves by 2016 is £7.8m. In addition to this it is proposed to allocate the current year (2012-13) budget surplus and any uncommitted balance of the delegated budget holder reserve to the major change reserve. This could increase the level of investment reserves by £8m. This will be confirmed and approved as part of the final outturn for 2012-13.

### **Medium Term Financial Plan**

5.1 In preparing the budget proposals for 2013-14 the Chief Constable, Chief Executive, and Chief Financial Officers have considered 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 Medium Term Financial Forecast (MTFF) and planning assumptions is set out at Appendix 5.

5.2 The grant settlement for 2013-14 was better than anticipated funding but grant allocations have not been announced for 2014-15 and beyond. However, economic forecasts continue to suggest that even greater austerity is ahead and the impact on police funding is almost certain to worsen.

5.3 There remains significant uncertainty on the level of funding for 2014-15 given Autumn Statement 2012 announcements of Home Office budget reductions and the impact of 1% public sector pay cap. Funding for 2015 onwards is subject to the next Comprehensive Spending Review (CSR) and

changes to the police funding formula. The MTFF assumes: the full impact of grant reductions already announced; announcements in the Autumn Statement 2012; and 1% pay cap in 2014-15; and annual funding reductions from 2015-16 at the same level (on average) as the current CSR period.

- 5.4 Sussex's grant is still dependent on protection provided by the grant floor. Without this protection, £1.4m of grant funding is at risk.
- 5.5 Localising support for council tax is likely to lead to a reduction in the overall rates of council tax collection. Sussex has been protected from this to some extent in 2013-14 by the new council tax support grant. However, this may reduce in future years. The MTFF includes planning assumptions of no increases in the tax base and an on-going collection fund deficit of £0.5m.
- 5.6 The initial 2011-12 council tax freeze support grant of £2.176m, which is now a specific grant, is assumed to drop out in 2015-16.
- 5.7 The estimated savings requirement to 2016 has been updated in line with the proposed revenue budget for 2013-14 and medium term financial planning assumptions. The MTFF has been modelled on precept increases of 0%; 1% and 2%. The difference in the savings requirement is illustrated in the table below.

**Comparison of MTFF Savings Requirement**

| <b>Precept Increase<br/>13-14; 14-15; 15-16</b> | <b>2013-14<br/>£'000</b> | <b>2014-15<br/>£'000</b> | <b>2015-16<br/>£'000</b> |
|---|--------------------------|--------------------------|--------------------------|
| 0%; 0%; 0%                                      | 9,624                    | 13,712                   | 14,828                   |
| 0%; 1%; 1%                                      | 9,624                    | 12,829                   | 13,940                   |
| 0%; 2%; 2%                                      | 9,624                    | 11,955                   | 13,064                   |

- 5.8 The Chief Constable's savings plans for 2013-14 and 2014-15 are set out at Appendix 3 of Attachment A. The proposed savings for 2013-14 and 2014-15 exceed the savings requirement at each of the precept options above. However these proposals, particularly for 2014-15, include a significant level of savings classified as red, where detailed proposals and implementation plans have yet to be agreed. No significant saving proposals have been identified in any detail for 2015-16. The table below provides a summary.

## Latest Serving Sussex 2015 Savings Proposals

| <b>Work streams</b>               | <b>2011-13<br/>£000</b> | <b>2013-14<br/>£000</b> | <b>2014-15<br/>£000</b> | <b>Total<br/>£000</b> |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Spending Wisely                   | 13,942                  | 3,813                   | 1,872                   | 19,627                |
| Local Policing                    | 9,707                   | 654                     | 284                     | 10,645                |
| Service Delivery in a Digital Age |                         | 200                     |                         | 200                   |
| Joint Command                     | 1,134                   | 1,289                   | 265                     | 2,688                 |
| Support Functions                 | 5,941                   | 1,656                   | 1,023                   | 8,620                 |
| Flagship Projects                 | 787                     | 4,100                   | 5,240                   | 10,127                |
| <b>Total Savings</b>              | <b>31,511</b>           | <b>11,712</b>           | <b>8,684</b>            | <b>51,907</b>         |
| <b>Target</b>                     | <b>27,399</b>           | <b>9,624</b>            | <b>13,712</b>           | <b>50,735</b>         |
| <b>Funding Gap/(Surplus)</b>      | <b>(4,112)</b>          | <b>(2,088)</b>          | <b>5,028</b>            | <b>(1,172)</b>        |
| <b>Savings Cashflow</b>           | <b>(4,112)</b>          | <b>(6,200)</b>          | <b>(1,172)</b>          |                       |

### Cash Flow

- 6.1 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.
- 6.2 The prudential indicators are based on the draft Treasury Management Strategy prepared by the Chief Finance Officer, which is subject to a separate approval with the PCC.

### Chief Finance Officer's Report

- 7.1 The Chief Finance Officer of the PCC has a personal fiduciary duty by virtue of their 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
- 7.2 The Chief Financial Officer's commentary on key financial risks is set out in Appendix 7. The financial risks for 2013-14 include costs associated with the policing the Labour Party conference in September 2013 and planned public order operations. Earmarked reserves are available to cover costs above grant funding or other exceptional policing costs if necessary and there is a pay and price contingency of £0.6m included within the base budget to meet other unforeseen costs.
- 7.3 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 above 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 2016. This is a wholly acceptable use of reserves and the value of the reserves reflects this possibility and level of risk.

- 7.4 Based on the Chief Constable's risk assessment, the level of saving plans carried forward from 2012-13 and new saving plans for 2013-14 assessed as green will exceed the saving requirement in 2013-14. 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 identified.

### **Chief Finance Officer's Statement**

- 8.1 Taking into account the factors set out above, the Chief Finance Officer is satisfied with the robustness of the estimates and adequacy of reserves including the Chief Constable's savings plans, which the total Police Fund budget provides. The Chief Financial 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 2013-14**

- [a] the total net revenue budget for the Police Fund for 2013-14 of £256.607m;
- [b] the Chief Constable's proposed net Operational Delivery Revenue Budget for 2013-14 of £255.488m (net of operational income and grants of £35.275m);
- [c] the Chief Constable's proposed capital budget for 2013-14 of £21.625m;
- [d] the proposed net revenue budget for the Office of the Police and Crime Commissioner for 2013-14 of £1.184m;
- [e] other net revenue budgets for Community Safety of £0.676m (net of grant funding £1.225m) and Financial Provisions (£0.872m) and reserve transfers of £0.131m;

##### **Reserves**

- [f] the use, contributions and transfers of reserves required to support the revenue budget and capital and investment programme for 2013-14 and up to 2016 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 2015-16.

##### **Cash Flow**

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

##### **Precept**

- [i] The Council Tax Requirement for 2013-14 to be agreed at **£78,181,844.56** 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. Draft Revenue Budget
3. Proposed Capital Budget and Financing 2012-13 to 2015-16
4. Reserves and Balances
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 PCC, Community Safety and other budget proposals

## Police Fund Sources of Funding

|  | 2012-13<br>£m  | 2013-14<br>£m     |
|--|----------------|-------------------|
| <b>Core Grant Funding</b>                    |                |                   |
| Home Office Grant                            | 101.135        | 108.886           |
| Neighbourhood Policing Fund (PCSOs)          | 7.189          | Now in core grant |
| <b>Sub Total</b>                             | <b>108.324</b> | <b>108.886</b>    |
| Revenue Support Grant                        | 61.975         | 58.741            |
| <b>Total Core Funding</b>                    | <b>170.299</b> | <b>167.627</b>    |
|  |                |                   |
| Grant percentage increase/(decrease)         | <b>(6.7)%</b>  | <b>(1.6)%</b>     |
|  |                |                   |
| <b>Council Tax and Collection Fund</b>       |                |                   |
| Police Precept from Council Tax              | 87.459         | 78.182            |
| Collection Fund Surplus                      | 0.081          | 0.432             |
| Council Tax Benefit Grant                    | -              | 10.107            |
| Transitional Council Tax Benefit Grant       | -              | 0.259             |
| <b>Total Council Tax and Collection Fund</b> | <b>87.540</b>  | <b>88.980</b>     |
|  |                |                   |
| <b>FUNDING FOR NET EXPENDITURE</b>           | <b>257.767</b> | <b>256.607</b>    |
|  |                |                   |
| <b>Specific Revenue Grants</b>               |                |                   |
| Council Tax Freeze Grant (2011-12)           | 2.176          | 2.176             |
| Council Tax Freeze Grant (2012-13)           | 2.624          | -                 |
| Council Tax Freeze Grant (2013-14)           | -              | 0.880             |
| PFI Grant                                    | 3.263          | TBA               |
| DSP Grant                                    | 4.477          | TBA               |
| Prevent Grant                                | 0.360          | TBA               |
| Airport Security Grant                       | 0.460          | TBA               |
| ROCU Grant                                   | 0.560          | TBA               |
| RART Grant                                   | 0.928          | TBA               |
| Youth Offending Grant                        | 0.102          | Now in CSF        |
| Community Safety Fund (CSF)                  | -              | 1.225             |
|  |                |                   |
| <b>Capital Grant</b>                         | <b>2.332</b>   | <b>2.092</b>      |

**Proposed REVENUE BUDGET 2013-14**  
**Incremental increase from 2012-13 Base Budget**

|  | <b>£'000</b>   |
|--|----------------|
| <b>Base Budget 2012-13</b>                     | <b>252,826</b> |
| Transfer of Grants to/from Core Funding        | 5,014          |
| Removal of Council Tax Freeze Grant (12-13)    | 2,624          |
| Changes to Contributions to/from reserves      | (477)          |
| Removal of Bank Holiday Overtime 12-13         | (133)          |
| Increased Investment Interest                  | (150)          |
| Council Tax Freeze Grant (13-14)               | (880)          |
| Reduction in BCU Funding to Divisions          | (30)           |
| <b>Total Base Budget Adjustments</b>           | <b>5,968</b>   |
| Pay Awards                                     | 1,338          |
| Pay, Increments and allowances                 | 2,054          |
| Police Staff Pension Contributions             | 62             |
| <b>Total Additional Pay Costs</b>              | <b>3,454</b>   |
| Price Inflation                                | 1,022          |
| National IT Contact Changes                    | 156            |
| Gatwick Contract Overhead Reduction            | 100            |
| <b>Total Other Additional Costs</b>            | <b>1,278</b>   |
| <b>Total one-off Commitments</b>               | <b>2,113</b>   |
| Chief Constable's Proposed Investments         | 140            |
| Community Safety Funding                       | 410            |
| Special Constables                             | 42             |
| <b>Total New Investment</b>                    | <b>592</b>     |
| <b>Savings Requirement</b>                     | <b>(9,624)</b> |
| <b>Net Budget Requirement 2013-14</b>          | <b>256,607</b> |
| <b>Financed by:</b>                            |                |
| Home Office Grant                              | 108,886        |
| Revenue Support Grant                          | 58,741         |
| <b>Total Core Policing Grants</b>              | <b>167,627</b> |
| Council Tax Benefit Support Grant              | 10,107         |
| Transitional Council Tax Benefit Support Grant | 259            |
| Council Tax Precept                            | 78,182         |
| Collection Fund Surplus                        | 432            |
| <b>Total Precept and Council Tax Grants</b>    | <b>88,980</b>  |
| <b>Net Budget Requirement 2013-14</b>          | <b>256,607</b> |

## APPENDIX 3

### Proposed Capital Investment Programme Financing 2013-14

| <b>CAPITAL INVESTMENTS</b>                     | <b>£'000</b>  |
|--|---------------|
| Core Capital Programme                         | 9,743         |
| Serving Sussex                                 | 11,020        |
| Asset Replacement                              | 862           |
| <b>Total Capital Investment Budget 2013-14</b> | <b>21.625</b> |
| <br>   |               |
| <b>FINANCING</b>                               | <b>£'000</b>  |
| Capital Grant                                  | 2,092         |
| Revenue contribution                           | 1,644         |
| Capital Receipts                               | 3,352         |
| Capital Expenditure Reserve                    | 2,655         |
| Use of other Reserves                          | 11,882        |
| <b>Total Financing requirement 2013-14</b>     | <b>21.625</b> |
| <br>   |               |
| <b>CAPITAL EXPENDITURE RESERVE</b>             | <b>£'000</b>  |
| <b>Estimated Balance as at 1 April 2013</b>    | <b>9,236</b>  |
| Contribution                                   |               |
| Financing Requirement                          | (2,655)       |
| <b>Estimated Balance as at 1 April 2014</b>    | <b>6,581</b>  |
| Contribution                                   |               |
| Financing Requirement                          | (931)         |
| <b>Estimated Balance as at 1 April 2015</b>    | <b>5.650</b>  |
| <br>   |               |
| <b>CAPITAL RECEIPTS</b>                        | <b>£'000</b>  |
| <b>Estimated Balance as at 1 April 2013</b>    | <b>3,275</b>  |
| Receipts in 2013-14                            | 2,500         |
| Financing Requirement 2013-14                  | (3,352)       |
| <b>Estimated Balance as at 1 April 2014</b>    | <b>2,423</b>  |
| Financing Requirement 2014-15                  | (2,423)       |
| <b>Estimated Balance as at 1 April 2015</b>    | <b>0</b>      |

APPENDIX 4a

Forecast Use of Reserves

| Reserve ----->                        | Investment           |                 |                  |  | Single purpose |                   |                                 |               | Contingency and Risk |              | General         | Total Reserves |
|---------------------------------------|----------------------|-----------------|------------------|--|----------------|-------------------|---------------------------------|---------------|----------------------|--------------|-----------------|----------------|
|                                       | Major Change Reserve | Capital Reserve | Capital Receipts | capital grants and contributions unapplied | Asset Seizures | Asset Replacement | Delegated Budget holder Reserve | PFI           | Insurance            | Operational  | General Reserve |                |
|                                       | £000                 | £000            | £000             | £000                                       | £000           | £000              | £000                            | £000          | £000                 | £000         | £000            | £000           |
| <b>Audited Balance at 31.3.2012</b>   | 14,125               | 8,379           | 4,789            | 70   | 880            | 6,002             | 8,286                           | 12,644        | 1,474                | 2,620        | 13,859          | 73,128         |
| <b>2012-13</b>                        |                      |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| Approved contributions                |                      |                 |                  |  |                | 600               |                                 |               |                      |              |                 | 600            |
| Planned expenditure                   | (2,455)              | (1,500)         | (1,514)          | (70)                                       |                | 0                 | (2,768)                         |               |                      |              |                 | (8,307)        |
| Outturn contributions                 |                      |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| Transfers between reserves            | 1,400                | 2,357           |                  |  |                |                   | (775)                           |               |                      | (1,350)      | (1,632)         | 0              |
| <b>Estimated balance at 31.3.2013</b> | <b>13,070</b>        | <b>9,236</b>    | <b>3,275</b>     | <b>0</b>                                   | <b>880</b>     | <b>6,602</b>      | <b>4,743</b>                    | <b>12,644</b> | <b>1,474</b>         | <b>1,270</b> | <b>12,227</b>   | <b>65,421</b>  |
| <b>2013-14</b>                        |                      |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| Approved contributions                | 1,894                |                 | 2,500            |  |                | 350               | (2,114)                         | 147           |                      |              |                 | 2,778          |
| Planned expenditure                   | (11,020)             | (2,655)         | (3,352)          |  |                | (862)             |                                 |               |                      |              |                 | (17,889)       |
| Estimated contributions               |                      |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| Transfers between reserves            | 1,600                |                 |                  |  |                |                   |                                 |               |                      |              | (1,600)         | 0              |
| <b>Estimated balance at 31.3.2014</b> | <b>5,544</b>         | <b>6,581</b>    | <b>2,423</b>     | <b>0</b>                                   | <b>880</b>     | <b>6,090</b>      | <b>2,629</b>                    | <b>12,791</b> | <b>1,474</b>         | <b>1,270</b> | <b>10,627</b>   | <b>50,309</b>  |
| <b>2014-15</b>                        |                      |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| Approved contributions                |                      |                 |                  |  |                | 350               |                                 | 149           |                      |              |                 | 499            |
| Planned expenditure                   | (2,300)              | (931)           | (2,423)          |  |                | (2,556)           | (350)                           |               |                      |              |                 | (8,560)        |
| Estimated contributions               |                      |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| Transfers between reserves            | 0                    |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| <b>Estimated balance at 31.3.2015</b> | <b>3,244</b>         | <b>5,650</b>    | <b>0</b>         | <b>0</b>                                   | <b>880</b>     | <b>3,884</b>      | <b>2,279</b>                    | <b>12,940</b> | <b>1,474</b>         | <b>1,270</b> | <b>10,627</b>   | <b>42,248</b>  |
| <b>2015-16</b>                        |                      |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| Approved contributions                |                      |                 |                  |  |                | 350               |                                 | 151           |                      |              |                 | 501            |
| Planned expenditure                   | (705)                | (301)           |                  |  |                | (2,130)           | (1,000)                         |               |                      |              |                 | (4,136)        |
| Estimated contributions               |                      |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| Transfers between reserves            | 0                    |                 |                  |  |                |                   |                                 |               |                      |              |                 | 0              |
| <b>Estimated balance at 31.3.2016</b> | <b>2,539</b>         | <b>5,349</b>    | <b>0</b>         | <b>0</b>                                   | <b>880</b>     | <b>2,104</b>      | <b>1,279</b>                    | <b>13,091</b> | <b>1,474</b>         | <b>1,270</b> | <b>10,627</b>   | <b>38,613</b>  |

## Reserves Policy

| Reserve                         | Policy and Use  | Target  |
|---------------------------------|---|---|
| <b>General Reserve</b>          |   |   |
|                                 | Provides a working balance to cover day to day cash flow requirements and fallback to cover exceptional unforeseen financial and operational risks, including Police Pensions. The target level of the reserve is reviewed and as part of the annual budget setting process.  | 4% of Net Revenue Expenditure as at 31 March each year  |
| <b>Contingency and Risk</b>     |   |   |
| Insurance Reserve               | Provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages.<br>A provision is made on the balance sheet for the cost of claims that have been reported and assessed as more likely to be settled. The Insurance reserve covers funding for claims likely to be incurred but not received or quantified.<br>Claims are managed through the revenue budget and any significant variance may be met from the Insurance reserve.   | Maintain a level in line with annual actuarial assessment (adjusted annually to reflect inflation and risk management information). |
| Operational Reserve             | Provides support for funding the cost of major policing operations which cannot be funded within base revenue budget. Where special and unforeseen circumstances result in a force incurring exceptional expenditure, the Home Office may pay special grant under Section 48 of the Police Act (normally only considered for expenditure over 0.5% of the net revenue budget). The General Reserve may also be used to provide support for exceptional costs over and above the level of the Operational Reserve. | Maximum of 0.5% of net revenue expenditure as at 31 March each year   |
| <b>Investment</b>               |   |   |
| Major Change Reserve            | To support change management initiatives providing one-off and non-recurring support for implementing cost-saving initiatives. This reserve will be discontinued once exhausted.  | In line with investment plans included within MTFF  |
| Capital Expenditure Reserve     | To support future planned capital expenditure.  | Dependant on the financing requirements of the Capital Strategy   |
| Capital Receipts                | This reserve holds the proceeds from the sale of assets, and can only be used for capital purposes in accordance with regulations.  | All receipts from the sale of assets are applied to this reserve.   |
| Capital Grants unapplied        | This reserve holds the grants and contributions received towards capital projects that have yet to be applied to meet expenditure. The use of contributions is determined by any grant conditions.  | Balance of grants determined at year end.   |
| <b>Single Use</b>               |   |   |
| PFI Reserve                     | To meet future contractual contributions to be paid towards the end of the custody PFI agreement, smoothing contributions over the life of the contract in accordance with the agreed PFI scheme financial model.   | Inflows and outflows in line with the PFI financial model.  |
| Delegated Budget Holder Reserve | Approved carry forward of one off revenue budget provision for specific commitments Are managed via this reserve.   | Agreed in year and as part of final outturn.  |
| Asset Replacement Reserve       | A funding source for replacement of high value, specialist vehicles and equipment.  | In line with replacement plans and commitments over a 5 year period.  |
| Asset Seizure                   | Retained value of seized assets after funding financial investigators.  | Target level to meet annual costs of financial investigations.  |

APPENDIX 5a

**Total Police Fund Medium Term Financial Forecast  
Movement from 2012-13**

|  | 2013-14        | 2014-15        | 2015-16        |
|--|----------------|----------------|----------------|
|  | £'000          | £'000          | £'000          |
| <b>Base Budget</b>                         | <b>252,826</b> | <b>256,607</b> | <b>248,395</b> |
| Transfer of Grants to/from Core Funding    | 5,014          | 1,225          |                |
| Removal of Council Tax Freeze Grants       | 2,624          |                | 2,176          |
| Changes to Contributions to/from reserves  | (477)          | 219            |                |
| Removal of Bank Holiday Overtime 12-13     | (133)          |                |                |
| Increased Investment Interest              | (150)          |                |                |
| Council Tax Freeze Grant (13-14)           | (880)          |                | 880            |
| Reduction in BCU Funding to Divisions      | (30)           | (18)           |                |
| <b>Total Base Budget Adjustments</b>       | <b>5,968</b>   | <b>1,426</b>   | <b>3,056</b>   |
| Pay Awards                                 | 1,338          | 2,234          | 2,917          |
| Pay, Increments and allowances             | 2,054          | 2,059          | 2,086          |
| Police Staff Pension Contributions         | 62             | 122            | 135            |
| <b>Total Additional Pay Costs</b>          | <b>3,454</b>   | <b>4,417</b>   | <b>5,138</b>   |
| Price Inflation                            | 1,022          | 1,474          | 1,401          |
| National IT Contact Changes                | 156            | 234            |                |
| Gatwick Contract Overhead Reduction        | 100            | 50             |                |
| <b>Total Other Additional Costs</b>        | <b>1,278</b>   | <b>1,758</b>   | <b>1,401</b>   |
| <b>Total one-off Commitments</b>           | <b>2,113</b>   | <b>(2,113)</b> |                |
| Chief Constable's Proposed Investments     | 140            |                |                |
| Community Safety Funding                   | 410            |                |                |
| Special Constables                         | 42             | 14             | 14             |
| <b>Total New Investment</b>                | <b>592</b>     | <b>14</b>      | <b>14</b>      |
| <b>Budget Requirement (before savings)</b> | <b>266,231</b> | <b>262,107</b> | <b>258,004</b> |

**Savings Requirement at Different Precept Options**

|                            |                |                 |                 |
|----------------------------|----------------|-----------------|-----------------|
| Precept (0%)               | 0%             | 0%              | 0%              |
| <b>Savings Requirement</b> | <b>(9,624)</b> | <b>(13,712)</b> | <b>(14,825)</b> |
| Precept (1%)               | 0%             | 1%              | 1%              |
| <b>Savings Requirement</b> | <b>(9,624)</b> | <b>(12,829)</b> | <b>(13,940)</b> |
| Precept (2%)               | 0%             | 2%              | 2%              |
| <b>Savings Requirement</b> | <b>(9,624)</b> | <b>(11,955)</b> | <b>(13,064)</b> |

|   |                |                |                |
|---|----------------|----------------|----------------|
| <b>Financed by:</b>                     |                |                |                |
| Home Office Grant                       | 108,886        | 106,808        | 103,407        |
| Revenue Support Grant                   | 58,741         | 53,798         | 51,983         |
| <b>Total Core Policing Grants</b>       | <b>167,627</b> | <b>160,606</b> | <b>155,390</b> |
| CT Transitional Support Grant           | 10,107         | 10,107         | 10,107         |
| CT Transitional Support Grant - one off | 259            | -              | -              |
| Collection Fund Surplus (Deficit)       | 432            | (500)          | (500)          |
| Council Tax Precept                     | 78,182         | 78,182         | 78,182         |
| <b>Total Precept and Grants</b>         | <b>88,980</b>  | <b>87,789</b>  | <b>87,789</b>  |
| <b>Net Budget Requirement</b>           | <b>256,607</b> | <b>248,395</b> | <b>243,179</b> |

## Medium Term Financial Forecast Planning Assumptions

| Assumption                         | Risk   | 2013-14           | 2014-15           | 2015-16           |
|------------------------------------|--------|-------------------|-------------------|-------------------|
| Core funding changes               | Medium | (£2.8m)<br>(1.6%) | (£7.0m)<br>(4.2%) | (£5.2m)<br>(3.3%) |
| Specific Grants change             | Medium | No Change         | No Change         | No Change         |
| Council Tax Freeze Grant (11-12)   | Low    | No Change         | No Change         | (£2.2m)           |
| Council Tax Freeze Grant (13-14)   | Low    | £0.8m             | No Change         | (£0.8m)           |
| CT Support Grant                   | Low    | £10.107m          | £10.107m          | £10.107m          |
| CT Support Grant - one off         | Low    | £0.258m           | 0                 | 0                 |
| Tax base increase                  | Medium | N/A               | 0                 | 0                 |
| Precept                            | Medium | +0%               | +0% to 2%         | +0% to 2%         |
| Collection Surplus/(Deficit)       | Medium | (£1.0m)           | (£0.5m)           | (£0.5m)           |
| Pay award (Sept average)           | Low    | +1.00%            | +1.00%            | +1.5%             |
| Pay Increments                     | Low    | +0.5%             | +0.5%             | +0.5%             |
| Police staff pension contributions | Low    | +£0.06m           | +10%              | +10%              |
| Price inflation                    | Medium | +3.0%             | +3.0%             | +3.0%             |
| Fuel and Utilities Inflation       | Medium | +5.0%             | +5.0%             | +5.0%             |
| Investment Interest Returns        | Low    | +0.80%            | +0.80%            | +0.80%            |



**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 £25.761m for 2013-14, 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 £40.761m should be approved for 2013-14, 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 2013-14.
  - The Chief Financial 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 £23.750m 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:

## Prudential Indicators to 2015-16

|  | Base<br>2011-12 | Increase From<br>Base<br>2012-13 | Increase From<br>Base<br>2013-14 | Increase<br>From Base<br>2014-15 | Increase<br>From Base<br>2015-16 |
|--|-----------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Impact of Capital Plans on Council Tax                     |                 |                                  |                                  |                                  |                                  |
| Impact on Council Tax (Band D Equivalent)                  | 138.42          | 0.15%                            | 0.17%                            | 0.17%                            | 0.17%                            |
| Less Government Supported Capital Expenditure              |                 | -0.12%                           | -0.14%                           | -0.14%                           | -0.14%                           |
| Net Impact on Council Tax                                  |                 | 0.03%                            | 0.03%                            | 0.03%                            | 0.03%                            |
|  |                 |                                  |                                  |                                  |                                  |
|  | <b>Actual</b>   | <b>Estimate</b>                  | <b>Estimate</b>                  | <b>Estimate</b>                  | <b>Estimate</b>                  |
|  | <b>2011-12</b>  | <b>2012-13</b>                   | <b>2013-14</b>                   | <b>2014-15</b>                   | <b>2015-16</b>                   |
|  | <b>£ '000s</b>  | <b>£ '000s</b>                   | <b>£ '000s</b>                   | <b>£ '000s</b>                   | <b>£ '000s</b>                   |
| <b>Financial</b>   |                 |                                  |                                  |                                  |                                  |
| Capital Expenditure (excluding leasing and PFI)            | 5,902           | 9,876                            | 21,625                           | 12,054                           | 6,980                            |
| Capital Financing Requirement (Inc PFI & Leases)           | 21,844          | 21,228                           | 20,584                           | 20,045                           | 19,749                           |
| Actual Debt/Operational Borrowing Limit                    | 26,508          | 26,321                           | 25,761                           | 25,169                           | 24,698                           |
| Net Borrowing  | (52,346)        | (77,112)                         | (72,599)                         | (68,114)                         | (63,523)                         |
| Authorised Borrowing Limit                                 | 41,508          | 41,321                           | 40,761                           | 40,169                           | 39,698                           |
| Capital Financing/Net revenue Stream                       | 0.80%           | 0.95%                            | 0.93%                            | 0.90%                            | 0.81%                            |
|  |                 |                                  |                                  |                                  |                                  |
|  | <b>Actual</b>   | <b>Estimate</b>                  | <b>Estimate</b>                  | <b>Estimate</b>                  | <b>Estimate</b>                  |
|  | <b>2011-12</b>  | <b>2012-13</b>                   | <b>2013-14</b>                   | <b>2014-15</b>                   | <b>2015-16</b>                   |
| <b>Treasury Management</b>                                 |                 |                                  |                                  |                                  |                                  |
| 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%                             | 72%                              |
| 10-15 Years  | 0%              | 0%                               | 0%                               | 0%                               | 28%                              |
| 5-10 Years   | 0%              | 0%                               | 0%                               | 0%                               | 0%                               |
| 1-5 Years  | 0%              | 0%                               | 0%                               | 0%                               | 0%                               |
| Max. Actual Debt at Fixed Rates as a % of Net Borrowing    | -44%            | -30%                             | -31%                             | -32%                             | -34%                             |
| Max. Actual Debt at Variable Rates as a % of Net Borrowing | 0%              | -7%                              | -8%                              | -8%                              | -8%                              |
| Maximum % Borrowing at Fixed Rates                         | 100%            | 100%                             | 100%                             | 100%                             | 100%                             |
| Maximum % Investments at Fixed Rates                       | 77%             | 100%                             | 100%                             | 100%                             | 100%                             |
| Maximum % Borrowing at Variable Rates                      | 0%              | 25%                              | 25%                              | 25%                              | 25%                              |
| Maximum % Investments at Variable Rates                    | 23%             | 85%                              | 80%                              | 75%                              | 75%                              |
| Principal Invested > 364 days                              | 0%              | 25%                              | 25%                              | 25%                              | 25%                              |
|  |                 |                                  |                                  |                                  |                                  |
|  | <b>Actual</b>   | <b>Estimate</b>                  | <b>Estimate</b>                  | <b>Estimate</b>                  | <b>Estimate</b>                  |
|  | <b>2011-12</b>  | <b>2012-13</b>                   | <b>2013-14</b>                   | <b>2014-15</b>                   | <b>2015-16</b>                   |
|  | <b>£ '000s</b>  | <b>£ '000s</b>                   | <b>£ '000s</b>                   | <b>£ '000s</b>                   | <b>£ '000s</b>                   |
| Long Term Borrowing - Fixed Rate                           | 4,500           | 4,500                            | 4,500                            | 4,500                            | 4,500                            |
| Long Term Borrowing - PFI                                  | 17,783          | 17,637                           | 17,168                           | 16,672                           | 16,283                           |
| Long Term Borrowing Lease - Brighton East                  | 767             | 751                              | 733                              | 714                              | 694                              |
| <b>TOTAL Long Term Borrowing</b>                           | <b>23,050</b>   | <b>22,888</b>                    | <b>22,401</b>                    | <b>21,886</b>                    | <b>21,477</b>                    |
| Investments  | 75,396          | 100,000                          | 95,000                           | 90,000                           | 85,000                           |
| Maximum investments at Longer than 1 year                  | 15,500          | 25,000                           | 23,750                           | 22,500                           | 21,250                           |
| Percentage of investment longer than 1 year                | 20.6%           | 25%                              | 25%                              | 25%                              | 25%                              |
| Net Borrowing  | (52,346)        | (77,112)                         | (72,599)                         | (68,114)                         | (63,523)                         |

**Areas of Financial Risk 2013-14 and Beyond**

| <b>Issue</b>  | <b>Assumption</b>  | <b>Comment</b>  |
|---|--|---|
| <b>Maintaining &amp; improving service performance levels</b> | 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 2013-14 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.   |
| <b>Pay and price budgets and establishment control</b>        | <p>Provision for national pay awards ceiling of 1% between September 2013 &amp; 2015.</p> <p>Staff turnover and increments based on detailed analysis of current staff profile and trends.</p> <p>General price inflation of 3% Fuel at 5% and utilities at 5.5%</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 match staffing need and resources to budget.</p> <p>1% pay ceiling from September 2013 and assumed corresponding grant reduction from 2014-15.</p> <p>Close corporate monitoring of the overall budget and management action to maintain financial discipline.</p> <p>Notified increase of 5.35% for gas and average 5.5% for electricity in 2013-14. Potential risk of a significant increase in Electricity and Gas prices from 2014-15</p> <p>Pay and price contingency is available to meet any unexpected increases in year.</p>        |
| <b>Capping</b>  | Precept planning assumption of between 0% and 2% up to 2015.   | <p>The Localism Act 2011 includes 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 has proposed for police authorities that if they set a council tax increase that exceeds 2%, they will be required to seek the approval of their local electorate in a referendum.</p> <p>Compared to other police areas, Sussex still has one of the lowest levels of precept in the country.</p>  |
| <b>Grant Levels</b>   | <p>Overall revenue grant reduction of 1.6% in 2013-14.</p> <p>Other specific grants still to be announced.</p> <p>Funding levels for 2014-15 and beyond uncertain but assumed on-going grant reductions year on year.</p>  | <p>The level of grants for 2013-14 has been confirmed with the exception of some counter terrorism grants.</p> <p>2014-15 allocations have been deferred pending a scrutiny of Home Office budgets.</p> <p>The impact of the localisation of Council Tax benefits means the PCC receives a base Council Tax Benefit Support Grant of £10.107m plus a one off transition grant in 2013-14 of £0.26m. Whilst it has been assumed that the base grant remains stable, 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> |
| <b>Budget Estimates (Expenditure)</b>                         | 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 2013-14, 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).  |
| <b>Serving Sussex 2015 - Cash releasing savings</b>           | Savings requirement of £9.6m included in the budget  | <p>Full year cash-releasing efficiency savings of £50.7m have been identified of which at least £9.6m is planned to be delivered in 2013-14.</p> <p>Action plans to deliver savings from April 2013 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>   |

| <b>Issue</b>  | <b>Assumption</b>  | <b>Comment</b>   |
|---|--|--|
| <b>Levels of reserves</b>                                       | Estimated General balances of £10.6m (4.3% of net revenue budget) at 31 March 2014<br><br>Other earmarked reserves as required to meet specific items of expenditure | 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 2012-13 outturn position.                              |
| <b>Interest rates, investment and borrowing</b>                 | Interest rates assumptions of 0.80%<br><br>Borrowing at fixed rates.   | Forecasts of investment income for 2013-14 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.  |
| <b>Income Assumptions</b>                                       | 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.                          |
| <b>Policing of Gatwick Airport</b>                              | Funding of £12.3m in 2013-14.  | Action plans to achieve efficiency savings have been formally agreed with Airport. There is a potential risk of not achieving the necessary savings.   |
| <b>Operation Otter</b>  | Costs to be met from Reserves or central reimbursement   | The Labour autumn party conference is only partly funded by government grant.  |
| <b>Early withdrawal of the Council Tax Freeze Grant (11-12)</b> | Grant funding of £2.176m   | This is now payable separately by DCLG as a specific grant. This is due to fall out in 2015-16.  |
| <b>Reductions in security grants</b>                            | 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.  |
| <b>Public disorder</b>  | Additional cost of overtime and associated costs   | Whilst action will be taken to mitigate the overtime and other costs relating to policing public order operations, costs of up to £1m may be incurred on anticipated events in 2013-14. It is proposed to over-achieved savings will be used as a first source for funding the public order contingency with the operational reserve available if necessary. |
| <b>National IT Systems</b>                                      | Further move to full cost charging without transfer of funding from Home Office.   | Additional costs of £0.400m included in the current MTFF. Further potential costs related to the national changes to training and the creation of the national police college are yet to be fully quantified.  |
| <b>PFI Contract</b>   | Renegotiation of the Custody PFI contract  | The renegotiation of the Custody PFI contact could be finalised in 2013-14. This could lead to costs or savings associated with the new contract.  |

## APPENDIX 8

### TAX BASE AND LEVY 2013-2014

The Tax base for the year 2013-14 is the aggregate of the amounts calculated by the billing authorities to which the Police & Crime Commissioner for Sussex issues precepts totalling 564,816.10 **Band D equivalents** as set out in the adjacent table.

| <b>TOTAL TAX BASE</b>      |                   |                             |                   |
|----------------------------|-------------------|-----------------------------|-------------------|
| <b>Brighton and Hove</b>   | <b>79,781.90</b>  | <b>West Sussex</b>          |                   |
| <b>East Sussex</b>         |                   | Adur District Council       | 19,680.70         |
| Eastbourne Borough Council | 32,476.60         | Arun District Council       | 55,134.00         |
| Hastings Borough Council   | 23,319.00         | Chichester District Council | 49,216.50         |
| Lewes District Council     | 34,436.00         | Crawley Borough Council     | 31,790.00         |
| Rother District Council    | 35,021.30         | Horsham District Council    | 54,139.00         |
| Wealden District Council   | 59,140.80         | Mid Sussex District Council | 55,396.90         |
|                            |                   | Worthing Borough Council    | 35,283.40         |
|                            | <b>184,393.70</b> |                             | <b>300,640.50</b> |

The basic amount of Council Tax, being the budget requirement less the amounts receivable all divided by the tax base shall be **£138.42** 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              | 92.28         |
| B              | 107.66        |
| C              | 123.04        |
| <b>D</b>       | <b>138.42</b> |
| E              | 169.18        |
| F              | 199.94        |
| G              | 230.70        |
| H              | 276.84        |

That the Brighton and Hove Council and the district and borough councils be requested to make payments of sums totalling **£78,181,844.56** due under precepts calculated in proportion to their Council Tax Band D equivalents as follows:-

|                                       | £ p           |
|---------------------------------------|---------------|
| <b>Brighton and Hove City Council</b> | 11,043,410.60 |
| <b>East Sussex</b>                    |               |
| Eastbourne Borough Council            | 4,495,410.97  |
| Hastings Borough Council              | 3,227,815.98  |
| Lewes District Council                | 4,766,631.12  |
| Rother District Council               | 4,847,648.34  |
| Wealden District Council              | 8,186,269.54  |

|                             | £ p          |
|-----------------------------|--------------|
| <b>West Sussex</b>          |              |
| Adur District Council       | 2,724,202.49 |
| Arun District Council       | 7,631,648.28 |
| Chichester District Council | 6,812,547.93 |
| Crawley Borough Council     | 4,400,371.80 |
| Horsham District Council    | 7,493,920.38 |
| Mid Sussex District Council | 7,668,038.90 |
| Worthing Borough Council    | 4,883,928.23 |

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:-

| <b>Brighton and Hove and East Sussex</b> | <b>West Sussex</b>             |
|--|--------------------------------|
| April 10 <sup>th</sup> 2013              | April 18 <sup>th</sup> 2013    |
| May 22 <sup>nd</sup> 2013                | May 23 <sup>rd</sup> 2013      |
| July 2 <sup>nd</sup> 2013                | June 27 <sup>th</sup> 2013     |
| August 9 <sup>th</sup> 2013              | August 1 <sup>st</sup> 2013    |
| September 12 <sup>th</sup> 2013          | September 5 <sup>th</sup> 2013 |
| October 18 <sup>th</sup> 2013            | October 10 <sup>th</sup> 2013  |
| November 22 <sup>nd</sup> 2013           | November 14 <sup>th</sup> 2013 |
| January 3 <sup>rd</sup> 2014             | December 12 <sup>th</sup> 2013 |
| February 12 <sup>th</sup> 2014           | January 16 <sup>th</sup> 2014  |
| March 14 <sup>th</sup> 2014              | February 20 <sup>th</sup> 2014 |

The budget requirement to meet the total net expenditure of the Police & Crime Commissioner for Sussex for the financial year 2013-14 be set at **£256,607,000**

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

|   | £           |
|---|-------------|
| Police Grant  | 108,885.927 |
| Revenue Support Grant and Re-distributed Business Rates | 58,741.285  |

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

|                         |            |
|-------------------------|------------|
| Collection Fund Surplus | 432,350.62 |
|-------------------------|------------|