



**The Sussex Police & Crime Commissioner**

**MEDIUM TERM FINANCIAL STRATEGY 2017/18 to 2020/21 -  
REVISION SEPTEMBER 2017**

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& Crime Commissioner**

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## 1 Purpose of the Medium Term Financial Strategy

- 1.1 This is the Medium Term Financial Strategy (MTFS) of the Sussex Police & Crime Commissioner (PCC). It covers a period of four financial years.
- 1.2 The MTFS provides options for delivering a sustainable revenue budget and capital investment over the medium term. It also sets out how the PCC can provide the Chief Constable with the resources to deliver the priorities in the Police & Crime Plan 2017/18 to 2020/21 support the mission, vision and values of Sussex Police and meet the requirements of the Strategic Policing Requirement within challenging financial boundaries.
- 1.3 The MTFS sets the financial context for the PCC's revenue budget and capital programme and precept decisions.
- 1.4 The approach to financial planning is based around providing updates to the MTFS during the course of the year.
- 1.5 This latest version is revised to include the establishment of a Transition Support Reserve using existing earmarked reserves and other resources. This earmarked reserve will be used to support local policing and to assist the Chief Constable to mitigate the impacts of the immediate reduction in officer numbers that was required to balance the budget over the medium term. The establishment of the new reserve, the transfer of resources from existing earmarked reserves and use of other resources was approved as a key decision in the report 'Review of Reserves – Phase 1 Transition Support Reserve' dated 27 September 2017.

## 2 Benefits of the Strategy

- 2.1 The MTFS assists in:
  - supporting delivery of the Police & Crime Plan;
  - improving financial planning and the financial management of the PCC's resources, both revenue and capital;
  - maximising use of resources available to the PCC and Chief Constable, both internal and external;
  - ensuring that the PCC and Chief Constable provide value for money and continue to deliver efficiency gains;
  - allowing development of longer term budgets and strategic thinking;
  - reviewing the PCC's policy on the use of reserves, ensuring the position continues to be sustainable with sufficient resources over the medium term;
  - responding to external pressures, including changes to the police funding formula and funding reductions; and
  - developing a sustainable budget over the medium term.

## 3 Principles of the Strategy

3.1 The key principles underlying the PCC's MTFS 2017/18 to 2020/21 are:

- overall expenditure of the PCC will be contained within approved estimates each year;
- the PCC will seek to maintain a General Reserve of a minimum of 4% of Net Revenue Expenditure to cover any major unforeseen expenditure or loss of funding but will review on a regular basis the opportunity cost of maintaining reserves at this level against the benefits of alternative approaches. A flexible approach will be adopted appropriate to circumstances;
- the PCC will maintain earmarked reserves for specific purposes when appropriate and which are consistent with achieving objectives;
- the PCC will continue to prioritise the achievement of value for money and efficiency in establishing the framework for policing within Sussex and in commissioning and procurement decisions;
- the Chief Finance Officer, Director of Finance and Chief Constable will prepare a rolling programme of four year budget forecasts to inform the PCC's budget and precept decisions; and
- the PCC, supported by the Chief Finance Officer, Director of Finance and Chief Constable, will continue to contribute to national reviews of police funding and make representations on a national basis for the fair and equitable funding of Sussex Police.

## 4 Review of the Strategy

4.1 The PCC's MTFS 2017/18 to 2020/21 was first published on 27 March 2017. It was subsequently reviewed and revised in June following the 2016/17 outturn under the following key themes:

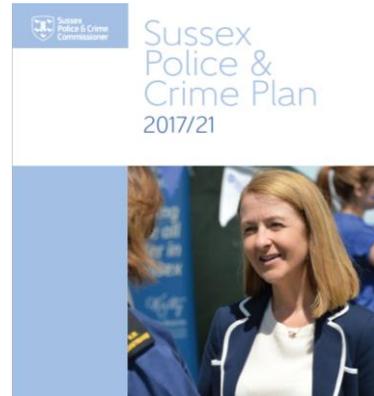
- the inclusion of a precept increase beyond 2017/18 that was previously 0%;
- the revision of the savings target from £35.7m to £26.5m as a result of the precept income assumptions; and
- updated for the 2016/17 outturn and reserves balances.

4.2 This September 2017 version is revised to include:

- the establishment of a Local Policing Transition Support Reserve using existing earmarked reserves and other resources. This earmarked reserve will be used to support local policing and to assist the Chief Constable to mitigate the impacts of the immediate reduction in officer numbers that was required to balance the budget over the medium term;
- update to the reserves policy;
- update to the reserves summary to reflect the changes;
- a change to the profiling of budget savings; and
- formatting and proofing.

## 5 Police & Crime Plan 2017/21

5.1 The PCC has a statutory duty to set the policing and crime objectives for Sussex through a [Police & Crime Plan](#). A new Plan covering 2017/21 was published in April 2017. You can find the [Police and Crime Plan 2017/18 here](#).



5.2 The PCC identified four policing and crime objectives as follows:

- strengthen local policing;
- work with local communities and partners to keep Sussex safe;
- protect our vulnerable and help victims cope and recover from crime and abuse; and
- improve access to justice for victims and witnesses.

5.3 The aims, outcomes and measures which underpin each of these objectives have been developed to ensure they reflect accurately the expectations of the public. The Chief Constable has developed a new [Operational Delivery Plan](#) which sets out how Sussex Police will support and deliver policing services to achieve the policing objectives set out in the plan.

## 6 Sussex Police Operational Context

6.1 The successful delivery of the strategy requires the Chief Constable to manage a complex set of resources, demands and priorities whilst reviewing and revising plans to meet changing needs and available financial resources.

6.2 Demand for policing is changing as new types of crime emerge and require a different approach to policing, often working closely with partners including other blue light services. This includes developing the right skills to tackle cyber crime and an understanding of social media platforms.

6.3 Policy demand is being driven by demographic changes and raised public awareness of some crime types as well as increased confidence to report child sexual exploitation, historic sex abuse/non-consent sexual abuse, hate crime, domestic violence and honour-based violence. Existing terror threats and extremism also demand close attention and resourcing.

6.4 Local Policing remains at the heart of the delivery of Policing Services to communities within the Sussex Police area in line with the Police & Crime Plan and Operational Delivery Budget.

6.5 The Force is in the process of delivering its local policing model through the Local Policing Programme (LPP). The model makes a series of changes to modernise local policing, taking account of changing demand and shifting patterns of crime, whilst addressing the challenge of a reducing budget. The model is being delivered through a programme of work which aims to maintain the delivery of local policing outcomes, protect frontline policing and meet national standards whilst maximising the use of available resources to reduce cost. It is being delivered over the period of the MTFS via a programme of planned transformation which covers response, investigations, neighbourhood policing and public protection.

## 6.6 **Demand Management and Prioritisation**

6.6.1 To ensure the Force prioritises its resources and can allocate the necessary service levels to manage its demand, work has been undertaken to obtain a clearer understanding of demand for policing services in Sussex. Analysis of data obtained both locally and nationally including crime and incident data and demography has identified areas of predicted demand and has informed a more accurate allocation of resources across a revised Neighbourhood Policing Team model. This approach to local policing will balance the response to emergencies with policing activity to prevent crime before it happens and reduce reoffending.

6.6.2 To manage resources within the available funding for Sussex the programme needs to reduce the overall budget for local policing over the period of the MTFS, achieved through a three year programme of re-design and staged implementation. The programme has a robust governance process and decisions about how resources are prioritised and targeted are based on the scrutiny of detailed designs based on demand and associated business cases illustrated by the examples in response and public protection below:

## 6.7 **Response**

6.7.1 The Force, with the support of the PCC, seeks to protect frontline policing, making efficiencies and savings which are informed by a clear understanding of demand. The programme has sought to produce management efficiencies in Response, and to target frontline resources more effectively based on demand. The demand analysis for Response takes into account 13 different measures (such as numbers of Grade 1 calls, demand from high risk missing persons, demand from prisoners, and investigations demand handled by Response). PC numbers in the new model have been re-distributed divisionally based on these pressures and have been allocated to new 'hubs' based in areas of high demand from Grade 1 calls. Resources are now distributed in a more targeted way. Process changes will also mean that they are used more flexibly and effectively.

## 6.8 **Public Protection**

6.8.1 The PCC agreed to invest in specific areas of growing demand. A detailed analysis of public protection demand was undertaken in 2015 and updated in 2016 to provide a robust evidence base for investment in public protection.

- 6.8.2 32 Public Protection demand types were identified across the areas of safeguarding, investigation and protective demand, activities were then mapped under each demand category in workshops with practitioners, and future demand trends were projected through regression analysis of historic data. The project used this evidence to calculate the estimated FTE effort required to deal with current demand levels in Public Protection - this formed the basis for targeted investment from the increased precept in officer numbers within this area of Investigations. The evidence was also scrutinised geographically to understand where resources needed to be based.
- 6.8.3 Alongside the investment a series of 'optimisation opportunities' have been identified to ensure that the additional resource will be targeted in the most effective way (for instance a review of processes in Public Protection to identify efficiencies and a planned assessment of best practice across the Multi-Agency Safeguarding Hubs.
- 6.8.4 An ongoing focus on demand management and prioritisation of resources, as above, will be included in operational delivery and associated financial planning.

## 7 Investment in Priorities

- 7.1 The PCC in consultation with the Chief Constable identified four areas of local policing to be strengthened through further investment supported in part by the £3m 2017/18 precept increase and the reinvestment of efficiencies of £1.2m. Public consultation resulted in 78% of responses being in favour of the £5 increase. The total investment of £4.2m will see over 100 additional police officers and specialist staff employed in the following areas:
- Community Priority Crime Teams (£1.03m) – 24 posts dedicated to intervene proactively to prevent and disrupt local crime gangs and take offenders off the streets. This team became operational on 1 April 2017;
  - Specialist Firearms Officers (£1m) – 52 posts across Sussex and Surrey to uplift the counter terrorism and firearms capabilities. Recruitment to these posts continues;
  - Public Protection Investigators (£1.25m) – 30 posts to provide additional capacity for public protection, within the Safeguarding Investigation Units; and
  - Prevention Youth Officers (£0.92m) – 20 posts to work directly with schools, colleges and universities to provide community policing that focuses on prevention advice and interventions, supporting the vulnerable and those most at risk, and dealing firmly and quickly with incidents. Recruitment to these posts will begin in the summer of 2017.

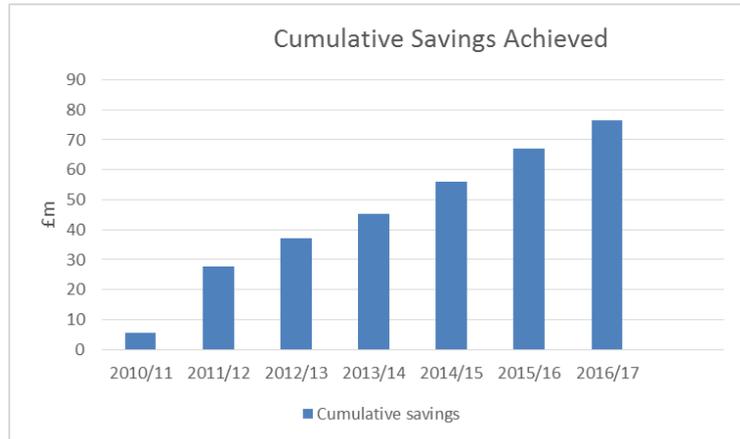
## 8 Efficiencies and Partnership Working

- 8.1 Sussex Police continues to undertake a significant programme of change activity through the "Policing Together" programme with Surrey and with other forces in the South East region, in order to meet the financial challenges of the MTFs, increase resilience and improve service delivery.
- 8.2 **'Policing Together' – Collaboration Programme with Surrey**
- 8.2.1 The Force works closely with Surrey Police. Effective partnership working, information sharing, integrated problem solving and the co-commissioning of services are being delivered through a number of joint services including; Operations Command (including Roads Policing, Tactical Firearms, Operations Support and Planning & Resourcing), Specialist Crime Command, Finance, Procurement, Fleet, People Services (including Learning & Development and Occupational Health) and Information, Communications & Technology (ICT).
- 8.2.2 Work is underway to consider further opportunities to bring our policing services together and/or to align policies, procedures and working practices, these include:
- 8.2.3 The Specialist Crime Command (SCC) – this has already delivered £6m savings across Surrey and Sussex and a further £4.7m saving has been identified across both forces by the end of 2018/19. The existing SCC operating model is not resilient enough to withstand a further budget reduction of this size without transformational change and so the Specialist Crime Capabilities Programme (SCCP) has therefore been established to deliver a new operating model that both achieves the required savings and maximises opportunities for collaboration between both Sussex, Surrey and other stakeholders in the region. A high level Target Operating Model has already been scoped and the SCCP is now progressing this into detailed design.
- 8.2.4 The Joint Operations Command comprises of Roads Policing, Tactical Firearms, Operations Support and Planning & Resourcing. Operating as a single command has resulted in increased capacity and resilience, however in a number of areas the Command is still operating with different legacy IT systems and different ways of working across the two forces. The business case for a new target operating model was agreed in June 2016, which will deliver redesigned services more effectively and at reduced cost. This programme has now moved into the detailed design phase.
- 8.3 **Other Partnership Working**
- 8.3.1 The co-location of specialist resources in the form of Multi-Agency Safeguarding Hubs (MASH) is also being progressed. The Hubs will coordinate all response and activity around the identification, assessment and management of vulnerable victims. This will ensure single outcomes and a more consistent and effective service for the most vulnerable within our communities.

- 8.3.2 In order to support joint working and the collaboration of both back office and frontline policing capabilities, work is underway to implement a new Enterprise Resources Planning (ERP) system for Sussex, Surrey and Thames Valley Police.
- 8.3.3 The Digital Enablement Programme continues to coordinate work on four key priorities; Mobile Data, Niche, Public Facing Digital Services (community messaging, online crime reporting and track my crime systems) and Body Worn Video. These work streams are critical to the effective delivery of operational policing and public engagement. The programme is overseen by the Digital Enablement Oversight Board, which provides a single strategic direction for Digital Enablement across the two forces, monitoring progress against a five year road map and ensuring that activity is aligned to business strategies and delivers the operational capabilities required by other change programmes.
- 8.3.4 The project to implement mobile data devices to frontline staff has been a rolling programme to update devices and enhance their capabilities. Frontline staff report that their productivity increases by up to 20% as a result of the latest devices.
- 8.3.5 Surrey and Sussex are also exploring further opportunities to align technology applications and infrastructure with Hampshire Police and Thames Valley Police, as part of the South East Region Integrated Policing (SERIP) programme. (See para 9.20 'Police Transformation Fund').
- 8.3.6 East Sussex Fire & Rescue Service has co-located their Head Office functions at Sussex Police's Headquarters in Lewes.
- 8.3.7 The PCC has recently acquired a fleet vehicle workshop site, near Crawley Down, which will be a key enabler to drive significant efficiencies, not just within the Joint Transport Service for Surrey and Sussex Police, but which will act as a Fleet Management and Servicing hub by enabling fleet management/maintenance between the Police and Fire and Rescue Services in both Surrey and West and East Sussex.
- 8.3.8 Underpinning delivery of all this change will be a comprehensive workforce strategy that includes recruitment, training and development of officers and police staff, within a culture of partnership working to build an organisation that is fit for future challenges in the digital age and that will ensure public confidence in the policing service through effective service delivery. An improved workforce planning and establishment control approach has been introduced, included monthly, transparent reporting during 2017/18 and beyond on changing workforce numbers as a result of staff recruitment arising from investment in priorities and staff reductions arising from budget savings.

## 9 Financial Context

9.1 Since 2010/11 have seen reductions to the grant funding provided by the Government to Policing Bodies in England and Wales. Over the last seven years, Sussex has had to make £76m of reductions and efficiencies to head towards balancing its books (source: Her Majesty's Inspectorate of Constabulary's (HMIC) Police Effectiveness, Efficiency and Legitimacy (PEEL) assessment and 2016/17 revenue budget). In addition it also had its ability to raise additional tax revenue from the precept restricted by the government capping and excessiveness principles.



9.2 The Government changed its strategic approach to funding policing bodies from the 2016/17 financial year when it promised that funding would be protected in flat cash terms. This would be achieved by offsetting policing grant reductions with rises in the local precept. The council tax referendum limit for English Forces remained at 2% but with additional flexibility for the ten lowest precept Forces to raise the tax by £5 per Band D equivalent household which includes Sussex;

9.3 Sussex experienced significant impact from the funding reductions because it receives more in core policing grant in proportion to its council tax; around 63% being from grant. In addition Sussex at the same time has the fifth lowest precept of any PCC in England and Wales. Sussex was also the 4<sup>th</sup> lowest net cost per head of population in 2016/17 according the HMIC Value for Money Profiles.

9.4 Despite reducing its workforce, making efficiencies, transforming activities using technology, cutting waste and selling redundant or unsuitable property there is still the need to reduce expenditure further to match spending plans with anticipated resources and to maintain the annual programme of change at the same pace and continue to explore further collaboration and alignment. All of this will need to take place as we constantly review and redeploy our resources to meet the ever changing nature, demand and evolving threats.

### 9.5 Funding Formula Review

9.5.1 A review of the police bodies funding formula was undertaken during 2017/18. A public consultation on a proposed model was expected during 2017/18 but the snap General Election has resulted in a delay. In the meantime we are assuming that the current arrangements for individual Force allocations will continue to be in place by way of a one year only settlement based on the current formula.

9.5.2 Due to the uncertainty and range of possible outcomes no assumptions regarding the funding formula changes have been included in the MTFS.

**9.6 Police Grant Settlement 2017/18**

9.6.1 The police grant decision for 2017/18 was approved and then published on 1 February 2017.

9.6.2 The key elements of the settlement are:

- a one year settlement;
- all forces core grant reduced by 1.4%. Total funding protected in flat cash terms as long as PCCs maximise ability to increase the precept as provided for in the new flexible referendum principles;
- the council tax referendum limit for English Forces remained at 2% but with additional flexibility for the ten lowest precept Forces to raise the tax by £5 per Band D equivalent household which includes Sussex;
- grants relating to previous council tax and freeze grants retained and payable but that there would be no new council tax freeze grant for 2017/18;
- the Home Office will also be making “allocations” of £812m which is 42% higher than 2016/17 as illustrated in the following table:

<b>Home Office Allocations</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Variance £m</b>
PFI (Private Finance Initiative)	73	73	0
Police technology programmes (including Airwave)	284	417	133
Arms-length bodies	37	54	17
Strengthening the response to organised crime		28	28
Police transformation fund	131	175	44
Special Grant	25	50	25
Pre-charge bail		15	15
Major programmes	22		(22)
<b>Total</b>	<b>572</b>	<b>812</b>	<b>240</b>

- no new re-allocations were announced with the 2017/18 settlement;
- arms-length bodies include national policing bodies delivering services and governance essential to the efficient and successful functioning of the police service. This includes the HMIC’s PEEL inspection programme, the College of Policing direct entry schemes and increased funding to support the Independent Police Complaints Commission (IPCC) as it becomes the Independent Office for Police Conduct with an expanded role in investigating allegations involving the police;
- strengthening the response to organised crime supports the National Crime Agency (NCA) and Regional Organised Crime Units (ROCU);
- the value of the Transformation Fund increased to £175m from the 2016/17 figure of £131m which included innovation funding of £55m; and
- the overall police capital grant has reduced from £82m in 2016/17 to £72.2m in 2017/18.

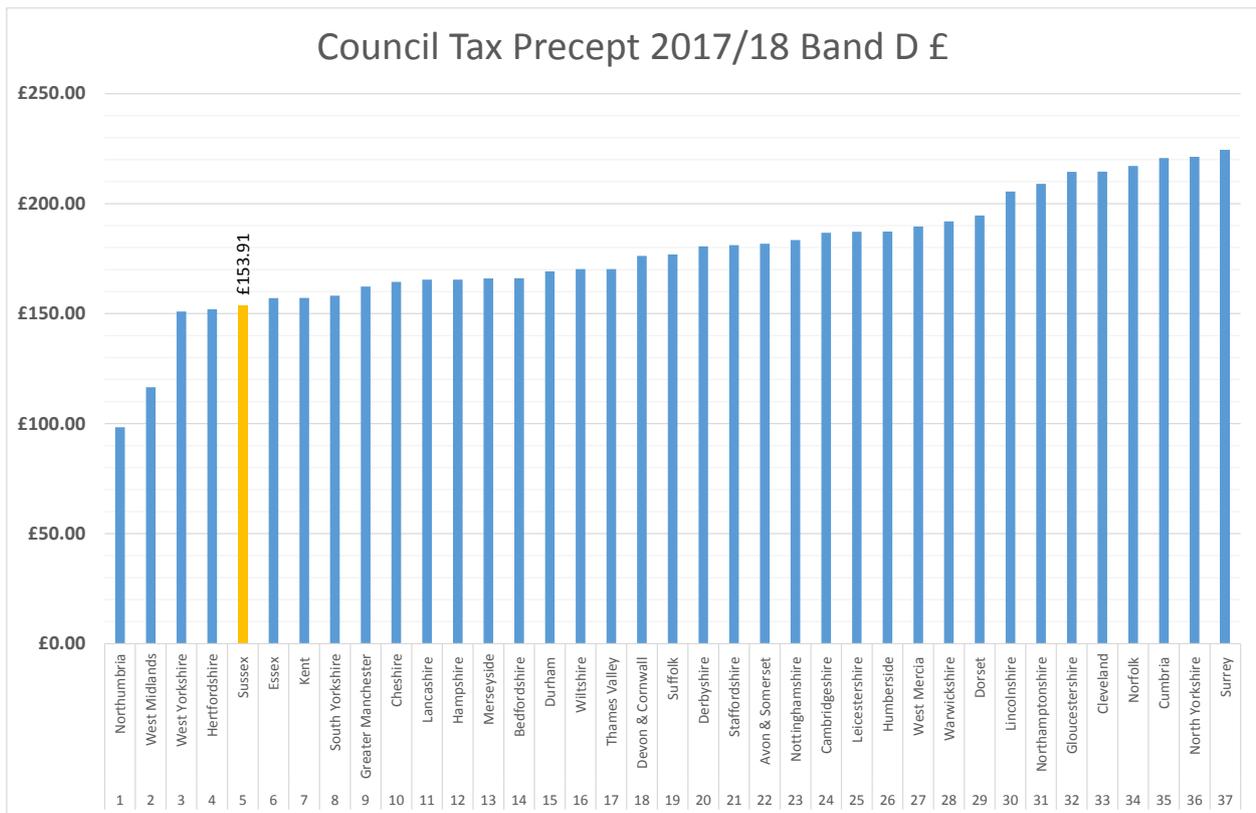
9.6.3 For Sussex, implications of the local settlement are as follows:

- police core revenue and formula funding grants reduced by £2.1m (1.4%) to £149.6m (£151.7m 2016/17);
- option to protect “spending power” with a £5 increase to the precept; and
- capital grant reduced by £1.766m to £0.906m for Sussex Police.

9.6.4 This MTFS is prepared on the assumptions as laid out in that settlement.

9.7 **Council Tax Precept**

9.7.1 Since 2007/08, council tax increases nationally have been constrained by the Government’s capping and excessiveness council tax principles. Nationally the proportion of funding from formula grant and specific Home Office grants has reduced, and the proportion from council tax has increased. The council tax for Sussex was still the fifth lowest of policing bodies during 2017/18 at £153.91 per annum for Band D properties. This contrasts with neighbouring Surrey at £224.57. The table below shows the range of precepts by policing body.



9.7.2 The schedule below sets out the level of Band D council tax in Sussex over the last 3 years:

Year	Band D Council Tax
2017/18	£153.91
2016/17	£148.91
2015/16	£143.91

- 9.7.3 The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any PCC that wishes to raise Council Tax above the limits that apply to them will have to hold a referendum.
- 9.7.4 The final settlement for 2017/18 confirmed that the 2% referendum threshold will continue in 2017/18. Additional flexibility is given to the lowest ten precepting PCCs which includes Sussex to increase their precept by up to £5.
- 9.7.5 Income from the council tax precept for Sussex equates to 36% of core funding (Precept, main policing grant, revenue support grant).

	2017/18 £m	2017/18 £m	Proportion %
Total Revenue Expenditure		257.116	
<b>Less</b> Appropriations from Reserves		0.105	
<b>Net Budget Requirement</b>		<b>256.966</b>	
<b>Less</b>			
Main Police Grant	96.461		
Revenue Support Grant	53.137		
Council Tax Legacy Freeze Grant	3.062		
Council Tax Local Support Grant	10.14		
		<b>162.800</b>	<b>64%</b>
<b>Balance to be raised locally</b>		<b>94.166</b>	
Less estimated net surplus on collection funds		0.950	
<b>Council Tax Requirement</b>		<b>93.216</b>	<b>36%</b>

- 9.7.6 Sussex will remain in the lowest precept grouping throughout the period of this strategy.
- 9.7.7 Assumptions regarding the Council Tax base include:
- an increase of 1.54% for 2017/18 using the latest growth estimates provided by billing authorities (Tax base figure was 605,656.6 which was an increase of 9,199.29 over the previous year);
  - a council tax base growth of 0.5% is then assumed each year thereafter in line with Home Office assumptions used in the final settlement;
  - the Local Authorities in Sussex have also advised of surpluses on collection funds, which equates to £0.950m for 2017/18 and which is reflected in the MTFS. No further surplus on collection funds is assumed for the rest of the MTFS period.
- 9.7.8 The Home Office Council Tax calculations incorporate rebasing of the council tax base each year to reflect Council Tax Requirement Return submissions from Local Authorities and PCCs. The Home Office tax base growth assumption of 0.5% is then applied to subsequent years. This directly reflects the Council Tax Base assumptions in this MTFS.

9.7.9 In common with other policing bodies this MTFs includes a financial planning assumption that the precept will be maximised each year in accordance with government rules – currently £5 per year. The actual precept decision will still be determined by the PCC on an annual basis with scrutiny of that decision by the Police & Crime Panel.

## 9.8 **Police Reform and Transformation Fund**

9.8.1 The value of the Police Reform and Transformation Fund has risen to £175m from £131m in 2016/17 which includes the Innovation Fund which was worth £55m in 2016/17. This funding stream will continue to promote innovation, collaboration and improved efficiency.

9.8.2 In 2016/17 the PCC was successful in a bid to the Home Office Innovation Fund and secured an award of £0.485m in 2016/17 and £0.971m in 2017/18 for the SERIP. This project is in partnership with Hampshire Constabulary and Thames Valley Police.

9.8.3 The SERIP transformation funding will enable development of a four force commoditised IT services platform, including NICHE RMS, and a high capacity resilient network connection between the forces and cloud storage. This solution will provide a common and scalable connectivity solution that will deliver shared and resilient connectivity that can be used by any of the forces across a range of collaborative programmes.

9.8.4 This SERIP programme approach also includes:

- a new Command and Control platform;
- body worn video;
- development of a scaleable ERP / duties business proposition and governance framework across non-SE Forces and including other agencies e.g. Fire and Rescue;
- business development work to align 2 Mobile Policing Programmes to enhance interoperability and prepare for business transformation surrounding the Emergency Services Mobile Communications Programme implementation and discovery;
- outline Business Case work re Digital Intelligence and Investigations, building on early discovery work and broadening across the four Forces to assess opportunities for regional alignment and economies of scale;
- the PCC, working with criminal justice (CJ) partners in Sussex, Surrey, London and Kent is committed to maximising the benefits of video in the criminal justice system. It is the joint ambition of the CJ agencies in the South East to deliver the best service to all participants within the justice system, with swifter access to justice for victims and a positive experience for witnesses, while increasing operational efficiencies and the benefits that technology can bring; and
- the PCC together with justice partners and supported by Accenture has developed a fully costed business case for the roll-out of a Video Enabled Justice (VEJ) solution across Sussex, Surrey, Kent and London. A solution has been designed to address the issues with scheduling and connecting video streams as well as issues with the perception of video services. Analysis has shown that implementation of the VEJ service would realise significant benefits to all CJ agencies over the duration of the business case (six years). The Home Office awarded £11m grant from the Police Transformation Fund in September to deliver this innovative solution.

9.9 **Other Income**

9.9.1 The PCC will continue to seek additional sources of external funding for policing and to maximise its income, for example through 'developers' contributions such as the Community Infrastructure Levy and/or Section 106 monies, as well as developing a 'trading mindset' for some of its more commercially aligned services.

9.9.2 The Force will continue to review its charging for special police services including Gatwick Airport, football and events in line with the nationally agreed policies.

10 **2016/17 Outturn**

10.1 This MTFS includes the 2016/17 outturn which is summarised below. Full details of the outturn can be found in the 2016/17 Outturn report.

10.2 **Revenue Budget**

10.2.1 The revenue outturn 2016/17 in summary by key headings is as follows:

- £5.056m (1.98%) underspend on the revenue budget of £254.977m;
- £5.078m of the underspend was on the Operational Delivery Budget delegated to the Chief Constable;
- £0.022m net over spend on other budgets;
- savings achieved in year of £9.3m;
- budget pressures were contained (e.g. pay increase, inflation); and
- General Reserves maintained at 4%.

	<b>To 31 March 2017</b>			
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Operational Delivery Budget	242,921	247,999	(5,078)	(2%)
Office of the PCC	1,354	1,525	(171)	(11%)
Community Safety	1,459	1,789	(330)	(18%)
Victim Support & Restorative Justice	0	0	0	
Other OPCC Financing Budgets	2,424	2,773	(349)	(13%)
Transfers to/(from) Reserves	1,763	891	872	98%
<b>Total Police Fund</b>	<b>249,921</b>	<b>254,977</b>	<b>(5,056)</b>	<b>(2%)</b>

10.2.2 The PCC approved for the budget surplus of £5.056m to be transferred to the following reserves:

- transfer £1.279m to Delegated Budget Holder Reserve to be used to fund Chief Constable and OPCC commitments for carry forwards to 2017/18;
- transfer of £3.777m to the Capital and Investment Reserve to be used to fund additional investment in on-going schemes and cost of change;

### 10.3 Capital Budget

10.3.1 The final audited outturn spend on the capital budget for 2016/17 was £21.95m, representing an underspend variance of £13.62m against the revised budget of £35.57m. The capital variance includes £7.42m of unavoidable slippage on schemes which will be carried forward to 2017/18.

10.3.2 A summary of the capital outturn is set out in the following table.

#### Capital and Investment Budget Outturn 2016/17

	Actual £m	Revised Budget £m	Variance over/ (under)spend	
			£m	%
IT Strategy	2.86	5.60	(2.74)	(49%)
Estates Strategy	13.26	20.34	(7.08)	(35%)
Fleet Strategy	3.25	3.24	0.01	0%
Operational Investments	2.58	6.39	(3.81)	(60%)
<b>Total</b>	<b>21.95</b>	<b>35.57</b>	<b>(13.62)</b>	<b>(38%)</b>

10.3.3 The PCC having reviewed and scrutinised the outturn approved the carry-forward of £7.4m to support the following capital projects.

#### Capital Budget Carry Forwards

Scheme	Amount £'000
<b>Information Technology Strategy</b>	<b>1,990</b>
<b>Estates Strategy</b>	<b>1,596</b>
Communications Technology & Body Worn Video	246
Strategic Roads Policing Operations	130
Specialist Crime Digital Policing	886
Major Change ERP (Enterprise Resource Planning) project	2,568
<b>Operational Investments</b>	<b>3,830</b>
<b>TOTAL</b>	<b>7,416</b>

10.3.4 The revised reserve totals as at the 31 March 2017 can be found in Section 14.

## 11 Medium Term Budget Pressures

11.1 When calculating the medium term budget projections consideration has been given to a number of budget pressures including:

- reductions in grant funding;
- pay and price increases;
- revenue implications on the capital and investment programme; and
- other cost pressures.

## 11.2 **Reductions in Grant Funding**

11.2.1 The financial settlement 2017/18 reduced total core revenue grants to Sussex by £2.1m (1.4%) to £149.6m (£151.7m 2016/17).

11.2.2 We have assumed that a reduction of this level will continue for the next four years in the MTFS up to and including 2020/21

## 11.3 **Pay and Price Inflation**

11.3.1 The indicative budget forecasts for 2017/18 reflect a positive approach to managing the impact of inflation on budgets wherever possible, in that there have been no automatic budget increases for inflationary pressures other than inflation provision being provided to meet contractually committed, energy, business rates and rent increases. In addition, estimates for future pay awards at 1% have been included. The announcement in September 2017 of an additional 1% non-consolidated pay increase for officers below superintendent level for 2017/18 will be managed within the available resources for 2017/18.

## 11.4 **Revenue Implications of the Capital and Investment Programme**

11.4.1 The four year capital and investment programme is summarised in Section 13. The implications of this programme are fully reflected in the MTFS.

## 11.5 **Other Cost Pressures**

11.5.1 Apprenticeship Levy – The Government introduced a new Apprenticeship Levy tax in accordance with Part 6 of the Finance Act 2016 with effect from 6 April 2017. It is estimated that the levy will add a further £0.8m cost pressure for the Force to meet during 2017/18 and in subsequent years. Development of a Force Apprenticeship Scheme and how this will be introduced is currently underway as the new scheme does not apply to existing apprenticeships. We will explore the use of these potential resources with new recruit intakes and trainees. This will be kept under review by the Establishment Board.

## 12 **Medium Term Savings Proposals**

12.1 As mentioned previously, there has been a period of sustained financial pressure throughout the previous Comprehensive Spending Review (CSR) which will continue to impact on the MTFS.

12.2 The multi-year change programme has continued to deliver complex transformation across the force – delivering savings of £8.7m in 2016/17. £2.2m of the savings originally planned to be delivered during that year have moved forwards into 2017/18 and beyond.

12.3 There is still a significant savings requirement up to 2020/21 estimated as £26.5m which now includes the revised assumption to maximise precept income beyond 2017/18 within the MTFS and set out in the following table:

<b>Medium Term Savings Required</b>	<b>£m</b>
Total Savings Requirement 2017/18 to 21/21 previously quoted in the MTFS	35.7
Less proposed precept uplifts	(9.2)
<b>Revised Total Savings Requirement 2017/18 to 2020/21 in this MTFS</b>	<b>26.5</b>

12.4 A summary of the savings planned and profiled for the period of the MTFS are set out in the table below:

<b>Savings Requirement</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>Total £m</b>
<b>Previously Proposed budget savings</b>	<b>(11.2)</b>	<b>(4.7)</b>	<b>(5.3)</b>	<b>(5.3)</b>	<b>(26.5)</b>
Re-phasing Police Officer Reductions from Reserves (one-off impact)	4.6	8.4	4.0	0.0	<b>17.0</b>
Re-phasing Police Officer Reductions Savings	0.0	(4.6)	(8.4)	(4.0)	<b>(17.0)</b>
<b>Re-profiled budget savings</b>	<b>(6.6)</b>	<b>(1.0)</b>	<b>(9.6)</b>	<b>(9.3)</b>	<b>(26.5)</b>

12.5 The Chief Constable's saving plans are based on the programmes of change to deliver improvements in policing and realise cashable savings wherever possible, for example:

- LPP including elements of local investigations, response policing and completion of neighbourhood policing and criminal justice projects;
- Policing Together Programme (collaboration with Surrey Police) including Operations; Specialist Crime capability; Contact and Deployment communications and front office changes, People Services (HR) and Corporate Services;
- staff costs represent a significant element of our core cost base and therefore there will continue to be changes to workforce numbers and structures throughout the MTFS;
- further savings from rationalisation in the operational estate, including maximising collaborative opportunities;
- savings through procurement particularly within ICT and Estates; and
- maximising income generation for areas of service provision (particularly in the back office) that have the potential to be more commercially aligned.

12.6 The achievement of savings in 2017/18 and beyond heavily depends on the delivery of savings from the LPP and the Policing Together Programme (joint vision and services with Surrey Police). Wider blue light collaboration will contribute to delivery of savings over the medium term.

- 12.7 2017/18 will be the biggest year of savings to be achieved in the MTFs and revised governance arrangements are now being introduced to track achievement of savings, monitor the pace of change sufficiently to provide management with early warning should plans not progress as anticipated and ensure any additional action required is undertaken during the year. The Force Director of Finance has raised the issue of translating savings targets into detailed business cases earlier than was achieved in previous years at the Joint Chief Officer Meeting, Force Executive Board and the Change Programme Board. Improvements to financial monitoring are also being put in place and an enhanced process of monthly review will be carried out throughout 2017/18.
- 12.8 There is still a significant savings requirement up to 2021, with £26.5m currently included within this MTFs. This estimate could be impacted by any further changes as a result of anticipated grant reductions and the outcome of the Funding Formula review 2017.
- 12.9 The Force will continue to review its savings plans to ensure quality service delivery is maintained, future financial risks are taken into account and funding can be directed to priority areas. The Force is currently carrying out an independent review of the MTFs to help inform the next iteration.

## 13 Capital Estimates and Financing

- 13.1 The following table summarises the four year capital and investment programme which now includes approved carry forward from the 2016/17 outturn of £7.416m into the 2017/18 year:

<b>Capital &amp; Investment Plans</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>Total £m</b>
Information Technology	7.342	1.283	1.257	-	9.882
Fleet	3.460	3.239	3.067	2.907	12.673
Specialist Crime	0.886	-	0.092	-	0.978
Corporate Development	0.099	0.060	-	-	0.159
Operations	0.608	0.252	0.200	-	1.060
Communications	0.296	0.050	-	-	0.346
Shared Business Services	2.772	-	-	-	2.772
Estates Strategy Investment	10.415	8.020	5.750	0.600	24.785
<b>Total Capital and Investment Programme</b>	<b>25.878</b>	<b>12.904</b>	<b>10.366</b>	<b>3.507</b>	<b>52.655</b>

- 13.2 Key areas to note in the proposed programme are:

- Building Works – There will be a continuation of estates rationalisation and this will include taking account of future use of remaining properties;
- Computer and Communications – Technology plays an important role in the delivery of services to communities and there is a drive to deliver on-line self-service platforms to allow individuals to obtain information or access non-emergency services at a time and place which suits their needs. Investment will continue including the roll out of devices for frontline staff;

- Vehicles and Equipment – The vehicle replacement programme will continue in 2017/18.

13.3 The Estates Strategy identifies opportunities to rationalise the estate, reducing costs by providing efficient and affordable buildings. The future workforce will be smaller, but investment is required to enable officers and staff to be equipped and supported to work flexibly and with agility across the estate and offsite or within the community – including opportunities for co-location or joint initiatives with partners. The strategy also includes the approach to funding, by identifying potential surplus sites to generate capital receipts – these will be closely monitored throughout the period of this MTFS.

13.4 The following table summarises how the four year capital and investment programme will be financed (this includes carry forward from the 2016/17 outturn of £7.416m into the 2017/18 year):

<b>Funding</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>Total £m</b>
Home Office Capital Grant	0.906	0.906	0.906	0.906	<b>3.624</b>
Revenue Contribution	2.025	2.025	2.117	2.025	<b>8.192</b>
Reserves and Receipts	22.947	9.973	7.343	0.576	<b>40.839</b>
<b>Total Capital and Investment Programme</b>	<b>25.878</b>	<b>12.904</b>	<b>10.366</b>	<b>3.507</b>	<b>52.655</b>

13.5 The capital financing approach remains to maximise the use of Capital Receipts to support the capital programme after the use of capital grant whilst maximising the overall benefit in underpinning the Revenue budget.

## 14 Reserves

### 14.1 Background Information on Reserves

- 14.1.1 Reserves are cash backed balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be spent once, and are not part of the base budget.
- 14.1.2 Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets.
- 14.1.3 In establishing reserves, the PCC must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.
- 14.1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Reserves and Balances (LAAP Bulletin No. 77 November 2008) and the requirements of the Code suggest twice yearly reviews of reserves. By doing this, the visibility of reserves is increased and consideration of the use of reserves is placed at the forefront of the decision making process.

### 14.2 Review of Earmarked Reserves 2017/18

- 14.2.1 In accordance with good practice, the Chief Finance Officers for the PCC and The Chief Constable commenced a Balance Sheet review process during the 2017/18 year. The first phase of this review centred on earmarked revenue reserves.
- 14.2.2 Initial findings from the review indicated some of the earmarked reserves could be released and reallocated for other purposes. This included part of the PFI reserve, the Force Operational Reserve and divisional discretionary funds held within the Delegated Budget Holder Reserve.
- 14.2.3 Reviewing the use of existing earmarked reserves provides an opportunity to use them differently to mitigate the impact of immediate reductions in police officer numbers, by allowing transition of these LPP changes over a longer period of time to April 2020. This recognises the impact of the scale of reductions in police officer numbers over a short period, and supports the PCC's commitment to strengthen local policing.
- 14.2.4 It is estimated that one-off funding of up to £17m would be required over the term of the MTFS to achieve this.

- 14.2.5 The MTFS has therefore been updated to establish a 'Local Policing Transition Support Reserve' – through transfer of existing earmarked reserves from the Balance Sheet review, plus an additional £2m contribution from the current year forecast underspend, as summarised in the table below:

<b>Source of Funding</b>	<b>£m</b>
PFI Reserve	10.3
Operational Reserve	2.5
Divisional Discretionary Reserve	2.2
<b>Earmarked Reserve Reallocations</b>	<b>15.0</b>
Identified Revenue Underspend 2017/18	2.0
<b>Total to establish the new Transition Support Reserve</b>	<b>17.0</b>

- 14.2.6 The following table illustrates the planned profile to use the Local Policing Transition Support Reserve over the period to 31 March 2020:

<b>Forecast use of Transition Support Reserve Funds</b>	<b>£m</b>
Year to 31-Mar-18	4.6
Year to 31-Mar-19	8.4
Year to 31-Mar-20	4.0
<b>Total use of Transition Support Reserve</b>	<b>17.0</b>

- 14.2.7 The Chief Constable will manage the use of this resource to support the LPP under the governance of the Force Establishment Board.

- 14.3 The PCC's balance sheet reserves are detailed in Appendix A and summarised below:

#### 14.4 **General Reserve**

- 14.4.1 A contingency for unexpected events or emergencies and a working balance to help with the impact of uneven cash flows and avoid unnecessary temporary borrowing.

#### 14.5 **Earmarked Reserves for the Purpose of Contingency and Risk**

- 14.5.1 Operational Reserve – previously this provided for major policing operations and events where exceptional and unforeseen circumstances result in additional expenditure to the Force in addition to the general reserve contingency. Under the current financial environment the use of this reserve has been changed from that of an operational contingency requirement to realise the benefit of smoothing the impact of changes to police officer numbers at a key time of change and demand.

- 14.5.2 Insurance Reserve – provides for the self-funding of uninsurable risks such as payments of compensation or damages.

#### 14.6 **Earmarked Reserves for the Purpose of Investment**

- 14.6.1 Capital and Investment Reserve – to support planned one-off and non-recurring investments of a capital and revenue nature.
- 14.6.2 Capital Receipts Reserve – contains receipts from the sale of assets which can be used to finance future capital expenditure.
- 14.6.3 Capital Grants & Contributions Reserve – to hold unused elements of grant and external funding in line with accounting regulations.

#### 14.7 **Earmarked Reserves for Single Use Purposes**

- 14.7.1 Private Finance Initiative (PFI) Reserve – to meet future contractual contributions of the custody PFI scheme. Following a comprehensive review of the contract the earmarked reserve has been reduced. The balance remaining has been earmarked to invest in the renegotiation of the current contract.
- 14.7.2 Asset Seizure Reserve – Proceeds of Crime Act (POCA) income to be spent within the following year.
- 14.7.3 Delegated Budget Holder Reserve – revenue budgets carried forward for future use by delegated budget holders.
- 14.7.4 Sussex Safer Road Partnership (SSRP) – ring-fenced funds to finance future capital and/or revenue expenditure on SSRP.

#### 14.8 **Local Policing Transition Support Reserve**

- 14.8.1 The Local Policing Transition Support Reserve – to support a longer phasing of reductions in local policing police officer posts.

#### 14.9 **Reserves**

- 14.9.1 The PCC should retain adequate reserves so that unexpected budget pressures can be met without adverse impact on the achievement of key objectives and council tax payers. The PCC's policy for reserves and balances is based on a thorough understanding of the organisation's needs and risks. Part of this process is to give a clear explanation of the existing and proposed use of reserves and this is addressed in the paragraphs below and at Appendix A.

#### 14.10 **General Reserve**

- 14.10.1 The General Reserve at 1 April 2017 is £10.8m. This meets one of the key principles to seek to maintain the general reserve at a minimum of 4% of the net revenue budget. The closing general reserve at March 2021 is estimated to be £10.1m and 4% of net revenue budget.

## 14.11 Earmarked Reserves

14.11.1 The following reserves have been set aside for specific purposes. The following table shows the revised strategy for use of earmarked reserves over the MTFS:

Reserves	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
<b>General Reserve Closing Balance</b>	<b>10.807</b>	<b>10.279</b>	<b>10.167</b>	<b>10.096</b>	<b>10.096</b>
<b>Contingency &amp; Risk:</b>					
Operational	2.450	0	0	0	0
Insurance	4.102	4.102	4.102	4.102	4.102
<b>Total Contingency &amp; Risk</b>	<b>6.552</b>	<b>4.102</b>	<b>4.102</b>	<b>4.102</b>	<b>4.102</b>
<b>Investment Reserves:</b>					
Capital & Investment	18.681	1.908	0	0	0
Capital Receipts	1.895	0	0	0	0.624
<b>Total Investment</b>	<b>20.576</b>	<b>1.908</b>	<b>0</b>	<b>0</b>	<b>0.624</b>
<b>Single Use Reserves:</b>					
PFI	12.794	2.494	2.494	2.494	2.494
Asset Seizure	0.396	0.396	0.396	0.396	0.396
Delegated Budget Holder	8.995	4.378	3.272	0.000	0.000
SSRP	3.087	2.808	2.756	2.756	2.756
Local Policing Transition	0	12.377	4.019	0	0
<b>Total Single Use</b>	<b>25.272</b>	<b>22.453</b>	<b>12.937</b>	<b>5.646</b>	<b>5.646</b>
<b>Total Reserves</b>	<b>63.207</b>	<b>38.742</b>	<b>27.206</b>	<b>19.844</b>	<b>20.468</b>

## 14.12 Operational Reserve

14.12.1 The Operational Reserve was set aside to provide funding for the cost of major policing operations and events where exceptional and unforeseen circumstances result in additional expenditure to the Force. This was in addition to the sum set aside in the General Reserve. The balance of £2.450m equates to 1% of the net revenue budget. The review has concluded that:

14.12.2 Risk is minimised in that 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 for additional costs above 1% of the net revenue budget.

14.12.3 The General Reserve may also be used to provide support for Operational use in exceptional circumstances. That fund is £10.807m equating to 4% of net revenue expenditure which is adequate to cover this risk;

14.12.4 The reserve can therefore be released in full.

### 14.13 **Insurance Reserve**

14.13.1 The Insurance Reserve is maintained for potential liabilities and costs which fall onto the PCC where no external insurance cover is arranged by or available to the PCC. Potential liabilities include storm damage, business interruption and claims that would fall within the PCC's policy excess limits. The level of this reserve is £4.1m and it is not anticipated that this will change over the period of the MTFS.

### 14.14 **Investment Reserves**

14.14.1 The Capital Receipts received in-year will be applied to fund capital expenditure in year.

14.14.2 The Capital and Investments Reserve is also then used to support planned expenditure of a capital or revenue nature in line with investment and replacement plans included within the MTFS. This is dependent on the financing requirements of the capital plans included within the relevant asset strategies e.g. the future IT Strategy, the Estates Strategy and the Joint Transport Vehicles Strategy.

### 14.15 **Single Use Reserves**

14.15.1 The PFI reserve of £12.8m and it is not anticipated that this will change over the period of the MTFS.

14.15.2 The Asset Seizure reserve will be reviewed on an annual basis but is currently expected to remain at £0.4m for the period of the MTFS.

14.15.3 Under-spend transfers to the Delegated Budget Holder Reserve (DBHR) are agreed annually with the PCC as part of the final outturn and movements in year are agreed by exception. This reserve is then available to support the change programme. The balance in the DBHR at 1 April 2017 is £9.0m with £2.2m currently remaining at the end of the MTFS period in 2021.

14.15.4 The SSRP reserve is where the PCC holds the balance of any SSRP under-spend amounts on behalf of the SSRP partnership as ring-fenced funding. The movements are based on the latest SSRP strategy plans approved by the SSRP board.

14.15.5 The Local Policing Transition Support Reserve is introduced in this MTFS as a new reserve for 2017/18. This reserve was created following the Balance Sheet review to reallocate £15m of existing earmarked reserves together with an additional £2m contribution from the current year forecast underspend in order to support a longer phasing of reductions to the number of police officers in local policing over the period to April 2020.

## 15 Indicative Budget Forecasts 2017/18 to 2020/21

- 15.1 All budget pressures, budget savings, funding assumptions and proposed use of reserves outlined earlier in this Strategy are summarised below, to show an overall position for the Group representing the combined budget forecasts for the PCC and Chief Constable. Having considered the savings proposals and the availability of reserves to support the medium term plan an important consideration is the precept proposal for 2017/18.
- 15.2 In common with other policing bodies the MTFs includes a financial planning assumption that the precept will be maximised each year in accordance with legal requirements. The precept percentage assumption which has been calculated based on an increase to Band D of £5 per year from 2018/19 to 2020/21. The MTFs paper dated 20 March 2017 had a 0% assumption for precept increases from 2018/19 to 2020/21.
- 15.3 The actual precept decision will still be determined by the PCC on an annual basis.
- 15.4 The key medium term financial forecast planning assumptions are summarised in the following table:

<b>Assumption</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Core funding changes	-1.4%	-1.4%	-1.4%	-1.4%
Specific Grants change	No Change	No Change	No Change	No Change
Council Tax Support Grant	-	-1.4%	-1.4%	-1.4%
Legacy Council Tax Freeze Grants	-	-1.4%	-1.4%	-1.4%
Tax base increase	1.54%	0.5%	0.5%	0.5%
Collection Surplus/(Deficit)	£0.95m	-	-	-
Pay award	1%	1%	1%	1%
Police staff pension contributions	1%	1%	1%	1%
Precept (£5 per annum increase)	3.36%	3.25%	3.15%	3.05%
General Price inflation	2%	2%	2%	2%
Investment Interest Returns	0.40%	0.40%	0.40%	0.40%

15.5 The Medium Term Financial Forecast (MTFF) for the total Police Fund budget position is set out below

<b>Group Budget Forecast</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
<b>Base Budget</b>	<b>254.977</b>	<b>256.966</b>	<b>257.246</b>	<b>258.542</b>
<b>Budget pressures</b>				
Employee pay & price increases	5.240	5.124	5.196	5.279
Price inflation / cost pressures	4.195	1.250	1.279	1.312
New investments	3.101	(0.390)	0.092	0.000
<b>Total Budget pressures</b>	<b>12.536</b>	<b>5.984</b>	<b>6.567</b>	<b>6.591</b>
<b>Budget savings</b>	<b>(11.262)</b>	<b>(4.754)</b>	<b>(5.271)</b>	<b>(5.231)</b>
Re-phasing LPP pay reductions	4.623	8.358	4.019	-
LPP one year effect adjustment	-	(4.623)	(8.358)	(4.019)
<b>Re-profiled budget savings</b>	<b>(6.639)</b>	<b>(1.019)</b>	<b>(9.610)</b>	<b>(9.250)</b>
<b>Total Budget</b>	<b>260.874</b>	<b>261.931</b>	<b>254.203</b>	<b>255.883</b>
<b>Income</b>				
Home Office Grant Income	(96.461)	(95.110)	(93.779)	(92.467)
Home Office Revenue Income	(53.137)	(52.393)	(51.659)	(50.936)
Council Tax Support Grant	(10.140)	(9.998)	(9.858)	(9.720)
Council Tax Freeze Grant	(3.062)	(3.019)	(2.977)	(2.935)
Council Tax Income	(90.188)	(93.683)	(97.210)	(100.770)
Council Tax Precept increase	(3.028)	(3.043)	(3.059)	(3.074)
Council Tax Collection Fund	(0.950)	-	-	-
<b>Total Income</b>	<b>(256.966)</b>	<b>(257.246)</b>	<b>(258.542)</b>	<b>(259.902)</b>
<b>Funding gap/(surplus) before reserves</b>	<b>3.908</b>	<b>4.685</b>	<b>(4.339)</b>	<b>(4.019)</b>
<b>Planned use of reserves</b>				
Transfers (from)/to Reserves	(3.908)	(4.685)	4.339	4.019
<b>Funding gap/(surplus) after reserves</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.000)</b>	<b>0.000</b>

15.6 The Group forecast budget set out above shows how, after the planned use of reserves, savings and the precept, there is no funding gap for the period of the MTFS, which meets the key principle of the PCC's Strategy that overall expenditure will be delivered within a sustainable budget over the medium term.

15.7 The budget includes £3.1m made available from the 2017/18 precept increase for new investment in additional capacity and resources in line with Police & Crime Plan and Operational Delivery Plan priorities.

15.8 The MTFF for the Chief Constable's budget position is set out in the following table:

**Chief Constable's Operational Delivery Net Revenue Budget**

<b>Chief Constable</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
<b>Employees</b>				
Police Officer Pay (incl. overtime)	127.535	130.699	132.968	135.257
Police Pension Employer Contributions	26.824	27.267	27.717	28.175
<b>Total Police Pay</b>	<b>158.982</b>	<b>166.324</b>	<b>164.704</b>	<b>163.432</b>
Police Staff Pay	68.564	70.577	72.636	74.743
PCSO Pay	6.442	6.630	6.822	7.019
<b>Total Police Staff Pay</b>	<b>75.006</b>	<b>77.207</b>	<b>79.458</b>	<b>81.762</b>
Other Employee costs	5.566	5.634	5.703	5.774
<b>Total Pay Costs</b>	<b>239.554</b>	<b>249.165</b>	<b>249.865</b>	<b>250.968</b>
Buildings & Premises	11.080	11.352	11.929	12.332
Transport Costs	4.558	4.675	4.794	4.916
IT & Communications	6.005	6.175	6.349	6.526
Other Supplies & Services	34.867	35.265	36.084	36.920
<b>Total Non-Pay Costs</b>	<b>56.510</b>	<b>57.467</b>	<b>59.156</b>	<b>60.694</b>
Cumulative Savings Target	(11.262)	(16.016)	(21.287)	(26.518)
Re-phasing LPP pay reductions	4.623	8.358	4.019	0.000
<b>Cumulative Savings Target</b>	<b>(6.639)</b>	<b>(7.658)</b>	<b>(17.268)</b>	<b>(26.518)</b>
<b>Gross Operational Delivery Budget</b>	<b>284.802</b>	<b>290.616</b>	<b>287.734</b>	<b>285.144</b>
Income	(22.793)	(22.793)	(22.793)	(22.793)
Specific Grants	(8.227)	(8.227)	(8.227)	(8.227)
<b>Total Income and Grants</b>	<b>(31.020)</b>	<b>(31.020)</b>	<b>(31.020)</b>	<b>(31.020)</b>
<b>Net Operational Delivery Budget</b>	<b>253.782</b>	<b>259.596</b>	<b>256.714</b>	<b>254.124</b>

15.9 The MTFF position for the PCC's budgets are set out below:

**Police & Crime Commissioner Net Revenue Budgets**

<b>Police &amp; Crime Commissioner</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
Office of the PCC	1.274	1.313	1.352	1.392
Community Safety	1.635	1.635	1.635	1.635
Victims Services	1.952	1.952	1.952	1.952
Grant Income (Victims)	(1.952)	(1.952)	(1.952)	(1.952)
Treasury Management Interest	(0.299)	(0.299)	(0.299)	(0.299)
<b>Total Income &amp; Expenditure</b>	<b>2.610</b>	<b>2.649</b>	<b>2.688</b>	<b>2.728</b>
Financial Provisions	3.335	3.359	3.159	3.050
Transfers to/(from) Earmarked Reserves	(2.761)	(8.358)	(4.019)	0.000
<b>Total Provisions &amp; Reserves</b>	<b>0.574</b>	<b>(4.999)</b>	<b>(0.860)</b>	<b>3.050</b>
<b>Total PCC Controlled Budgets</b>	<b>3.184</b>	<b>(2.350)</b>	<b>1.828</b>	<b>5.778</b>
<b>TOTAL POLICE FUND</b>	<b>256.966</b>	<b>257.246</b>	<b>258.542</b>	<b>259.902</b>

15.10 The 'Office of the PCC' includes salary and associated costs of the PCC, Chief Executive, Chief Finance Officer and any other staff employed to support the PCC as well as office-running costs. It also includes other statutory local policing body costs such as external audit. The 2016 HMIC Value for Money profiles highlighted that in 2016/17 the PCC's budget was the 6th lowest per head of population of the policing bodies in England and Wales.

15.11 The Policing and Crime Act that received Royal Assent in January 2017 introduced new duties and responsibilities for the PCC. As a result of this and as part of continuing improvement a review of staffing was completed in 2016. The new structure is now in place and will be kept under review during the MTFs period to ensure it is fit for purpose.



### 15.12 **Community Safety**

15.12.1 The PCC continues to support Community Safety initiatives and Community Safety Partnerships (CSP) through the Community Safety Budget. Having protected the individual allocations again in 2017/18 the PCC is continuing to encourage collaboration between CSPs, in particular to share staff resources. A review of CSP funding and commissioning will be completed in 2017/18 by the OPCC and the outcome will determine the future strategy.

15.12.2 The budget also includes the Safer in Sussex Community Fund that provides financial support to local community groups, voluntary and third-sector organisations that are working to reduce crime, improve community safety and help people recover from the impact of crime. The PCC will continue to develop and grow this market to provide services that meet the needs of local residents and help to keep Sussex safe.

### 15.13 **Victim Services and Restorative Justice**

15.13.1 The Ministry of Justice allocates a grant to the PCC to spend on victim services and child sexual abuse services. The grant is allocated between PCCs on the basis of population. A total grant of £1.952m has been allocated to Sussex in respect of Victims and Restorative Justice for 2017/18.

15.13.2 We make no assumptions about future grant settlements in the MTFs and this funding stream and subsequent spend does not impact on the precept decision.

## 15.14 Provisions, Treasury and Reserves

- 15.14.1 Financial provisions include the revenue and financing costs of the capital programme, interest receivable on cash balances and the pay and price contingency.
- 15.14.2 Investment and borrowing are managed via the PCC's Treasury Management Strategy which can be viewed through the following link: <https://www.sussex-pcc.gov.uk/wp-content/uploads/2017/03/TMSS-2017-18-Sussex-FINAL.pdf>
- 15.15 The PCC is responsible for the management of all reserves and the reserves strategy has been explained elsewhere in this MTFS (see Section 14).

## 16 Risk Assessment

- 16.1 The MTFS contains the most up to date information at the time of drafting but the PCC's financial position is dynamic. A comprehensive financial risk assessment is undertaken for the revenue and capital and investment budget setting process to ensure all risks and uncertainties affecting the PCC's financial position are identified.
- 16.2 An independent review of the planning assumptions contained within the MTFS is being undertaken by an independent consultancy. This will provide assurance that the assumptions are realistic and deliverable in the medium term and provide some assurance of the validity of the plan.
- 16.3 The PCC faces a number of significant financial pressures that could affect the position over the medium term. An assessment of the likelihood and impact of each risk and the management controls in place are detailed in Appendix B and summarised in the following table overleaf:

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management</b>
Levels of reserves not sufficient to cover future unexpected costs	Possible	High	Reserve strategy to maintain General Reserve balance at 4% of net revenue budget.
Pay awards and price inflation being higher than anticipated	Possible	Medium	Budget based on best information available and set at prudent levels.
Future precept increases limited by excessiveness principles determined by the Government	Likely	Low	Future precept planning assumes a continuation of current government policy to allow the lower quartile of PCCs to increase their precept by £5.
Reduction in council tax collection following the introduction of the localised council tax support scheme	Unlikely	Low	Billing authorities' factor in prudent collection rates to mitigate this risk. General Reserve balance maintained at 4% of budget.
Further reductions in funding including unfavourable review of funding formula	Possible	High	Balance on General Reserve is maintained at 4%; forward planning assumes 1.4% revenue grant reduction observed in 2017/18 will continue through the period of the MTFs; regular monitoring and proactive input to the funding formula review and consultations.
Failure to deliver planned savings	Possible	High	General Reserve balance maintained at 4% of budget. Action plans to deliver savings raised at Force level via the Joint Chief Officer Meeting, Force Executive Board and Change Board. Monthly budget monitoring will be undertaken, including closer scrutiny by the PCC's Chief Finance Officer, Force's Director of Finance and Chief Constable.
Interest rates on deposits lower than anticipated	Unlikely	Low	Prudential assumptions on likely interest rates are incorporated into the MTFs and regular review, monitoring and reporting of interest takes place.
Capital programme is understated and funding not available to deliver plans	Unlikely	Low	Capital monitoring updates are taken to the PCC quarterly to provide assurance in the accuracy of forecast and monthly monitoring undertaken by the Chief Finance Officer, Director of Finance and Chief Constable.

Risk	Likelihood	Impact	Risk Management
Capital financial charges being higher than forecast	Unlikely	Low	Revenue implications are considered as part of capital planning. 100% of current borrowing has fixed term rates and is not impacted by changes in interest rates. No further borrowing is planned to finance the capital programme in 2017/18 or beyond.
Not all risks identified	Unlikely	Medium	Comprehensive insurance arrangements are in place alongside robust risk management arrangements. Reserves policy includes the Insurance Reserve, a General Reserve maintained at 4% of the net revenue budget.

## 17 Conclusions

- 17.1 The overall financial context for Sussex Police remains challenging.
- 17.2 The approach set out in this MTFS will deliver a balanced budget. It sets out how all four years will be financed and the general reserve will be maintained at approximately £10m in line with the reserve strategy. The management of this position is achieved through the use of one-off reserves in a managed way, rationalisation of estates, workforce reduction plans, new operating model efficiencies and non-pay savings.
- 17.3 The MTFS does indicate that a sustainable financial position can be achieved over the period 2017/18 to 2020/21 and the PCC and Chief Constable are fully committed to taking the necessary decisions to achieve this outcome.

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## APPENDIX A (RESERVES POLICY)

General Reserve		Level or Target
Provides a working balance to cover day to day cash flow requirements and to cover exceptional unforeseen financial and operational risks. The target level of the reserve is reviewed and as part of the annual budget setting process.		4% of Net Revenue Expenditure Budget as at 31 March each year.
Contingency and Risk		
Insurance Reserve	<p>Provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages. This Reserve is funded from revenue or transfers from other reserves and adjusted annually, following an independent actuarial review, to reflect inflation and risk up to date 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 be settled are carried as a financial provision whilst known incidents where no claim has yet been made, are covered by the insurance reserve. The revenue account is used to meet any in-year liabilities if they arise. Any year-end variance in the revenue claims budget will not normally be met from or transferred to the general force budget, but transferred to/from the insurance Reserve. The level of the reserve is reviewed annually.</p>	Assessed as part of the annual insurance actuarial review.
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 MTFF and dependant on 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 are 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>As part of a wider review of the custody PFI contract a review was commissioned to determine why the PFI reserve of £12.794 million has been set aside as an earmarked reserve, what the reserve is to fund and when. It concludes that £10.3m could be reallocated from the reserve leaving a balance to be retained for the PFI contract review process.</p> <p>This reserve will be discontinued once exhausted.</p>	As a review of the PFI contract is currently underway, the opportunity will be taken to review the PFI reserve during 2017/18.
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 PCC's and Chief Constable's revenue budgets are managed via this reserve in accordance with the PCC's carry-forward policy.	Agreed annually by the PCC as part of the final outturn.
Sussex Safer Road Partnership (SSRP)	Balance of funding for the Sussex Safer Roads Partnership. This reserve can be used to finance capital or revenue expenditure. The level of this reserve may fluctuate year on year as under-spends are transferred in. However £1.2m is ring-fenced so that in the event that the Partnership is dissolved, there are sufficient funds to cover one year of running and decommissioning costs. This reserve belongs to the SSRP Partnership and any funds remaining will be returned to the contributing partners on a pro rata basis.	Transfer of any SSRP under-spend to reserves at year.
Local Policing Transition Support Reserve	This reserve was created following a Balance Sheet review during the 2017/18 year by reallocating existing earmarked reserves no longer required for their original purpose, plus an additional £2m contribution from the 2017/18 forecast underspend. Specific use of this reserve will be to smooth the impact of changes to police officer numbers in order to strengthen local policing. Specific tranches of this reserve will be released over the period to April 2020 via agreement at monthly financial accountability meetings between the Force and the PCC.	Specific reserve set up during 2017/18 to be released over the period to April 2020.

## APPENDIX B (FINANCIAL RISK ANALYSIS)

Issue	Assumption	Comment
<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 there are sufficient resources to deliver future Police & 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>	Provision for national pay awards ceiling of 1%. Staff turnover and increments based on detailed analysis of current staff profile and trends. General price inflation of 2%	Whilst the number of police officer leavers is difficult to predict, recruitment and promotions are managed during the year across the Force to match staffing need and resources to budget. Close corporate monitoring of the overall budget and management action to maintain financial discipline is particularly important given the Force faces reductions in staffing through budget changes, as well as the PCC's approved investment in Police & Crime Plan and Force priorities. As such a new approach has been introduced to oversee these changes through a workforce planning board chaired by the DCC. There is also a requirement from the PCC's CFO to improve transparency of workforce commitments to be included in the monthly reporting. Pay and price contingency is available to meet unexpected increases in year including the 2017/18 one-off non consolidated rise of 1%. The risk that prices may rise is mitigated by budget monitoring arrangements and actively managing spend pressures.
<b>Limits to Precept Increases</b>	Future precept planning assumption of a £5 increase.	The Localism Act 2011 gives a statutory obligation for council tax referendums to be held should a precept higher than prescribed be considered by the PCC. The Secretary of State for Communities and Local Government set the level above which a referendum would be required at 2%. Decisions on any increase to the precept are made by the PCC annually. Compared to other police areas, Sussex has fifth lowest precept.
<b>Grant Levels</b>	Overall revenue grant reduction of 1.4% in 2017/18. Capital grant reduction of 48.7% in 2017/18 to £0.906m.	2017/18 was a one year only settlement. Changes to the grant formula may further reduce the level of grant payable but no adjustment is necessary in 2017/18.
<b>Council Tax</b>	Collection rates advised by individual billing authorities	The risk of council tax collection rates being lower than expected could impact on the collection fund balances and any surpluses payable to the PCC. Billing authorities' factor in prudent collection rates to mitigate this risk.
<b>Budget Estimates (Expenditure)</b>	Provision for specific on-going cost pressures	The budget estimates including all identified additional costs for 2017/18, supported by input and review by the Chief Financial Officers. Risks of budget overspend are mitigated by the monthly budget monitoring process and formal monitoring reports to the PCC.
<b>National IT Systems</b>	Move to full cost charging without transfer of funding from Home Office.	Further potential costs related to the national changes to training and the creation of the national police college could continue in 2017/18 and beyond.

Issue	Assumption	Comment
<b>Budget and financial reporting</b>	<p>Savings requirement of £26.5m to 2020/21 with planned savings of £11.2m in 2017/18.</p> <p>Monthly 'Group' budget monitoring</p>	<p>Action plans to deliver savings from April 2017 continue to be reviewed 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 2017/18 and beyond heavily depends on the delivery of savings from the LPP and the Policing Together Programme (joint vision and services with Surrey Police). Wider blue light collaboration will contribute to the delivery of savings over the medium term.</p> <p>The Force Director of Finance has raised the issue of translating purple savings earlier than was achieved in previous years at the Joint Chief Officer Meeting, Force Executive Board and the Change Programme Board.</p> <p>Necessary improvements to financial monitoring have been identified during 2016/17. These improvements are being put in place and a more rigorous process of monthly review will be carried out throughout 2017/18, including closer scrutiny by the Forces Director of Finance and the PCC's Chief Finance Officer.</p>
<b>Levels of Reserves</b>	<p>Forecast to reduce over the term of the MTFS</p>	<p>Currently used to finance the capital and investment programme and major change initiatives. It remains a risk that the level of reserves is adequate to meet unplanned demand.</p> <p>To mitigate this risk, the General Reserve is kept at a minimum of 4% of revenue expenditure.</p>
<b>Interest rates, investment and borrowing</b>	<p>Interest rates assumptions of 0.40%</p> <p>Borrowing at fixed rates.</p>	<p>Forecasts of investment income for 2017/18 onwards 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, to address the risk of interest rates being lower than expected.</p> <p>The risk of investment fund loss due to collapse of the financial institution with whom the deposit is placed, is limited by controls within the Treasury Management Strategy focus on security rather than returns. Potential impact is mitigated by a diverse portfolio with top credit rated institutions.</p> <p>At this stage, no borrowing has been planned to finance the capital programme in 2017/18 or beyond.</p>
<b>Income Assumptions</b>	<p>Income budgets reduced for specific items.</p>	<p>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. The increase in firearms licence costs will provide additional income.</p>
<b>Policing of Gatwick Airport</b>	<p>Funding of £12.9m in 2017/18.</p>	<p>The existing public Services agreement for Policing Gatwick Airport expires on 31 March 2017. Negotiations are underway to renew this agreement for a further three years to 31 March 2020.</p>
<b>Reductions in security grants</b>	<p>Potential reductions in Airport and other security grants.</p>	<p>MTFS assumes that grants will continue at current level. If subsequently reduced, savings will be made to cover the reduction outside of core savings targets.</p>
<b>Operation Otter</b>	<p>Costs in excess of government grant to be met from Reserves or central reimbursement</p>	<p>The 2017 Labour Party Autumn Conference being held in Brighton is planned for. The scale of the operation is expected to be relatively low key and additional costs are not expected to be significant.</p>

Issue	Assumption	Comment
<b>Public disorder</b>	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, significant costs may be incurred on anticipated events in 2017/18. It is proposed that in-year 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.
<b>Operational Demands</b>	Public Protection and Digital Forensics.	Key operational pressures include continuing increase in demand and complexity of public protection cases (domestic abuse and vulnerable children/adults) plus changes in nature/type of evidence collection (more digitally based); requiring additional time/resource and cost to process.
<b>Capital Programme</b>	Latest plans	There is a risk of the capital programme being understated, or that over spending occurs, resulting in insufficient funding being available as planned. Slippage may also impact on operational demands. These risks are mitigated by regular review of all major projects including the Estates Strategy; focus on key priorities agreed in advance, together with monthly budget monitoring and regular monitoring reports to the PCC.
<b>Capital Financing</b>	MRP is calculated on an asset by asset basis	This Capital Financing risk is of charges being greater than budgeted. This is mitigated by considering revenue and capital implications of major project spend within the capital and investment planning process and inclusion within the MTFF. The MRP debt repayment provision is calculated on individual assets and 100% of borrowing has fixed term rates, thus will not be impacted by changes in interest rates.
<b>National ICT Programmes</b>	Latest plans	There is a risk that delays to the implementation of national ICT schemes including ESMCP, NLEDP, HOB & DPP present significant risk. These risks will be managed by regular review of all these major projects.
<b>Risk Management</b>		Financial consequences could result if all major risks have not been identified when the budget has been set. This is mitigated by robust risk management arrangements in place with formal reporting to the Joint Audit Committee; comprehensive insurance arrangements in place; and an adequate reserves policy and reserves (including the insurance reserve, general reserve and operational reserve balances).