



Sussex Police & Crime Commissioner

To:	The Police and Crime Commissioner for Sussex
From:	Chief Finance Officer
Subject:	Approval of the Council Tax Precept, Revenue and Capital Budgets 2018/19
Date:	07 February 2018

Purpose of Report:

On 19 January 2018 the Police and Crime Panel agreed the proposals of the Police and Crime Commissioner for Sussex to issue a band D council tax precept for the Sussex area of £165.91. There are statutory requirements for the Commissioner to calculate the budget requirements and formally issue a precept for the financial year.

Recommendations:

As set out on the attached report it is recommended that the Police and Crime Commissioner approves:

- The proposed revenue and capital budget 2018/19;
- The reserves policy;
- The calculations of council tax in 2018/19 in accordance with sections 43, 44 and 47 of the Local Government Finance Act 1992, as amended;
- The council tax precept of £165.91 for band D to be issued in 2018/19;
- The prudential indicators;
- The method of calculating Minimum Revenue Provision (MRP) for 2018/19

Approval of the Council Tax Precept and Revenue and Capital Budgets 2018/19

Report by Iain McCulloch, Chief Finance Officer to the Police and Crime Commissioner for Sussex

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1 Purpose of the Report

- 1.1 The purpose of this report is to request the Police and Crime Commissioner for Sussex (the PCC) to approve the revenue budget, capital programme and precept for the financial year 2018/19 and issue a demand to the billing authorities as a major precepting authority.

2 Background

- 2.1 The Local Government Finance Act 1992, as amended by the Localism Act 2011 sets out the requirements for the Commissioner to consider council tax calculations by major precepting authorities.
- 2.2 This report sets out the proposed revenue budget and capital programme for 2018/19, together with a review of the current year's budget position to allow a budget and council tax to be approved in accordance with legislative requirements.
- 2.3 In preparing the Revenue and Capital Budgets for 2018/19 the PCC has considered the following issues:
- The Police Grant settlement for 2018/19;
 - The key principles underlying the four year Medium Term Financial Strategy 2018/19 – 2021/22 (MTFS);
 - The likely revenue and capital outturn for 2017/18;
 - The budget pressures in 2018/19;
 - Delivery of the Police and Crime Plan;
 - Budget savings;
 - The options for the council tax precept;
 - Reserves;
 - Risk assessment; and
 - The Prudential Code for Capital Finance in Local Authorities.

3 Proposed Council Tax and Revenue & Capital Budgets 2018/19

- 3.1 On 19 January 2018 the Police and Crime Panel agreed the proposals of the PCC to increase the council tax precept for 2018/19 by £12 (7.8%%) on a band D property (See Appendix G). This increase is within the referendum limits set by Government.
- 3.2 This resource combined with the £17m already authorised from reserves substantially reduces the previously planned savings requirements for 2018/19. In addition the MTFS sets out how the overall savings requirement could reduce to £3.0m to 2021/22.
- 3.3 The key considerations driving this decision are:

- There has been an exponential rise in public demand on police services;
- Criminal investigations are becoming increasingly complicated, with huge amounts of digital material to identify, secure and analyse, and the threshold for prosecution is very exacting;
- The public want to see investment in more visible, local policing, focusing on crimes like burglary and anti-social behaviour and they rightly want to feel safe on the roads, in public spaces and at night-time;
- They also want to see improvements in the force's approach to public contact and more support to the 101 service;
- HMICFRS (Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services), has recently acknowledged the public's concerns about changes to neighbourhood policing, and stressed the importance of community intelligence;
- The PCC's consultations and correspondence with the public show that a majority of Sussex residents are prepared to support their police service through increased precept contributions.
- The financial backdrop of the:
 - 5th lowest precept of any PCC in England and Wales.
 - 7th lowest net revenue cost per head of population and;
 - 7th lowest total funding per head of population at £160.9 which equates to a £36.2m difference to the average in England and Wales.

3.4 In summary:

- A proposed net revenue budget of £265.988m for policing and crime reduction that includes;
- Provision for increases in pay and prices of £13.8m
- Revenue contribution of £2.1m to support capital investment;
- Revenue budget savings of £1.3m in 2018/19;
- Capital and Investment in buildings, vehicles and new technology of £11.9m in 2018/19;
- Use of £8.9m from capital receipts and reserve transfers to support investments;
- An increase of £12 on the council tax precept in 2018/19 to enable additional investment of £7.4m to sustain policing and deliver the Police and Crime Plan priorities.

4 Financial Strategy

- 4.1 The 2018/19 budget is the first of the four year MTFS 2018/19 to 2021/22.
- 4.2 The overall financial strategy seeks to deliver the PCC's Police and Crime Plan, the mission, vision and values of Sussex Police and meet the requirements of the Strategic Policing Requirement.
- 4.3 This sets out the service developments, response to changes in crime and demand and how it will work in partnership with other agencies to maximise effectiveness. This also includes the workforce plan.
- 4.4 A copy of the MTFS can be found on the PCC's website at [this link](#).

5 Police Finance Settlement

- 5.1 The key headlines of the police grant settlement for 2018/19 are:
 - A one year settlement but with some certainty for 2019/20;
 - Flat cash grant settlement - the settlement has not provided any additional core grant resources but it has enabled all PCCs to raise additional funds from local taxation;
 - In 2018/19 all PCCs will be allowed to increase Band D precept by £12;
 - Efficiency and productivity targets are to be set by the Home Office for 2018/19;
 - Reserve balances and the use of them are to be subject to further transparency requirements;
 - The police funding formula review is unlikely to be revisited until the next spending review.

6 Funding Formula

- 6.1 The Police Funding Formula divides up how much money each police force receives from the overall central government funds. It takes into account a number of factors to assess demand in each area.
- 6.2 Earlier this year, the Home Office and police partners engaged on potential changes to the police funding formula. However, in the context of changing demand, the Minister for Policing and the Fire Service Nick Hurd has said that providing funding certainty over the next two years to enable the police to plan in an efficient way is his priority.
- 6.3 Therefore, proposed changes to the funding formula will be revisited at the next Spending Review.
- 6.4 Due to the uncertainty and range of possible outcomes no assumptions regarding a change to the funding formula have been included in the MTFS.

7 Capital and Investment

- 7.1 Capital and investment expenditure of £11.9m in 2018/19 to be financed by a combination of government grant, capital receipts and reserve transfers.

8 Capital & Investment Programme 2017/18

- 8.1 The Police and Crime Commissioner has an approved revised capital budget for 2017/18 of £27.3m. The third quarter capital monitoring report outlined a revised capital estimate of £25.8m as at 31 December 2017. The reduction in the revised estimate for the year reflects some projects deferred or delayed to 2018/19.
- 8.2 We will continue to monitor the capital programme to review and revise projects accordingly.

9 Capital & Investment Programme 2018/19

- 9.1 The following table summarises the capital programme 2018/19:

Capital & Investment Plans	2018/19 £m
Information Technology Strategy	4.117
Fleet Strategy	4.746
Specialist Crime	0.200
Corporate Development	0.060
Operations Department	0.252
Communications	0.050
Shared Business Services	-
Estates Strategy Investment	2.465
Total MTFS Capital & Investment Programme	11.890

9.2 Key areas to note in the proposed programme are:

- **Building Works and Estates & Facilities** – The Estates Strategy seeks to provide an estate that supports and improves the delivery of policing services for the public in an affordable and cost-effective way. An updated Strategy for 2018-2022 continues to identify opportunities to rationalise the estate, and reduce running costs, by providing efficient and affordable building shared with partners. The Strategy focuses on continued delivery of these properties in East Sussex, with a new tranche of shared co-located premises, in some significant new build properties in West Sussex. This is alongside Sussex Police investing in key freehold owned hubs, to enable officers and staff to work from dedicated buildings in a flexible manner across the estate, and offsite or within the community. This investment is underpinned by identifying potential surplus sites to generate capital receipts, and ongoing revenue income through commercial lease – these will be closely monitored throughout the period of this MTFS;
- **Computer and Communications** – Information Technology (IT) plays an important role in the delivery of services to communities. Investment is required to support projects and programmes at three different levels – National, Regional and Local programmes. Projects as wide ranging as Moving to Office 365, the need 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, moving to IT cloud based solutions, data centre phone exchange systems, mobile data technology replacement and digital evidence management systems. Investment will also continue on the roll out of devices for frontline staff;
- **Vehicles and Equipment** – The provision of an efficient, cost effective and sustainable fleet is essential to support policing activities. The pre-planned vehicle replacement programme will therefore continue throughout the MTFS period. New vehicles are purchased direct from manufacturers through National Framework Agreements to maximise the benefits of scale. However, increased cost pressures in this area of investment have been observed recently due to a number of factors including price increases of at least 3.5% on vehicle purchases and more frequent replacement requirements due to high levels of mileage. In car telematics and CCTV technologies add a further level of cost and complexity to ensuring vehicles are fit for purpose. In a proactive initiative to meet the requirement for “cleaner and more environmentally friendly” vehicles, the PCC supports the purchase of hybrid and electric vehicles for selected operational roles; whilst the initial

purchase price of these vehicles is higher, savings in fuel and running costs are expected to reduce the whole life cost of these vehicles, compared with their wholly fossil fueled alternatives.

10 Revised Revenue Budget 2017/18

10.1 The Police and Crime Commissioner's net revenue budget for 2017/18 before the use of reserves is £255.508m (£256.966m after reserves). The Quarter 3 monitoring shows a forecast budget overspend of £2.439m as at 30 December 2017.

Revenue Monitoring Quarter 3 Position Police & Crime Commissioner	Quarter 3 Forecast 2017/18 £m	Revised Budget 2017/18 £m	Forecast Variance 2017/18 £m
Chief Constable	251.783	249.032	2.751
Office of the PCC	1.385	1.445	(0.060)
Community Safety	1.965	1.965	0.000
Victim Services	2.617	2.617	0.000
Grant Income (Victims)	(2.587)	(2.587)	0.000
Treasury Management Interest	(0.330)	(0.299)	(0.031)
Total Income & Expenditure	3.050	3.141	(0.091)
Financial Provisions	2.964	3.335	(0.371)
Transfers to/(from) Earmarked Reserves	1.608	1.458	0.150
Total Provisions & Reserves	4.572	4.793	(0.221)
Total PCC Controlled Budget	7.622	7.934	(0.312)
Net Expenditure	259.405	256.966	2.439
Central Government Grant Income	(162.800)	(162.800)	0.000
Council Tax Precept Income	(94.166)	(94.166)	0.000
Central Grant and Precept Total	(256.966)	(256.966)	0.000
Overspend - to be met from Reserves	2.439	0.000	2.439

10.2 Employee costs make up almost 90% of the Chief Constables budget. Employee numbers and pay are monitored in detail throughout the year within a workforce plan. The Force has continued to reduce establishment numbers to support on-going financial savings in line with reductions identified in the target operating model and major change programmes during the year.

10.3 The impacts of the 2% police officer pay increase and the assumption of a similar increase for staff has been factored into the Quarter 3 forecasts for review by the PCC in February.

10.4 The table below sets out the revised reserves forecast for 2017/18.

2017/18 Reserves	Revised Opening Balance 1-Apr-17 £m	Planned Use of Reserves £m	Closing Balance 31-Mar-18 £m
General	10.807	(0.529)	10.278
Capital & Investment and Capital Receipts	20.576	(20.576)	-
Delegated Budget Holder	8.995	(5.235)	3.760
Sussex Safer Roads Partnership	3.087	(0.404)	2.683
Other Usable Reserves	19.742	(0.373)	19.369
Total 2017/18	63.207	(27.117)	36.090

11 Revenue Budget 2018/19

- 11.1 The provisional financial settlement for 2018/19 maintained the total core revenue grants at the same level as the previous year which for Sussex is £162.8m.
- 11.2 The settlement for 2018/19 confirmed that all PCCs will be able to increase their precept by up to £12 without having to hold a referendum. This represents an increase of 7.8% for Sussex. Previously those increases were restricted to no more than 2%, or £5 for PPCs in the lower quartile.
- 11.3 Budget Pressures - including pay and price increases and other growth and inflation cost pressures total £13.8m in 2018/19. £3.9m relates to pay and price pressures including the 2% pay award assumption; £9.9m includes growth particularly around IT services, inflation costs for essential contracts and reduced grant income for specific grants.
- 11.4 Budget Savings – represent the gap between resources and planned expenditure. Current plans are to make £1.3m. Further information on savings is included in section 12.
- 11.5 Reserves – The prudent use of reserves is essential to balance the 2018/19 budget. Further information on reserves is included in section 15 and Appendix D.
- 11.6 For the financial year 2018/19, the proposed total net expenditure after the use of reserves is £266.0m.

12 Budget Savings

- 12.1 The gap between resources and planned spending in 2018/19 before the use of reserves e.g. the Local Policing Transition Reserve is £1.3m and is included as part of the MTFF as follows:

2017/18 £m	Savings Requirement	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
(11.2)	Budget savings before use of LPP reserve	(1.3)	6.9	1.7	(5.7)	1.6
4.6	Re-phasing Police Officer Reductions from Reserves (one-off impact)	8.4	4.0	0.0	0.0	12.4
0.0	Re-phasing Police Officer Reductions Savings	(4.6)	(8.4)	(4.0)	0.0	(17.0)
(6.6)	Profiled budget (savings) / investment	2.5	2.5	(2.3)	(5.7)	(3.0)

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

- LPP including elements of prevention, response policing and completion of neighbourhood policing projects (this programme has now been implemented in 2017/18 based on a scalable model). The new Sussex 18-22 Transformation Plan will allocate additional precept resources over the next four years to ensure that the service is able to meet demand, and to help sustain local policing at appropriate levels;
- Policing Together Programme (collaboration with Surrey Police) including Roads Policing; Specialist Crime capability; 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;
- Estates and facilities strategic transformation programme and making better use of the operational estate, including collaborative opportunities;
- Maximising income generation for areas of service provision (particularly in the back office) that have the potential to be more commercially aligned; and
- Looking ahead, additional collaboration savings will also be sought from closer regional working between Sussex, Surrey, Thames Valley and Hampshire forces.

12.3 There is still an overall savings requirement of £3.0m up to 2022 within the latest MTFS. This estimate could be impacted by any further changes as a result of anticipated grant reductions the outcome of any change to the Funding Formula and precept decisions.

12.4 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.

13 Revenue Budget Summary 2018/19

13.1 A summary of the 2018/19 Net Revenue Budget follows:

Revenue Budget Summary 2018/19	Gross £m	Grants £m	Income £m	Net £m
Chief Constable's Operational Delivery Budget	296.826	(6.920)	(22.662)	267.244
Office of The Police and Crime Commissioner	1.286			1.286
Community Safety	1.635			1.635
Victim Support Services and Restorative Justice	1.954	(1.954)		0.000
Financial Provisions	3.397			3.397
Treasury Management Interest	0.201		(0.500)	(0.299)
Transfers to/(from) Earmarked Reserves	1.083		(8.358)	(7.275)
Total Net Budget Requirement 2018/19	306.382	(8.874)	(31.520)	265.988

13.2 The budget for the Chief Constable provides for all day to day operational policing activities. The budget for the Police and Crime Commissioner includes running costs of the Office of the Police and Crime Commissioner, community safety, victim support and restorative justice, capital financing costs for both corporate bodies, treasury management interest and transfers to and from reserves.

14 Council Tax Options 2017/18

14.1 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 the council tax above the limits that apply to them will have to hold a referendum.

14.2 The settlement for 2018/19 confirmed that all PCCs will be able to increase their precept by up to £12 without having to hold a referendum. This represents increases of between 5.34% for Surrey the highest precept and 12.2% for Northumbria the lowest precept. Sussex would equate to 7.8%. Previous increases were restricted to no more than 2%, or £5 for PCCs in the lower quartile.

14.3 The PCC also sought the views of Sussex residents regarding a potential increase in the budget precept.

14.4 The PCC ran an online consultation from November 9th 2017 to January 5th 2018. This was widely publicised in the media, and by partner organisations across the county and resulted in the biggest public response of the past five consultations.

- 14.5 A total of 4,559 responses were received (compared with 4,485 responses in 2017) which gives the results a confidence interval of approximately +/- 1%.
- 14.6 Around three fifths (63%) of respondents answered 'Yes' when asked "Would you be prepared to pay more, through your council tax, for policing in Sussex?"
- 14.7 Of those prepared to pay more, two thirds (66%) would be prepared to pay an additional £10 a year and one fifth (20%) would be prepared to pay an additional £5 a year.
- 14.8 The remaining 14% answered that they would be prepared to pay an additional 'Any other amount'. These respondents were then asked to specify an amount, with the most common response being £50 a year.
- 14.9 To account for any possible duplicate responses, a random 20% of the sample was analysed. Of these 917 responses, 64% answered 'Yes' they would be prepared to pay more, through their council tax, for policing in Sussex, with 36% answering 'No'. This is in line with the overall findings of the consultation.
- 14.10 Further details about the breakdown can be found on the PCC's website at this [link: Results of the Precept Consultation January 2018](#).
- 14.11 In accordance with [legislation](#) the council tax option to increase the precept by £12 was considered by the Police and Crime Panel on 19 January 2018. The full report can be found in Appendix F. The Panel supported the proposal and the letter from the Chair of the Panel confirming the increase can be found in Appendix G.
- 14.12 Billing Authorities have advised that the council tax base for 2018/19 has increased by 9,764.3 (1.61%) to 615,420.9 Band D.
- 14.13 The increase to the Band D precept by £12 will raise an additional £8.888m for 2018/19.
- 14.14 The anticipated precept income of £102.104m is included in the MTFS (Medium Term Financial Strategy) that sets out the assumptions and detail of how this decision is affordable over the medium term.
- 14.15 In addition all thirteen billing authorities in East and West Sussex and Brighton and Hove City Council will pay collection fund surpluses totalling £1.084m in 2018/19.

15 Reserves 2018/19

- 15.1 The PCC's reserves policy is set out in the MTFS and is subject to regular review.

15.2 A full analysis of the PCC's revenue reserves and their planned use in 2018/19 taking into account the proposals outlined is set out in the following table.

USABLE RESERVES	Estimated at 31 March 2018 £m	Planned use of reserves 2018/19 £m	Estimated at 31 March 2019 £m
Capital & Investment Reserve and Capital Receipts	0.000	0.000	0.000
Asset Seizures	0.396	0.000	0.396
Delegated Budget Holder Reserve	3.760	(1.106)	2.654
Sussex Safer Roads Partnership	2.683	(0.052)	2.631
PFI	2.494	(2.494)	0.000
Insurance	4.102	0.000	4.102
Local Policing Transition	12.377	(8.358)	4.019
Total Earmarked Reserves	25.812	(12.010)	13.802
General Reserve	10.278	0.362	10.640
Total Usable Reserves	36.090	(11.648)	24.442
% of Net Revenue Budget	14%		9%

15.3 Capital receipts received in year will be applied to fund capital expenditure in year.

15.4 The reserves policy principle is to maintain the general reserve at a minimum of 4% of Net Revenue Expenditure. As at 31 March 2019 the balance is estimated to be £10.640m which equates to 4.0%.

16 Adequacy of Reserves and Robustness of Budget Estimates

16.1 Revenue and Capital Reserves are an important resource for day to day as well as medium term financial planning despite being one-off in nature. The Chartered Institute of Public Finance and Accountancy consider that PCCs should establish reserves including the level of those reserves based on the advice of their chief finance officers and should make their own judgements taking into account all the relevant local circumstances.

16.2 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A 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. The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.

16.3 The Home Office Financial Management Code of Practice also sets out the following requirements:

- PCCs to establish a policy on reserves including how they may be used;

- Full details of how the reserves and provisions policy will operate locally;
- Ensure that the annual budget includes a realistic amount of operational contingency that is available to the Chief Constable for operational priorities without the need for additional approval; and
- Provision for budgets to be carried forward from one financial year to the next.

16.4 The establishment and maintenance of resource backed reserves are held for four main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- Funds to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- Funds for the purposes of managing risk e.g. insurance reserve; and
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the reserves.

16.5 The Chief Finance Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds. Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer to advise about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.

16.6 In assessing the appropriate level of reserves, a well-managed PCC will ensure that the reserves are not only adequate but are also necessary.

16.7 The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level despite the pressures to compare between PCCs nationally.

16.8 One of the key sources of assurance is through risk management and the process of taking appropriate action to mitigate or remove risks where possible. This in turn may lead to a lower level of reserves being required, and it would be appropriate to consider reducing the level of balances held where appropriate action to mitigate or remove

risks has been successfully undertaken. A balance will need to be found between maintaining adequate levels of reserves and investing in risk reduction measures. This balance should form part of the risk management process and be considered as part of the annual budget process.

- 16.9 The Local Government Act 2003 requires the Chief Finance Officers to undertake an assessment of the robustness of the budget estimates and the adequacy of reserves.
- 16.10 The budget and MTF5 allows the Police and Crime Commissioner to consider the prudent use of reserves in the context of the future spending pressures and potential risks arising from potential changes to the funding formula without having a detrimental effect on policing.
- 16.11 In assessing the robustness of the budget, the Chief Finance Officers have considered the following issues:
- The general financial standing of the PCC;
 - The underlying budget assumptions, including an assessment of the estimates for pay and price increases;
 - A risk assessment of expenditure and income estimates including adequacy of budget monitoring and financial reporting arrangements (See Appendix A);
 - The future budget pressures identified in this report;
 - The adequacy of the budget monitoring and financial reporting arrangements;
 - The adequacy of the PCC's governance arrangements and internal control system;
 - The adequacy of general reserves to cover any potential financial risks faced by the Police and Crime Commissioner;
 - The impact of the police grant settlement.
- 16.12 At 31 March 2019, the Police and Crime Commissioner's General Reserve is estimated at £10.640m (4.0% of revenue expenditure), in accordance with the approved reserves policy (see Appendix D).
- 16.13 The PCC's Chief Finance Officer confirms that, after taking account of these issues, the revenue and capital estimates contained in this report are considered robust and that the level of reserves proposed in the review set out earlier is considered adequate to cover the financial risks faced by the Police and Crime Commissioner in 2018/19.

17 Council Tax Requirement

17.1 The Localism Act requires the Commissioner to set a Council Tax Requirement. The calculation of the Council Tax Requirement, based on the proposed revenue budget and contribution from reserves is set out below:

	2018/19 £m	2018/19 £m
Total Revenue Expenditure		273.268
Less Appropriations from Reserves		7.280
Net Budget Requirement		265.988
Less		
Main Policing Grant	96.461	
Revenue Support Policing Grant	53.137	
Council Tax Legacy Freeze Grant	3.062	
Council Tax Local Support Grant	10.140	
Total Policing Grant		162.800
Balance to be raised locally		103.188
Less estimated net surplus on collection funds		1.084
Council Tax Requirement		102.104

17.2 The proportion of collection funds' net surplus due to Sussex Police from its constituent billing authorities is £1.084m for 2018/19 (£0.950m in 2017/18).

17.3 The notified Council Tax base figure is 615,420.9 which is an increase of 9,764 over the previous year.

18 The Prudential Code of Practice in Local Authorities

18.1 The CIPFA Prudential Code is a professional code of practice to support local authorities in taking decisions relating to capital investment in fixed assets. Local authorities, including police and crime commissioners and fire authorities, are required to have regard to the Code under Part 1 of the Local Government Act 2003. The basic principle of the system is that local authorities will be free to invest so long as their capital spending plans are affordable, sustainable and prudent.

18.2 In order to demonstrate that they have fulfilled the objectives of the Code, authorities must produce a range of key Prudential Indicators. The Code does not suggest indicative limits or ratios for these indicators, which are designed to support and record local decision making, and are not intended to be used for comparative purposes.

18.3 These key indicators can be split into two broad categories, affordability indicators and prudence indicators. Affordability indicators concentrate upon the level of capital investment over the

period 2018/19 to 2021/22. Prudential indicators concentrate on the level and composition of external debt, and are therefore very closely linked to the PCC's Treasury Management Strategy.

18.4 Following a consultation on proposed changes to the Prudential Framework, a new Prudential Code is due to be introduced in 2018/19. It is expected that the new Code will no longer specify prudential indicators or thresholds. In the meantime the Police and Crime Commissioner for Sussex has continued to apply prudential indicators as a best practice approach.

18.5 The PCC's proposed Prudential Indicators are shown at Appendix B to this report.

19 Minimum Revenue Provision

19.1 Regulations came into effect from March 2008 with regard to preparing an Annual Minimum Revenue Provision (MRP) Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2018/19 is attached at Appendix C.

20 Financial Considerations

20.1 Financial implications are considered throughout the report.

21 Risk Management

21.1 Associated risks have been considered and recorded as appropriate and are set out in Appendix A.

22 Recommendations

1 The Police and Crime Commissioner is requested to:

- approve the capital and investment programme and authorise the Chief Finance Officer to undertake the appropriate financing;
- approve the revenue budget;
- agree the review of the reserves policy Appendix D; and
- note the review by the Chief Finance Officer in respect of the robustness of the budget and the adequacy of reserves.

2 Note the Council Tax Base of 615,420.9 for the year 2018/19 as notified by the billing authorities within Sussex (item T in the formula in Section 44 (1) of the Local Government Finance Act 1992, as amended).

3 Approve the following amounts for the year 2017/18 in accordance with Sections 43, 44 and 47 of the Local Government Finance Act 1992, as amended:-

- (a) £306.382m being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 43 (2) (a) to (d) of the Act;
- (b) £204.278m being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 43 (3) (a) to (b) adjusted for the item set out in the Act;
- (c) £102.104m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Police and Crime Commissioner in accordance with Section 43 (4) of the Act, as its Council Tax Requirement for the year;
- (d) £165.91 being the amount at (c) above divided by the tax base as notified by billing authorities for Sussex, calculated by the Police and Crime Commissioner in accordance with Section 44 (1) of the Act, as the basic amount of tax for the year;
- (e) Valuation bands being the amounts given by multiplying the amount of (d) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Police and Crime Commissioner in accordance with Section 47 (1) of the Act, as the amounts to be taken into account for the year in respect of the categories of dwelling listed in different valuation bands.

Valuation Band	Amount
A	£110.61
B	£129.04
C	£147.48
D	£165.91
E	£202.78
F	£239.65
G	£276.52
H	£331.82

The Tax Base for the year 2018/19 is the aggregate of the amounts tax bases calculated by the billing authorities to which the Police & Crime Commissioner for Sussex issues precepts totalling. This totals

615,420.9 for Band D equivalents as set out in the table below. The basic amount of Council Tax (Police Precept) is the budget requirement less the amounts receivable from other funding sources, all divided by the tax base. For 2018/19 this shall be **£165.91** to the nearest penny, for Band D properties. The amounts per band are as above.

- 4** Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2018/19 is not excessive in accordance with the [principles determined under Section 52ZC](#) (1) of the Localism Act 2011 for 2018/19.
- 5** Resolve that in accordance with Section 40 of the Local Government Finance Act 1992, as amended, the billing authorities within the area of this authority be issued with precepts in the amount of £102,104,482 for the financial year beginning 1 April 2018, the amount of the retrospective precepts to be issued to each billing authority's area in accordance with the Sections 43, 44 and 47 of the 1992 Act, as amended.
- 6** Approve the Prudential Indicators as outlined in Appendix B to this report.
- 7** Accept the recommendation of the Chief Finance Officer for the method of calculating MRP for 2018/19 as set out in the Annual MRP Statement at Appendix C to this report.

Iain McCulloch
Chief Finance Officer, Office of the PCC

Mark Streater,
Chief Executive, Office of the PCC

Contact: Iain McCulloch, Chief Finance Officer
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Tel: 01273 481582

Appendices:

- Appendix A** FINANCIAL RISK ANALYSIS
- Appendix B** PRUDENTIAL INDICATORS
- Appendix C** MINIMUM REVENUE PROVISION (MRP) STATEMENT 2018/19
- Appendix D** RESERVES POLICY
- Appendix E** TAX BASE AND LEVY SCHEDULE 2018/19
- Appendix F** PRECEPT OPTION 2018/19 to POLICE AND CRIME PANEL (PCP)
- Appendix G** LETTER FROM THE CHAIR OF THE PCP CONFIRMING PRECEPT DECISION

APPENDIX A (FINANCIAL RISK ANALYSIS)

SUSSEX POLICE AND CRIME COMMISSIONER FINANCIAL RISK ANALYSIS

Issue	Assumption	Comment
Maintaining & improving service performance levels	Resources sufficient to meet targets and priorities in the Local Policing Plan and Strategic Policing Requirement	<p>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.</p> <p>The PCC has made available further one-off resources released from reserves to assist Operational Policing over the period of the MTFS.</p> <p>The higher precept can provide additional resources to meet further demand.</p>
Pay and price budgets and establishment control	<p>Provision for national pay awards ceiling of 2%.</p> <p>Staff turnover and increments based on detailed analysis of current staff profile and trends.</p> <p>General price inflation of 2%</p>	<p>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.</p> <p>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 'Establishment Board' chaired by the Deputy Chief Constable. There is also a requirement from the PCC's CFO to improve transparency of workforce commitments to be included in the monthly reporting.</p> <p>Pay and price contingency is available to meet unexpected increases in year.</p> <p>The risk that prices may rise is mitigated by budget monitoring arrangements and actively managing spend pressures.</p>
Limits to Precept Increases	Future precept planning assumption of a £12 increase.	<p>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 over £12 for all PCCs and has indicated this could be the same for 2019/20.</p> <p>A shortfall in precept funding would arise if the precept increases are lower than estimated.</p> <p>An increase in excess of the referendum level would result in the requirement to hold a referendum and the costs met by the OPCC.</p>
Grant Levels	<p>Overall revenue grant frozen for 2018/19.</p> <p>Capital grant frozen for 2018/19.</p>	<p>2018/19 was a one year only settlement. Future reductions in funding including unfavourable review of the funding formula is possible within the MTFS period, this will be monitored regularly with proactive input to any funding formula reviews or consultations arising.</p> <p>Assumption that flat cash grant will continue but there is a risk of further cuts in future years. The reduction in 2017/18 was 1.4% £2.1m. Changes to the grant formula may further reduce the level of grant payable but the outcome of that is expected after the next government spending review.</p>

Issue	Assumption	Comment
Council Tax	Collection rates advised by individual billing authorities Tax Base	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. The tax base is expected to increase during the MTFS period but the assumptions could be impacted by changes to the mix of dwellings, discounts and the impact of unemployment numbers within billing Authorities council tax reduction schemes.
Budget Estimates (Expenditure)	Provision for specific on-going cost pressures	The budget estimates including all identified additional costs for 2018/19, 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.
Budget and financial reporting	Savings requirement of £1.3m in 2018/19 and net £3.0m to 2021/22. Monthly 'Group' budget monitoring	Action plans to deliver savings 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. The achievement of savings in 2018/19 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. Necessary improvements to financial monitoring identified during 2016/17 are now in place with a rigorous process of monthly review, including close scrutiny by the Forces Director of Finance and the PCC's Chief Finance Officer.
National IT Systems	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 2018/19 and beyond.
Levels of Reserves	Forecast to reduce over the term of the MTFS	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 and unexpected costs. To mitigate this risk, the General Reserve is kept at a minimum of 4% of revenue expenditure. An annual review of all reserves is undertaken at budget setting along with a post year-end review and update to the MTFS.
Interest rates, investment and borrowing	Interest rates assumptions of 0.40% Borrowing at fixed rates.	Forecasts of investment income for 2018/19 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. 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 which focus on security rather than returns. Potential impact is mitigated by a diverse portfolio with top credit rated institutions. At this stage, no borrowing has been planned to finance the capital programme in 2018/19 or beyond.

Issue	Assumption	Comment
Income Assumptions	Income budgets reduced for specific items.	Some risk of achieving on-going level of income targets included in Divisional and Department budgets. This will be monitored during the year and appropriate action or mitigation agreed as necessary. Additional income may be received in-year due to unforeseen events. Budget adjustments will be requested where appropriate.
Policing of Gatwick Airport	Funding of £13.9m in 2018/19.	The existing public Services agreement for Policing Gatwick Airport was renewed during 2017 for three years to 31 March 2020.
Reductions in security grants	Potential reductions in Airport and other security grants.	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.
Public Order	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 2018/19. 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.
Operational Demands	Public protection	Key operational pressures include continuing 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.
Capital Programme	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 and ERP project, focus on key priorities agreed in advance, together with monthly budget monitoring and regular monitoring reports to the PCC.
Capital Financing	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. No further borrowing is planned to finance the capital programme within this MTFS.
National ICT Programmes	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 with support and additional scrutiny from the Joint Audit Committee.
Risk Management		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 and general reserve balances).

Issue	Assumption	Comment
PRTB Grant Funded Risks		<p>The PCC is hosting on behalf of Sussex Police a national ICT programme funded via police transformation grant (PRTB) and is project lead on another for Video Enabled Justice. Both grant funded projects are subject to their own separate grant agreement with the Home Office, governance arrangements, and internal control systems including risk management system and are overseen by the PCC.</p>

APPENDIX B (PRUDENTIAL INDICATORS)

PRUDENTIAL INDICATORS

A. Cash Flow

1. The Police and Crime Commissioner sets the following prudential indicators as best practice 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 £22.3m for 2018/19, 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 £37.3m should be approved for 2018/19, 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 2018/19.
 - The Chief Finance Officer will continue to lend surplus cash funds in accordance with the Police and Crime Commissioner's Treasury Policy Statement. It is recommended that a limit of £10.0m be imposed on investments for a year or longer.
2. The Local Government Act 2003 also requires the setting of prudential ratios and limits in accordance within the requirements of the "CIPFA Prudential Code for Capital Finance in Local Authorities". The Code, which is based largely on self-regulation, sets out the indicators that it expects authorities to use, and the factors that they must take into account, to demonstrate that their plans are prudent, sustainable and affordable. It does not, however, include suggested, indicative limits or ratios. These are to be set by each individual Police and Crime Commissioner. Details of the recommended ratios and limits, required by the Code are summarised in the following table:

APPENDIX B (continued)
Prudential Indicators to 2018/19

	Base: Actual 2016/17	Base: Estimate 2017/18	Base: Estimate 2018/19
Impact of Capital Plans on Council Tax			
Impact on Council Tax (Band D Equivalent)	148.91	153.91	165.91
Taxbase Increase	2.33%	3.36%	7.80%
Financial	Actual 2016/17 £ '000s	Estimate 2017/18 £ '000s	Estimate 2018/19 £ '000s
Capital Expenditure	33,896	27,321	11,890
Capital Financing Requirement	19,282	18,358	17,411
Authorised Borrowing Limit	39,144	38,231	37,290
Operational Boundary	24,144	23,231	22,290
Net Borrowing	(75,500)	(65,500)	(35,500)
Financing costs	2,000	2,400	2,400
Net revenue Stream	(291,025)	(295,608)	(307,996)
Financing costs/Net revenue Stream	0.69%	0.81%	0.78%
Borrowing	Actual 2016/17 £ '000s	Estimate 2017/18 £ '000s	Estimate 2018/19 £ '000s
Long Term Borrowing	4,500	4,500	4,500
Long Term PFI Liability	5,823	5,052	14,259
Long Term Finance Lease Liability	672	649	624
Total Long Term Debt	20,995	20,201	19,383
<i>15% x External Debt (Total Long term borrowing)</i>	3,149	3,030	2,907
Operational borrowing limit	24,144	23,231	22,290
<i>£15m additional</i>	15,000	15,000	15,000
Authorised borrowing limit	39,144	38,231	37,290
Investments	(80,000)	(70,000)	(40,000)
Maximum investments at longer than 1 year	(20,000)	(17,500)	(10,000)
Maximum % investment longer than 1 year	25%	25%	25%
Borrowing (actual external borrowing)	4,500	4,500	4,500
Investments	(80,000)	(70,000)	(40,000)
Net Borrowing	(75,500)	(65,500)	(35,500)
Treasury Management	Actual 2016/17	Estimate 2017/18	Estimate 2018/19
Debt Maturity: 10-15 Years	56%	100%	100%
Actual Debt at Fixed Rates as % Net Borrowing	28%	31%	55%
Actual Debt at Variable Rates as % Net Borrowing	7%	8%	14%
Maximum % Borrowing at Fixed Rates	100%	100%	100%
Maximum % Borrowing at Variable Rates	25%	25%	25%
Maximum % Investments at Fixed Rates	100%	100%	100%
Maximum % Investments at Variable Rates	85%	85%	85%
Maximum Allowable Principal Invested > 364 days	25%	25%	25%

APPENDIX C (MINIMUM REVENUE PROVISION (MRP) STATEMENT 2018/19)

The Police and Crime Commissioner is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP). Minimum Revenue Provision (MRP) is therefore an annual charge made to the revenue account which reflects the minimum amount set aside to pay off capital expenditure.

All local authorities (including PCCs) are required to make a prudent amount of MRP provision in addition to any interest payable on outstanding loans in line with Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 [SI3146, as amended]. In addition, local authorities (including PCC's) are able to make additional voluntary payments, known as Voluntary Revenue Provision or VRP. The PCC for Sussex has not made any VRP payments to date.

In guidance issued under section 21(1A) of the Local Government Act 2003, the Secretary of State recommends that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full council or equivalent level.

This statutory guidance (first released in 2008/09 and revised in 2012) also gave Authorities the flexibility of using one of four options, to calculate a prudent level of MRP.

The four MRP options available are:

- Option 1: Regulatory Method (also known as the Existing practice method)
- Option 2: CFR Method
- **Option 3: Asset Life Method**
- Option 4: Depreciation Method

Options 1 and 2 were intended only for Government-supported borrowing and these options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

Options 3 and 4 were meant to be used for all self-financed borrowing.

The Asset Life method has been adopted by the Police and Crime Commissioner for Sussex. This method provides for debt repayment over the life of the asset that has been funded from the borrowing.

The Police and Crime Commissioner approves **an MRP Statement** in advance of each year.

The annual MRP statement indicates how the Police and Crime Commissioner intends to discharge their duty to make a prudent amount of MRP in the forthcoming financial year. A prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

APPENDIX C (continued)

The PCC approves the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR (option 2)

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This option provides for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual PFI or finance leases are applied as MRP.

The MRP statement to 2018/19

	2016/17 £'000	2017/18 £'000	2018/19 £'000
Prudential Borrowing	0	0	0
Cumulative Debt Outstanding at 31 March	4,500	4,500	4,500
MRP – Debt Outstanding	130	130	130
MRP – PFI	315	771	793
MRP – Finance Leases	22	23	25
MRP - Total	467	924	948

APPENDIX D (RESERVES POLICY)

General Reserve		Level or Target
General Reserve	<p>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 as part of the annual budget setting process.</p> <p>The September 2017 review of reserves considered the adequacy and need of the separate £2.5m operational reserve in addition to the General Reserve. It recommended that the £2.5m operational reserve could be incorporated within the existing £10.8m General Reserve balance. This sum is available to the Chief Constable for operational priorities without the need for additional approval.</p>	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 up to date risk management information.</p> <p>To improve consistency in funding claims, there is a need to split claims between a provision on the balance sheet for the cost of claims received and outstanding; and funds held in the reserve to cover claims incurred but not received or quantified. Claims that have been reported and assessed as more likely to 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

APPENDIX D (continued)

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 was set aside as an earmarked reserve, what the reserve was to fund and when. It concluded 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>	The remaining PFI balance is to be used until the review project is completed or reserve exhausted.
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 investigators.
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 at the end of the year to reserves.
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 E (TAX BASE AND LEVY 2018/19)

The Tax Base for the year 2018/19 is the aggregate of the amounts tax bases calculated by the billing authorities to which the Police & Crime Commissioner for Sussex issues precepts totalling. This totals **615,420.90 for band D equivalents** as set out in the table below. The basic amount of Council Tax (Police Precept) is the budget requirement less the amounts receivable from other funding sources, all divided by the tax base. For 2018/19 this shall be **£165.91** to the nearest penny, for band D properties. The amounts per band are as follows:

Valuation Band	Amount
A	£110.61
B	£129.04
C	£147.48
D	£165.91
E	£202.78
F	£239.65
G	£276.52
H	£331.82

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

	Tax Base	Precept Due 2018/19	Surplus/(deficit) from prior year
West Sussex			
Adur	20,923.20	3,471,368.11	2,286.57
Arun	60,402.00	10,021,295.82	49,000.00
Chichester	52,804.30	8,760,761.41	23,215.00
Crawley	34,484.40	5,721,306.80	54,137.01
Horsham	60,846.50	10,095,042.82	167,994.00
Mid Sussex	59,983.30	9,951,829.30	101,940.00
Worthing	38,365.90	6,365,286.47	37,609.09
East Sussex			
Eastbourne	34,354.40	5,699,738.50	118,284.00
Hastings	25,582.00	4,244,309.62	76,418.00
Lewes	37,034.00	6,144,310.94	70,000.00
Rother	37,726.90	6,259,269.98	48,221.00
Wealden	63,937.60	10,607,887.22	114,304.00
Brighton & Hove	88,976.40	14,762,074.52	220,035.00
Total	615,420.90	102,104,481.52	1,083,443.67

This table shows that the Brighton and Hove Council and the district and borough councils be requested to make payments of sums totalling **£102,104,481.52** due under precepts calculated in proportion to their Council Tax Band D equivalents. In addition surpluses and deficits on collection funds will be collected, to the total value of **£1,083,443.67**.

APPENDIX E (continued)

These payments will be made on the following schedule:

	Brighton & Hove	East Sussex area	West Sussex area
Payment 1	11 April 2018	11 April 2018	12 April 2018
Payment 2	18 May 2018	22 May 2018	17 May 2018
Payment 3	27 June 2018	28 June 2018	21 June 2018
Payment 4	03 August 2018	03 August 2018	26 July 2018
Payment 5	12 September 2018	12 September 2018	30 August 2018
Payment 6	17 October 2018	18 October 2018	04 October 2018
Payment 7	23 November 2018	23 November 2018	08 November 2018
Payment 8	02 January 2019	02 January 2019	06 December 2018
Payment 9	08 February 2019	08 February 2019	10 January 2019
Payment 10	13 March 2019	13 March 2019	14 February 2019

APPENDIX F (PRECEPT OPTION 2018/19 to POLICE AND CRIME PANEL [PCP])

Police and Crime Panel Agenda 19 January 2018 -

<http://www2.westsussex.gov.uk/ds/cttee/pcp/pcp190118age.pdf>

Report Precept Option 2018/19 Agenda Item 5

<http://www2.westsussex.gov.uk/ds/cttee/pcp/pcp190118i5.pdf>

Appendix – Draft MTFS 18/22

<http://www2.westsussex.gov.uk/ds/cttee/pcp/pcp190118i5a.pdf>

APPENDIX G (LETTER FROM THE CHAIR OF THE PCP CONFIRMING PRECEPT DECISION)

Bill Bentley
Chairman
Sussex Police and Crime Panel

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West Street
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PO19 1RQ
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First Class Post
Office of the Sussex Police and Crime
Commissioner
Sackville House
Brookes Close
Lewes
East Sussex
BN7 2FZ

23 January 2018

Dear Commissioner,

Proposed Precept 2018/19

At the meeting of the Police and Crime Panel on Friday 19 January the proposed policing precept was considered.

I am writing to confirm that the Panel supported the proposed precept of £165.91 (on a Band D property) or an increase of £12.00 (equivalent to 7.8%).

The Panel is keen to better understand how the funds generated will be spent. Your commitment to provide more detail on the Sussex Police 2018/22 Transformation Strategy at the Panel's meeting on 27 April is therefore welcomed.

Yours sincerely,



Bill Bentley
Chairman
Sussex Police and Crime Panel