



## **The Office of the Police and Crime Commissioner for Devon and Cornwall and the Isles of Scilly**

**Police and Crime Panel Meeting  
6 February 2015  
Report of the Police and Crime Commissioner to the PCP**

**Open for the purposes of FOI**

### **Report of the Police and Crime Commissioner to the Police and Crime Panel**

#### **RECOMMENDATIONS**

- 1) The Police Council Tax for 2015-16 should be increased by 1.99%**
- 2) The Police Council Tax freeze grant for 2015-16 is not accepted**

#### **1. Introduction**

This report marks the end of my second full financial year in office and at a point that is more than half way through my term of office. All plans become out of date as new challenges arise and the world moves on. In recognition of this I have undertaken a refresh of the Police and Crime Plan presented to this panel in February last year, to ensure that it remains relevant to the people of Devon and Cornwall and provides a firm basis on which to calculate the budget for the next financial year and the following three years. The Police and Crime Plan (PCP) is supported by the Medium Term Financial Strategy (MTFS) for the period 2015-16 to 2018-19, which has been drawn up after consultation with the Chief Constable, and shows how my future plans can be afforded within the limitations of declining central government grant and centrally determined permissible levels of council tax increase. The Chief Constable has indicated his support for this plan.

It is not my intention in this report to review the progress and achievements made during 2014-15 in delivering the current Police and Crime Plan as this will be covered in my full year Annual Report to be presented to the Panel in the summer. This report concentrates upon the strategic context within which the financial decisions for the next four years will need to be made and also the difficult choices that will have to be considered

The attached report at Appendix 1 from the Treasurer presents the technical detail considered in arriving at my final council tax decision. This is supported by a booklet which sets out in more detail the MTFS for the period 2015-16 to 2018-19 and the proposed annual budget for 2015-16.

## **2. The Police and Crime Plan**

The 2014-2017 Plan was a multi-year approach and set out 6 key priorities for policing in Devon and Cornwall. :

- *To make our area a safer place to live, work and visit – reducing the likelihood that people will become victims of crime.*
- *To reduce alcohol related crime and the harm it causes.*
- *To promote an effective criminal justice system that delivers high quality services for victims, witnesses and society.*
- *To champion the rights and interests of victims and to support them with accessible and high quality services.*
- *To make every penny count in protecting policing for the long term. To drive for further efficiency, work to secure more central funding and actively explore all avenues to deliver the significant savings we require to sustain our services.*
- *To encourage and enable citizens and communities to play their part in tackling crime and making their communities safer.*

I have reviewed my Police and Crime Plan 2014-2017. In conducting this review I have looked at the work done by Community Safety Partnerships across the peninsula and have consulted with the Chief Constable and his team. I have also given careful consideration to the feedback I receive from councillors, MPs, businesses and the public through regular engagements, bilateral meetings and correspondence and the views of the Police and Crime Panel.

Following this review I believe that my original intentions hold firm but I have identified a number of issues that should be given greater prominence in the refreshed plan, within the existing 6 priorities. These adjustments will increase the focus on tackling child sexual exploitation, sexual offences and cyber crime and put a greater emphasis on the need to engage with communities to understand and address their local concerns. I am currently seeking views from partners and the public on these limited proposals – which will close on 16<sup>th</sup> February 2015. The refresh of the Plan is covered by a separate item on this agenda.

The main plan objective covered in this report relates to making every penny count in protecting policing for the long term.

### **3. The Tough Environment We Face:**

#### **Demand**

The nature of policing is changing and increasing in its complexity. The force faces significant challenges in responding to the changes in demand for services. A good example of this has been the recent national publicity around child sex offences which at a local level has prompted a rise in reported historic sex offences and cases of child sexual exploitation. The investigation of this extra workload will need to be appropriately resourced which places strain on the financial balances built up in previous years. I discuss this further in the section below concerning neighbourhood policing.

Crime has now entered into a technological era where data has become the subject of online theft through hacking into computer systems and illicit trading on the web is becoming more prevalent. The service is responding, however, it is an area of policing in its infancy which needs more resources for its development. It is a key area for new growth funding in this budget.

Changes in service demand are not solely about additional resources they are also about making sure that existing services are running as efficiently as possible and wherever possible reducing unnecessary demand and managing the remaining demand more effectively through streamlined processes and increased use of technology. The Chief Constable has agreed to review the workforce mix to ensure that the different types of staff he employs (e.g. police officers, staff, PCSOs), are deployed in the most effective manner. The benefits of savings which are cash reductions or savings through efficiency are expected to be achieved in this way.

#### **Emerging Crime Trends**

Over the next two years I am committed to keeping officer numbers above 3000 in order to ensure that the fundamental policing requirement of high visibility, rapid response times and crime prevention can be delivered. However, I am aware that there are a number of emerging crime areas such as cyber crime, child sexual exploitation, online fraud and the control of legal highs and I have asked the Chief Constable to provide me with a clearer picture of the resource requirements to tackle these emerging threats. In addition to this, criminal investigation is becoming increasingly complex through the opening of historic cases and cross border investigations.

These additional demand pressures become more severe in the final two years of my plan when, in order to make the savings required, the force will be further stretched through a reduction in staff and police officer numbers. In recognising there is a longer term challenge that cannot be addressed solely through the redeployment of existing resources I am therefore making an additional £1.2m available over three years to address these additional bids for resourcing. These new growth areas would be enabled by my request for an increase in Council Tax of 1.99%.

#### **Our Partners**

In order to deliver effective policing services we rely on our partner organisations to provide direct support e.g. the health service and also indirectly through our local authority and third sector partners for the support to victims. These organisations have themselves been the

subject of major funding cutbacks over the last four years and the reduction in partner resources affects the way in which the force are able to respond to incidents, with extra pressure experienced when partner support is simply not there. Where possible the PCC is seeking to mitigate the impact of these cuts on both partners and the police – for example through securing additional funds from government via the MOJ Victims Competed Fund and the annual Home Office Innovation Fund.

## The Financial Pressures

On 17 December 2014 the government announced detailed funding figures for Devon and Cornwall Police for 2015/16. Full details are included in the Treasurer’s report but in summary the figures were worse than expected; formula grant reduced by 5.1% or £9.0m. This reduction was £2.6m higher than forecast due a higher than forecast reduction of the overall sum allocated to policing and increased retention of the sum allocated for policing by the Home Office for ‘Major programmes’ and other central initiatives.

The following table shows the unexpected reductions of £2.6m in grant.

**Table 1** - The effect of the 2015-16 funding settlement on projected grant income

| Ref      | Description of grant element | 2015-16 Grant Funding in Updated MTFS (Nov) £000 | Actual Grant settlement 2015-16 £000 | Variation £000 |
|----------|------------------------------|--|--------------------------------------|----------------|
| <b>1</b> |                              |  | <b>£000</b>                          | <b>£000</b>    |
| 1.1      | Police Grant                 | 169,437  | 166,800                              | 2,637          |
| 1.2      | Council Tax Legacy Grant     | 15,461   | 15,461                               | -              |
| 1.3      | Total                        | 184,898  | 182,261                              | 2,637          |

Whilst I acknowledge the need for the strong scrutiny the HMIC provides, it seems iniquitous that local policing services are being cut in order to provide that additional scrutiny. The innovation fund top slice removes £2.18m of funding from policing in Devon and Cornwall and gives the Home Office decision making on where, and on what, it is spent. We can hope that our bids will mean a similar amount of funding is returned to the force but this is not guaranteed; irrespective of that, I believe that the decision on where and what the funds are spent on should remain with the PCC and the Chief Constable.

In 2015/16 and 2016/17 budgets can be balanced with current expenditure and savings plans, however for 2017/18 and 2018/19 further additional savings of £9.8m are required. Whilst these savings are being delivered they are planned to be funded in the short term from the revenue support fund.

The following table presents the overall budget requirement, the funding available and the savings requirement based upon a 1.99% increase in the Council Tax levy.

**Table 2 - Medium Term Financial Plan Summary**

| Ref  | Item  | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 | Total<br>£000 |
|------|---|-----------------|-----------------|-----------------|-----------------|---------------|
| 2.1  | Base Budget Requirement-Before technical adjustments and new growth items           | 289,015         | 287,718         | 291,693         | 291,466         | 1,159,892     |
| 2.2  | Unavoidable commitments and technical adjustments for policy changes (Appendix 1.1) | 4,192           | 7,400           | 3,401           | 4,762           | 19,755        |
| 2.3  | New Growth Items (1.2)  | 600             | 1200            | 1300            | 900             | 4000          |
| 2.4  | Total Budget Requirement before savings   | 293,807         | 296,318         | 296,394         | 297,128         | 1,183,647     |
| 2.5  | External Funding  | 289,525         | 284,146         | 280,673         | 280,586         | 1,134,930     |
| 2.6  | Funding gap to be achieved by savings and use of Revenue Support Fund               | 4,282           | 12,172          | 15,721          | 16,542          | 48,717        |
| 2.7  | Savings (Appendix 1.3)  |                 |                 |                 |                 |               |
| 2.8  | Low Risk  | (5,013)         | (1856)          | (491)           | (10)            | (7370)        |
| 2.9  | Medium Risk   | (1,076)         | (1,924)         | 100             | (400)           | (3,300)       |
| 2.10 | High Risk   | 0               | (200)           | 0               | 0               | (200)         |
| 2.11 | Strategic Alliance  | 0               | (645)           | (2,237)         | (5,518)         | (8,400)       |
| 2.12 | Savings Identified  | (6,089)         | (4,625)         | (2628)          | (5,928)         | (19,270)      |
| 2.13 | Unidentified Savings  |                 |                 | (2,300)         | (7,523)         | (9,823)       |
| 2.14 | Total Savings   | (6,089)         | (4,625)         | (4928)          | (13,451)        | (29,093)      |

As part of the budget process for 2015/16 I have encouraged the Chief Constable to identify areas of new growth that require additional funding such as cyber crime, child sexual exploitation and the replacement of airwave facilities with a completely new network (itemised in appendix 1.2). These new expenditure areas are in addition to those changes we have had to make because of policy such as the increase in the National Insurance levy in 2016/17 and the general increase in pay and prices. A full list is contained at Appendix 1.1

Table 2 also identifies savings of £19.2m over the next four years, and a further as yet unidentified £9.8m of cuts required in the last two years of the strategy. The details of the £19.2m of savings are covered in the responses given in the next section.

This budget produces the following table of staff and officer numbers assuming the further savings required are filled by people reductions only: The reductions in 2017/18 and 2018/19 are not simple staff reductions but relate to different service delivery models in the Strategic Alliance and transformational changes in service.

**Table 3: Potential People Numbers**

|     |   | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Total Reduction |
|-----|---|---------|---------|---------|---------|-----------------|
| Ref |   |         |         |         |         |                 |
| 3.1 | Police Officers   | 3,050   | 3,020   | 3,010   | 3,010   | (40)            |
| 3.2 | Police Staff  | 1,737   | 1,693   | 1,677   | 1,677   | (60)            |
| 3.3 | PCSOs   | 360     | 360     | 360     | 360     |                 |
| 3.4 | Potential SA reduction  | 0       | (22)    | (75)    | (280)   | (280)           |
| 3.5 | Potential further staff reductions to make the savings required | 0       | 0       | (195)   | (412)   | (412)           |
|     |   | 5,147   | 5,051   | 4,777   | 4,355   | (792)           |

### The Financial Risks

The continued reductions in central government funding involve the force in change which generates its own risks, and these need to be managed along with those risks generated from the operational delivery of policing. The Joint Audit Committee and the Joint Management Board regularly review the financial uncertainties affecting the OPCC and force and the following areas are determined as high uncertainty and high impact financial risk areas:

- Police and Crime plan savings not fully identified by 2016/17.
- There is a possible review of Home Office funding in 2016/17 to coincide with the next spending review. Given current economic conditions further losses of grant are to be expected.
- The effects of inflation on the council tax referendum cap may reduce the level at which it is set and therefore the income to be raised through the precept in future years (i.e. not at 1.99%)
- Increase in top-slice funding in future years further depletes resources (e.g. the unplanned increases in IPCC costs)
- The allocation of commissioning grant does not go beyond 2016/17 failing to provide a sustainable service.
- That the 1% pay restraint announced for 2014/15 does not carry on into future funding years.
- Sanctions are used against PCC's that have consistently increased council tax by the maximum legally allowed under referendum rules.

In addition to these wider risks the following areas are kept under review.

- Reduced funding for 2015/16 below that included in the MTFS
- Increased funding of the transformational change programme
- Revenue reductions not delivered on time
- Business planning and financial planning unaligned
- Increases in long term interest rates
- Budget uncertainty through assumption changes
- Major incident cost overrun
- Further cost transfers from the centre (e.g. IT costs)
- Reductions in local authority funding placing pressure on the police service
- Savings delivery not as expected
- Opening up of old crimes especially around Child Sex Exploitation
- Severance costs increased from those planned exceeding budget;

- Possible impacts of A19(termination of employment over 55) funding; and
- The loss of funding from council tax benefit localisation which could cost up to 10% of the benefit in future years if schemes alter.
- The additional costs of unforeseen national policy changes e.g. the £4.5m increase in 2016/17 for the national employer contribution.

The severity of funding reductions is now prompting questions to be asked nationally about how financial viability is to be measured. This will inevitably mean that expenditure in future will need to be prioritised and certain functions will cease to be delivered. Part of remaining financially viable is the mitigation against financial risk through the maintenance of adequate reserves.

#### **4. The Response to These Tough Measures**

From the previous sections of this report I have shown that managing with reduced resources and increased areas of demand is a challenge and requires the risk to be closely managed. I am however, required to set a budget for 2015/16 which takes into account future year effects and keeps within the excessive council tax increase cap of 1.99%. In considering my budget proposal for 2015/16 there are a number of options available to me:

- Reduce expenditure through savings
- Make savings through collaboration
- Investigate the outsource of services to private contactors
- Change the workforce mix through the transformation of services
- Consider the Council Tax Options:
  - Increase the council tax to the maximum of 1.99%
  - Take a grant to freeze council tax increases at 1%
  - Hold a referendum to increase council tax to levels of 2% and above.

I have considered the options open to me and they are discussed in the following paragraphs:

#### **Reducing Expenditure through Savings**

In response to my concerns about increased risk I have considered the savings that are to be achieved over the next four years based on high, medium and low risk of delivery. (A full list is attached at Appendix 1.3)

##### **High risk:**

Savings from the proposed strategic alliance with Dorset are by their nature high risk given that they require support from 4 separate corporations sole.

To protect ongoing service delivery to the public is one of the overarching objectives of the strategic alliance. To achieve this services will need to be provided differently especially as support to the front line will reduce by an estimated loss of 280 staff and further reductions in officers.

It is also true that the Strategic Alliance will mean Devon and Cornwall losing some of its autonomy and traditions, as the two forces work together to deliver a service. These cuts offer a real platform for further savings. However, as the £9.8m of unidentified savings required illustrate, we are unlikely to deliver all the savings that we

require even when all these changes are taken into account. We need yet further transformation of the way that our workforce delivers our services

### **Other Savings Medium Risk:**

In this category the following savings are included:

- Re-provisioning of the Headquarters firearms range and use the space to store property and records management
- Carry out a series of custody reviews and identify significant changes to processes
- Provision of vehicle location data for better use of a reduced number of vehicles
- Closure of stations that are already underused and operationally not effective
- Implement charges to external organisations for legal work undertaken

### **Other Savings, Low Risk:**

Working collaboratively with other police forces within the South West region is expected to release significant savings in the forensics service.

Savings from a new outsource contractor for the facilities management of IT services

Reductions in the police estate and the consequent savings in repair and maintenance contracts for estates.

The OPCC and Force, through a Joint Delivery Board are also exploring new areas of income generation from the development of the police estate and the investigation of alternative methods of fund raising.

In total these measures when fully delivered will release £19.3m of savings

### **Making Savings through Collaboration**

The support of regional collaboration and collaboration with partners has been a key element of my activities during the year. We are currently sharing, or about to share, premises with other partner organisations at: St Columb, Hayle, Ilfracombe, Salcombe, Axminster, Rosemoor Court, Bodmin, Camelford, Tregony, Perranporth, Argyle House Exeter, Hawkins House Exeter, Ottery St Mary, Tregony, Pool, and Lynton.

Devon and Cornwall is a member of Zephyr, the Regional Serious and Organised Crime Unit, and the lead force for the Regional Forensics project currently underway. We have good and innovative co-working around the Multi Agency Public Protection Agency and the Multi Agency Support Hub. We are working with Health on a pilot to support mental health triage. Day to day there is a wide range of operational co-working with a range of local partners. It is true however that to date, we have not seen significant financial savings as a result of



collaboration on operational policing. The forensics collaboration is the first to seek significant savings from operational support functions. The Strategic Alliance, as previously discussed, provides the best opportunity for moving forward in this area.

### **Outsource Service to Private Contractors**

The option to outsource is regularly considered when reviewing services and the force currently has 15 service areas which are already outsourced from ICT service provision to forensic work and crime scene guarding. As part of the work with Dorset on the Strategic Alliance I have asked Local Partnerships, a Treasury sponsored company, to undertake a 'soft' benchmarking exercise against private contractors in the in scope services of the alliance. This work is still underway and is providing useful data against which current in-house business case assumptions and costs can be challenged. I will be looking in more detail about the benefits and risks of outsourcing in the coming financial year.

### **Change the Workforce Mix through Transformation of Services**

Both the Chief Constable and I believe that we now need to look at the workforce in a different way and judge what the best skills for providing a particular service are. Given the size of cuts we need to make those cuts are going to be far more difficult to make.

I have asked the Chief Constable to review the force in order to ensure that the most effective use is made of officer and staffing resources given the demands on the service, he has provided the following response:

#### ***Police Staff***

Whilst the policy of focussing on police staff reductions to date has supported Officer and PCSO numbers I believe the approach is too crude as the cuts bite ever deeper. The majority of police staff are directly engaged in operational activities – call handlers and control room operatives, forensic examiners, detention officers. Only 1/3 of police staff are in a business support role. Those business support staff provide the specialist skills needed to enable policing – vehicle technicians, ICT teams, payroll, crime analysts, procurement, data input clerks. The cuts to date, and the further cuts planned through the Strategic Alliance, mean that these services are lean – the only alternative to providing them are either to swap direct employment costs for outsourced costs, or to put police officers in those posts.

Police staff bring specialist skills that are hard to train for and they cost far less on average than serving officers (especially in management roles). Nevertheless, they do not provide the resilience to support operational policing (major incidents, strategic policing requirement, weather emergencies) in the same way as police officers. There remain opportunities to use police staff where police sworn powers are not required, including in management roles, to reduce costs whilst maintaining expertise.

#### ***PCSOs***

PCSO numbers have not reduced at all during the budget cuts to date. They provide a key visible presence in local areas and have been fundamental to delivering the highly successful neighbourhood presence in Devon and Cornwall. There are, as there always have been, some areas of police work that they cannot undertake and they cannot simply fill a post where full sworn powers are needed. We can, however, employ them in roles other than being a visible policing presence in neighbourhoods. I intend to explore how their skills may be employed in areas such as investigation and demand management where they have not traditionally worked.

## ***Policing in Neighbourhoods***

Almost all policing is delivered in neighbourhoods; burglary and Anti Social Behaviour happen in neighbourhoods but so do speeding, serious crime, violence and drug dealing. We must not confuse the way that we *organise* policing with the way we *provide* policing. Neighbourhoods are in practice serviced through a mixture of locally based neighbourhood and response teams and more remotely based specialists such as CMCU, Roads Policing, and specialist crime.

The service, the public and the scrutiny bodies such as the IPCC and HMIC, have consistently wanted to ensure that policing is increasingly professional and expert. The result has broadly been the enhancement of specialist functions – public protection units, economic crime squads, driver training teams, automatic number plate recognition units, permanent major crime teams, etc. It is quite right that expert services are available, but it is no longer sustainable for these teams *alone* to deal with these specialist areas of work. I will be developing the policing model so that the expert resource is used when the risk of harm is high; but locally based teams will increasingly contribute to the full range of policing in neighbourhoods.

This in turn helps us deal with increased requirements. The threats to our communities have not reduced in line with the reduction in funding for policing and demands continue to fall upon us. One example is the Safeguarding the Public Review undertaken to address a key area of police work. The Police Service's response to safeguarding issues has been the subject of increased scrutiny over recent years. While overall crime has fallen consistently the opposite is true of demand in relation to safeguarding issues with sustained increases in reported Domestic Abuse and Sexual Offences. Increased focus has also been brought to bear on Safeguarding Adults issues and Child Abuse investigations. Dangerous Offender Officer workloads have increased to levels in excess of the national guidelines of 50 offenders per Offender Manager, with a current Force average being 69.

Emerging findings from the review indicated that to meet this demand will require additional officer time. Given the financial picture it is not possible to significantly increase the workforce. Nor is it possible to reallocate officers from elsewhere in the force – it would inevitably impact directly and immediately on the local neighbourhood teams. We are therefore working on how the whole workforce can contribute to meeting some of the specialist safeguarding demand. But this may mean that there is an increased need for police powers in some areas and potentially a rebalancing of the workforce mix in those local neighbourhood teams.

We will need to take this approach more widely as we move forward. This may mean reducing non sworn staff in neighbourhood teams, replacing officers with PCSOs or other police staff in non traditional areas such as CID, or even de-civilianising posts to ensure that we have sworn officer resilience.

## **Considering the Council Tax Options**

### ***Setting the Council Tax***

On 17 December 2014 the Government announced that a council tax freeze grant would be available for one year only, for those organisations that set a council tax increase equivalent

to a 1% rise. The next day the Secretary of State for Communities and local Government announced that any increases in council tax of 2% or greater will require a referendum.

The referendum limit is designed to limit the ability to increase council tax above a government set limit. A zero increase in council tax would mean £1.8m less funding in 2015/16 and in each year thereafter, and further significant cuts in policing. In this case the Chief Constable can foresee no opportunity but to reduce officer numbers by halting recruitment immediately.

### ***Maintaining a Stable and Affordable Council Tax Base***

As part of the consideration of the budget requirement I have involved the Treasurer and the Chief Executive of the OPCC, the Chief Constable and the Force Director of Finance and Resources in the analysis of two options. These are:

- **Option 1** to refuse the council tax freeze grant and set a precept increase of 1.99% for 2015/16;

**Option 2** to take the freeze grant for one year (equivalent to a 1% increase) and increase the precept by 2% for the years thereafter.

### ***Option 1 - Set a precept of 1.99% and refuse the Council Tax Freeze Grant***

**Table 4** – Council Tax increase at 1.99% 2015-16 and 2% thereafter - financial implications

| Ref | Summary                                     | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 | 2018-19<br>£000 |
|-----|---|-----------------|-----------------|-----------------|-----------------|
| 4.1 | Funding                                     | 289,525         | 284,146         | 280,673         | 280,586         |
| 4.2 | Budget requirement (before savings)         | 293,807         | 296,318         | 296,394         | 297,128         |
| 4.3 | Variation shortfall ( -) surplus (+)        | <b>4,282</b>    | <b>12,172</b>   | <b>15,721</b>   | <b>16,542</b>   |
| 4.4 | Savings                                     | (6,089)         | (4,625)         | (4,928)         | (13,451)        |
| 4.5 | Contribution to/(from) Revenue Support Fund | 1,807           | (7,547)         | (10,793)        | (3,091)         |
| 4.6 | Revenue support fund balance at year end    | 28,385          | 20,838          | 10,045          | 2,954           |
| 4.7 | Support for Capital Programme               | 0               | 0               | (4,000)         | 0               |
| 4.8 | Revised Balance on Revenue Support Fund     | 28,385          | 20,838          | 6,045           | 2,954           |

The key features of this option are as follows:

#### Identified savings

- Police Officers – reduce by 40 to 3010 at 31 March 2019
- Police Staff - reduce by 340 to 1397 at 31 March 2019
- Over £5.0m of non-pay savings are achieved between 1 April 2015 and 31 March 2019

Unidentified savings:

- £ 9.8m as yet unidentified reductions are required over the period 2017-18 to 2018-19. If these saving cannot be met from non pay budget lines (which will have been cut by a third between 2010 and 2017), the overall additional reduction in staffing numbers required is 412 full time equivalents.

A 1.99% increase in the council tax for 2015-16 will increase council tax bills by 6.3 pence per week or £3.31 per year for a property in council tax Band D. The weekly council tax increase for each band is contained in the attached MTFs booklet.

### **Option 2 - Set 0% Council Tax Increase and accept the Council Tax Freeze Grant**

In this option the alternative of accepting the Council Tax Freeze Grant of 1% for 2015-16 is considered. The freeze grant is only guaranteed to stay in place for 1 year and is limited to 1%. This will mean that in 2017-18 our base budget would reduce by £1m. This would require a further reduction in officer and staffing numbers

**Table 5 – Council Tax Freeze Grant at 1% 2015-16 (1year), 2% increase thereafter – financial implications**

| Ref  | Summary                                       | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 | 2018-19<br>£000 |
|------|---|-----------------|-----------------|-----------------|-----------------|
| 5.1  | Funding                                       | 288,575         | 282,226         | 278,706         | 278,570         |
| 5.2  | Budget requirement (before savings)           | 293,807         | 296,318         | 296,394         | 297,128         |
| 5.4  | Variation shortfall ( -) surplus (+)          | <b>4,282</b>    | <b>12,172</b>   | <b>15,721</b>   | <b>16,542</b>   |
| 5.5  | Additional shortfall if freeze grant accepted | <b>950</b>      | <b>1,920</b>    | <b>1,967</b>    | <b>2,016</b>    |
| 5.6  | Savings                                       | (7,039)         | (6,545)         | (6,895)         | (15,467)        |
| 5.7  | Contribution to/(from) Revenue Support Fund   | 1,807           | (7,547)         | (10,793)        | (3,091)         |
| 5.8  | Revenue support fund balance at year end      | 28,385          | 20,838          | 10,045          | 2,954           |
| 5.9  | Support for Capital Programme                 | 0               | 0               | (4,000)         | 0               |
| 5.10 | Revised Balance on Revenue Support Fund       | 28,385          | 20,838          | 6,045           | 2,954           |

Whilst this option provides limited funding for the first year the impacts become evident in 2016-17 onwards. Although central government has indicated that the freeze grant will be rolled into base funding from 2016-17 onwards there is no guarantee that it will remain at the same value. I am advised that we should work on the assumption that from 2016-17 the freeze grant funding will effectively be lost.

The key features of this option are as follows:

Identified savings

- Police Officers – reduce by 40 to 3010 at 31 March 2019

- Police Staff - reduce by 340 to 1397 at 31 March 2019
- Over £5.0m of non-pay savings are achieved between 1 April 2015 and 31 March 2019

Unidentified savings:

- £11.8m as yet unidentified reductions are required over the period 2017-18 to 2018-19. If these saving cannot be met from non pay budget lines (which will have been cut by a third between 2010 and 2017) the overall additional reduction in staffing numbers required is 479 full time equivalents.

This option in comparison with the Option 1 would increase the unidentified savings needed in 2017/18 and 2018/19 by £2m and reduce staffing numbers by a further 67.

In order to maintain services as far as possible and to keep officer numbers as high as possible and avoid a referendum and to maintain the base of police funding as far as possible, I am therefore recommending an increase in the Council Tax of 1.99% for 2015/16.

## Referendum

Each year the Secretary of State announces the levels of precept increase above which the PCC would need to hold a referendum. In the current financial year this is a council tax of 2% and above

I have set out in the MTFS an annual precept increase of 2% over the next three years and I intend to keep within this limit for the next financial year through proposing a 1.99% council tax increase for 2015-16. I am also mindful that council taxpayers have many increasing demands upon their incomes and that any increase in taxation is unwelcome. The rise I am proposing, equates to an increase of 6.3p pence per week at Band D or £3.31 per year.

I believe that this proposed increase represents good value and provides me with the opportunity to:

- Deliver the Police and Crime Plan.
- Maintain officer numbers at above 3000 for 2015/16
- Protect visible policing through maintaining 360 PCSOs.
- Allow us together to work differently in the way we provide services across the public sector.
- Maintain stability across the medium term.
- Offset some of the unavoidable cost increases in the base budget as a consequence of wage and general inflation.
- Provide a contribution to reserves which enables future years savings to be delivered and keeps officer reductions to a minimum, and
- Build this level of increase into the future year's council tax base.
- Retain 69 more officers than if the freeze grant was accepted

The question still remains whether the council taxpayers of Devon and Cornwall would be willing to pay more than 1.99% for policing services. The decision to call a referendum in 2016/17 would need careful consideration in 2015/16 and would need to be based upon the resource requirements of the final shape of the force once the results of the workforce mix review, the strategic alliance and any transformational changes through different ways of working are known. The cost of a referendum would be in the order of £1.8m for the worst case. We believe that two forces are expecting to call a referendum on their 2015/16 precept.

## **5. My OPCC Budgets**

### ***Efficiency in the OPCC Office***

In order to run the Office of the Police and Crime Commissioner (OPCC) and discharge my statutory functions I increased the number of staff posts in my office in 2013-14. During 2014 a small in-house team have carried out a review of staffing functions to ensure that they provide an effective and efficient support to me after the first year of operation. This review has resulted in a reduction of four staff in my office and enabled me to save £290,000 when compared with the costs of my office in 2014/15. Other savings in consultancy and administration costs have also been made. The savings also include the revenue reductions that can be achieved by the OPCC moving into the police estate and saving rental payments to external landlords. When compared on a per head of population served basis this level of budget is below the national average for PCCs and this is expected to improve in overall cost terms once the statistics are published for 2015/16. It is proposed to bring office costs down further over the life of this plan as part of a second phase of this review.

### ***Using Commissioning Money Carefully***

I am able to make available to partners in this budget the same total amount of Police partnership funding as that given in 2014-15. The proposals for this funding are contained in a three year commissioning intentions plan with future intentions beyond this to preserve funding levels in cash terms. We are also in receipt of grants from the Ministry of Justice which are un-ring fenced for victim support and restorative justice commissioning. A fund of £100,000 is available to support a programme of Crime Reduction Grants.

## **6. Applying Reserves Wisely**

The OPCC maintains reserves principally to mitigate against future financial risk and to provide funds for making changes in base expenditure levels between years. There are three types of reserve held and the following gives the type and reasons for holding.

- Earmarked: these are held at the discretion of the OPCC and are designed to address specific areas of un-quantified risks, e.g. major operations or to ensure that expenditure is evened out between years. A risk impact exercise is carried out each year to assess the adequacy of these.
- General unallocated balances: a general reserve to finance working capital requirements, the amount set equates to just over one weeks spending and represents about 2% of net expenditure.
- Provisions, these relate to known financial liabilities and for the OPCC they cover future expected insurance claims where the OPCC is liable for the first £100,000 of expenditure.

The following table shows the types and levels of reserves and balances over the four main areas.

**Table 6 - Balances, Reserves and Provisions at 31 March 2016**

| Ref | Description               | % of net expenditure at 31 March 2016 | 31 March 2016 £m | 31 March 2017 £m | 31 March 2018 £m | 31 March 2019 £m |
|-----|---------------------------|---------------------------------------|------------------|------------------|------------------|------------------|
| 6.1 | General Balances          | 2.2%                                  | 6.2              | 6.2              | 6.2              | 6.2              |
| 6.2 | Earmarked Reserves:       |                                       |                  |                  |                  |                  |
|     | Revenue Support Fund      | 10.0%                                 | 28.3             | 20.8             | 6.0              | 2.9              |
|     | Other Reserves            | 7.3%                                  | 19.8             | 13.7             | 10.6             | 9.0              |
| 6.3 | Specific capital reserves | 5.9%                                  | 16.6             | 3.9              | 3.1              | 0.6              |
| 6.4 | Provisions                | 0.2%                                  | 0.6              | 0.6              | 0.6              | 0.6              |
| 6.5 | Total                     |                                       | 71.5             | 45.2             | 26.5             | 19.3             |

Note: Capital Reserves are held and applied to the funding of the capital programme

The earmarked reserves comprise of the following elements:

- Transformation, change management projects, planned to reduce to nil at the end of the current change programme.
- Workforce modernisation exceptional costs, current exercise expected to be complete in one year's time and will be reviewed at that point.
- Capital grants, receipts and financing reserve budgeted to be used in the capital programme.
- Unpredictable - major operations, ill health. The level of balances enables a reduction in the annual budget for this amount.

I have asked that the level of reserves should be reviewed to ensure that they are adequate for the risks faced by the force. The Treasurer's paper at Appendix 1 provides that reassurance. On the basis of the analysis undertaken the reserves and balances cover known liabilities and commitments and provide adequate cover for unknown liabilities at the assessed level for 2015-16.

## 7. Sustainability and Future Financial Viability

Key to this budget proposal is medium term sustainability. I believe, along with the Chief Constable that a short-term financial plan leads to stop-start police recruitment, crisis management and unplanned and unfocussed cuts; the result is inevitably an inconsistent and erratic policing service to communities and uncertainty for the essential work that our partners carry out.

My statutory requirement is to set a council tax for one year i.e. 2015-16; however, given the uncertainties around central government funding it would be irresponsible to submit a budget proposal for 2015-16 without taking into account the financial effects of policies pursued now over the following three years

In coming to a view about the 2015-16 budget, I have considered the sustainability of the longer term plan. The budget I have presented in this paper achieves a balanced budget for 2015/16 and contributes to a limited extent to the Revenue Support Fund. Work will be undertaken during 2015 to identify what future savings are required in 2017-18 and 2018-19 in order to deliver a balanced budget for the whole of the four year MTFs period and ensure

that there is no reliance on the Revenue Support Fund after 2018-19, as detailed in my draft budget, to provide a more sustainable financial future from 2019-20 onwards.

I have also consulted the Chief Constable, who has made the following statement:

*I very much welcome the PCCs support in seeking, at the least, the maximum council tax achievable within the effective cap. A zero increase in council tax would mean £1.8m less funding in 2015/16 and in each year thereafter, and further significant cuts in policing. The options for further cuts are extremely limited and I can foresee no opportunity but to reduce officer numbers by halting recruitment immediately if council tax does not increase at the level proposed.*

The Chief Constable and I remain of course, committed to maintaining a high quality, sustainable policing service that continues to be effectively deployed and popular with the public and is able to meet the scrutiny of HMIC and others. The £29m of savings we are required to make over the next four years make this incredibly difficult especially in the light of new demand and unforeseen central government cost transfer. It may mean that it is simply not deliverable, despite all the efforts of the force and OPCC without impacting fundamentally on policing. Reductions of this scale may impact on the forces strong tradition of crime prevention, response times and the time it takes to investigate crimes. The Medium Term Financial Plan, supported by the PCCs proposal for a 1.99% council tax and the transformational changes that the Chief Constable and I are already delivering, allows us to develop the new ways of working needed to protect our service. Over the next four years we will inevitably see reductions in police officer, police staff and PCSO numbers. We need to ensure that the remaining workforce is structured in a way to deliver the best possible service to the communities we serve.

## **8. Recommendation**

**On the basis of the above report I recommend to the Panel that:**

- 1) The Police Council Tax for 2015-16 should be increased by 1.99%.**
- 2) The Police Council Tax freeze grant for 2015-16 is not accepted**

*Note:* The effect on the council tax bands at a 1.99% increase is shown in the attached Medium Term Financial Strategy 2015-16 to 2018-19 and proposed Annual budget 2015-16 in the attached MTFS booklet

**Tony Hogg  
Police and Crime Commissioner  
For Devon and Cornwall and the Isles of Scilly  
January 2015**



**The Office of the Police and Crime Commissioner for Devon and Cornwall**

**Proposed Precept, Budget and Medium Term Financial Strategy 2015/16- 2018/19  
Options for Decision**

This report considers the future four year financial position for the PCC and Chief Constable and presents the following options for the Council Tax for consideration and decision by the PCC:

- i. A 0% increase in Council Tax for 2015-16 with acceptance of a one year council tax freeze grant equivalent to 1%
- ii. 1.99% increase in Council Tax for 2015-16

It is recommended that a 1.99% increase in council tax is proposed to the Police and Crime Commissioner in support of his Police and Crime Plan.

## **1. Purpose of the Report**

The purpose of this report is to present the revenue and capital budgets for 2015/16 and also projections for a further three financial years to 2018/19 as part of the medium term financial strategy (MTFS). The report represents the culmination of a process to review and refresh the objectives of the Police and Crime Plan of which the MTFS is part.

The Police and Crime Plan is a requirement of the Police Reform and Social Responsibility Act 2011 (PRSR) and it sets out for a four year period the objectives for the Police and Crime Commissioner (PCC). The strategy used by the PCC and Chief Constable to produce this refreshed MTFS is based upon the delivery of the following key objectives:

- *To make our area a safer place to live, work and visit – reducing the likelihood that people will become victims of crime.*
- *To reduce alcohol related crime and the harm it causes.*
- *To promote an effective' criminal justice system that delivers high quality services for victims, witnesses and society.*
- *To champion the rights and interests of victims and to support them with accessible and high quality services.*
- *To make every penny count in protecting policing for the long term. To drive for further efficiency, work to secure more central funding and actively explore all avenues to deliver the significant savings we require to sustain our services.*

- *To encourage and enable citizens and communities to play their part in tackling crime and making their communities safer.*

## 2. Key Financial Issues for 2015/16 to 2018/19

The following paragraphs highlight some of the key financial issues which are explained in more detail in this report:

**Provisional Grant Settlement:** the grant settlement was announced on 17<sup>th</sup> December 2014 and was £9.0m (or 5.1%) million less than the previous year. This meant that the grant was £2.6m less than was forecast and this variation was due to:

- to increased top-slicing for Major Programmes (mainly to fund further development of the Emergency Services Mobile Communications Programme) and Police Special Grant;
- the reduction in Police Funding (before top slicing) being 3.7% not 3.2% as previously forecast.

Future years funding beyond 2016/17 will be determined after the general election therefore any forward projections in the MTFs are based upon an interpretation of the Autumn Statement 2014.

**Grant Damping and the Police Funding Formula:** There were no changes to grant damping in 2015/16 and all PCC's overall core government funding has been subject to the same cash reduction of 5.1% in comparison with 2014/15. The Home Office continues to be committed to reviewing the Police funding formula and it is understood that this will be a priority once the results of the next general election are known.

**Use of Reserves and Revenue Support Fund:** Following a discussion at the Joint Management Board on 4<sup>th</sup> December 2014 it was agreed that the Revenue Support Fund would only be used to enable the delivery of savings up to 2018/19 and that beyond that point the budget would be balanced. The proposals in this report present a budget for 2015/16 that contributes £1.807m to the Revenue Support Fund. The support fund is then used in subsequent years to provide additional funding of £21.4m to the 2016-17 to 2018-19 budgets. The total fund is planned to reduce over the period from £28.3m as at 31 March 2016 to £3.0m at 31 March 2019.

### Savings

The force has delivered savings of £52.5m during this spending review period to the end of 2015 financial year a further £29m of savings are required to March 2019. The Police and Crime Plan under Priority 3 set up a delivery board to Make Every Penny Count with the task of saving £14.1 m of unidentified additional savings. During the year the proposed strategic alliance with Dorset was moved forward through the production of an outline strategic alliance business case. This case proposed reductions of costs for both forces of £8m which was later increased to £12m. Further more detailed business cases are under construction with all cases planned to be completed by April 2016. Implementation could take up to two years beyond this date.

## Council Tax Excessive Expenditure Cap

As in previous years a council tax freeze grant has been offered which is equivalent to a 1% increase above the basic amount set. Unlike previous years the council tax freeze grant will be paid in 2015/16 only. All increases in council tax above 1.99% will trigger a referendum.

### 3. The Overall Context and Current Year Outturn

The following paragraphs set out the current background to the budget for 2015/16.

#### The Uncertain Economic Outlook.

There is considerable uncertainty over future levels of government grant. The Autumn Statement of 2014 shows that public expenditure plans are largely unchanged from those published in the March Budget of 2014 but with the exception of a further £10bn of departmental efficiency savings by 2017-18.

It is unclear how these efficiency savings will impact on Departmental expenditure figures and more specifically on Home Office departmental spending.

A £10bn saving applied over three years to 2017-18 and distributed across all departments (but excluding health and education) would represent a further 2% reduction in grant each year commencing in 2016-17. The MTFS funding forecasts have been reduced following the publication of the Autumn Statement, however, certainty with regard to the effect of this additional reduction will not be possible until after the next general election. The overall message is that there are likely to be further financial reductions over the next four years.

#### The Financial Context and Savings to Date

The CSR 2010 imposed a 20% reduction in central government funding and a 14% reduction in expenditure in cash terms after allowing for increases in council tax. The timescale for these reductions was the four year period 2011/12 to 2014/15; The financial plan set out in 2011/12 for the four year period envisaged a budget reduction of £49.6m to be delivered through non staff savings, police staff savings and a 490 reduction in police officer numbers by 31 March 2015.

Since the MTFS for the CSR 2010 was established in February 2011 some factors have varied from the original assumptions. For example, some reductions have been achieved in advance of the original plan and the savings arising from this have been set aside in the revenue support fund. These changes have meant that it was possible to halt the reduction in police officer numbers and officer numbers have been retained at just over 3000.

The actual savings from the six year period from April 2009 to the end of March 2015 are expected to be £52.5m and are shown in the following table.

**Table 1: Savings to March 2015**

| Ref |                      | 09-10 | 10-11 | 11-12 | 12-13 | 13-14 | 14-15 | TOTAL |
|-----|----------------------|-------|-------|-------|-------|-------|-------|-------|
|     |                      | £m    | £m    | £m    | £m    | £m    | £m    | £m    |
| 1.1 | Police pay savings   | 0.0   | -0.3  | -8.5  | -5.2  | 0.0   | -0.4  | -14.4 |
| 1.2 | Police staff savings | -2.8  | -2.7  | -4.5  | -6.5  | -1.3  | -0.1  | -17.9 |
| 1.3 | PCSO staff savings   | 0.0   | 0.0   | 0.0   | 0.0   | 0.9   | -1.1  | -0.2  |
| 1.4 | Non-pay savings      | -1.4  | -2.0  | -6.2  | -3.5  | -3.7  | -3.2  | -20.0 |

|     |               |      |      |       |       |      |      |              |
|-----|---------------|------|------|-------|-------|------|------|--------------|
| 1.5 | Total savings | -4.2 | -5.0 | -19.2 | -15.2 | -4.1 | -4.8 | <b>-52.5</b> |
|-----|---------------|------|------|-------|-------|------|------|--------------|

Police Officer numbers have reduced from 3,500 before the CSR to 3,050 at 31 March 2015, a total reduction of 450 (13%). The introduction of A19 between 2010 and 2012 removed significant numbers of officers, and significant costs, from the base budget. The remainder of reductions have been achieved through natural wastage. Police Officer numbers have remained relatively steady for the last 3 years, Table 2 shows the reductions by year.

**Table 2: Reductions in Police Officer Numbers**

| Ref |                             | 09-10 | 10-11 | 11-12       | 12-13       | 13-14 | 14-15 |
|-----|-----------------------------|-------|-------|-------------|-------------|-------|-------|
| 2.1 | Leavers (including A19) £'m | 0     | -0.3  | <b>-8.5</b> | <b>-5.2</b> | 0     | -0.4  |
| 2.2 | Year end numbers            | 3,500 | 3,400 | 3,220       | 3,090       | 3,090 | 3,050 |
| 2.3 | Reductions in year          |       | (100) | (180)       | (130)       | -     | (40)  |

Police Staff numbers have also reduced by 551 since 2009.

### Outturn for 2014/15

The revised four year (MTFS) from 2015/16 to 2018/19 is based upon the estimated outturn results for 2014/15 and Table 3 shows the achievement of further savings which will be used to finance one off expenditure items (to be agreed by JMB) and the IT convergence costs of the proposed strategic alliance with Dorset.

**Table 3: Comparison of Total Budget to Outturn 2014/15**

| Ref |   | Budgeted Expenditure 2014/15 £000 | Forecast Expenditure 2014/15 £000 | Variation 2014/15 £000 |
|-----|---|-----------------------------------|-----------------------------------|------------------------|
| 3.1 | Net Revenue Expenditure (excluding contribution revenue support fund) | 284,491                           | 281,040                           | -3,451                 |
| 3.2 | Additional in year expenditure and strategic alliance IT convergence  | 0                                 | 3,451                             | +3,451                 |
| 3.3 | Total Expenditure   | 284,491                           | 284,491                           | 0                      |

The overall revenue position indicates a potential underspend of circa £3.5m in this financial year. The main underlying reasons behind the forecast variation are; lower costs of specialist transferees; a changed recruitment profile with more sergeants than constables; reductions in allowances due to the Winsor review and higher than expected police staff turnover. This forecast includes potential one-off expenditure in respect of the renewal of the computer services facilities management contract.

A full review of expenditure has been undertaken in preparing the 2015/16 budget to ensure that there is no underlying under spending carried into the 2015/16 budget from 2014/15, examples of this are the proposed reductions in ICT, premises costs and locally devolved budgets which are £2.9m less than those included in the 2014/15 MTFS.

## The Budget Requirement

### The Budget Process

The OPCC continues to refine the budget process in consultation with the PCC. A new budget process was agreed by JMB in March 2014 which set out the main stages of compilation and is based up on single issue meetings of the JMB. The need to examine more areas in depth was agreed by JMB and therefore specific sessions have been held at key decision points in the process. These decisions have involved; scrutiny of the budget envelope; the use of the support fund; balances and reserves and the scrutiny of savings.

Consultation with the business community has been undertaken through Devon County Council and a general consultation questionnaire sent out inviting comments on what services taxpayers would support if the council tax were to be increased by 1.99%.

### The Total Budget Requirement

The total budget requirement is built up of four main areas:

- The OPCC office budget
- The OPCC commissioning budget
- The capital budget; and
- The Force budget

### OPCC Budget and Commissioning Budget

The Office of the Police and Crime Commissioner (OPCC) budget is under the control of the Police and Crime Commissioner in addition to the funds that he controls for commissioning purposes. The changes in these budgets are detailed below.

The following table shows the forecast for the OPCC office costs budget and the commissioning budget.

**Table 4: The OPCC Office budget forecast**

| Ref |                         | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 |
|-----|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 4.1 | OPCC budget 2014/15     | 1,802           | 1,802           | 1,802           | 1,802           | 1,802           |
| 4.2 | Adjustments to the base |                 | -290            | -383            | -360            | -343            |
| 4.3 | OPCC budget requirement |                 | 1,512           | 1,419           | 1,442           | 1459            |

The OPCC costs are forecast to reduce by 16% between 2014/15 and 2015/16 equivalent to £309,000 after taking into account £19,000 inflation. These changes reflect the reduction in establishment of four posts, the proposed move of the office to Middlemoor in November 2015 and the use of consultants for specialist work only.

Table 5 shows the total commissioning budget which includes the allocation of internal funding in addition to specific grants from MOJ and the Home Office.

**Table 5: the Commissioning Budget Forecast**

| Ref |                                  | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 |
|-----|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 5.1 | Net Commissioning base budget    | 2,814           | 2,814           | 2,814           | 2,814           | 2,814           |
| 5.2 | Adjustment to base               |                 | 0               | -200            | -400            | 0               |
| 5.3 | Commissioning Budget Requirement |                 | 2,814           | 2,614           | 2,414           | 2,414           |

Table 6 shows the overall total of OPCC office, commissioning costs and support provided to billing authorities in relation to collection of the council tax:

**Table 6: The total OPCC and Commissioning Budget Requirement**

| Ref |   | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 |
|-----|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| 6.1 | Total OPCC and Commissioning Budget Requirement | 4,616           | 4,382           | 4,089           | 3,912           | 3,929           |

The capital financing budget reflects the following:

- The cost of financing the capital programme which has increased over the four years due to ICT convergence with Dorset, the replacement of Airwave and the contingency for the Middlemoor custody facility. This cost comprises of minimum revenue provisions for the repayment of debt and interest payment on debt
- Interest receipts on working capital balances and reserves

**Table 7: The Capital Financing Budget**

| Ref | 2014/15                     | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 |
|-----|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| 7.1 | Minimum Revenue Provision * | 1,489           | 1,533           | 1,573           | 1,627           |
| 7.2 | Interest Payments           | 1,588           | 1,646           | 1,730           | 1,836           |
| 7.3 | Interest Received           | (494)           | (493)           | (459)           | (406)           |
| 7.4 | Total                       | 2,583           | 2,686           | 2,844           | 3,057           |

\*Excludes Finance Lease MRP which is included in the Chief Constable's Operational budget

### The Force Budget

The PCC sets the overall expenditure envelope and during the financial year the Constabulary Budget is under the delegated control of the Chief Constable who monitors and manages its day to day spending.

### Financial Planning Assumptions

In building the expenditure budget for 2015/16 four year budget assumptions have been made in the following areas:

- Inflation

- Pay awards
- Workforce numbers
- Savings in the base budget
- The capital programme and force investment

The main impacts of these items on the base budget are explained in the following paragraphs.

### ***Inflation***

The MTFS assumes that the following levels of inflation are applied to the base budget expenditure levels:

**Table 8: Assumed Inflation Rates**

| Ref | Inflation Category      | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|-----|-------------------------|---------|---------|---------|---------|
|     |                         | %       | %       | %       | %       |
| 8.1 | Pay                     | 1.5     | 2.0     | 2.0     | 2.0     |
| 8.2 | Utilities               | 2.0     | 2.0     | 2.0     | 2.0     |
| 8.3 | Fuel                    | 2.0     | 2.0     | 2.0     | 2.0     |
| 8.4 | Pensions                | 2.0     | 2.0     | 2.0     | 2.0     |
| 8.5 | Insurance and contracts | 2.0     | 2.0     | 2.0     | 2.0     |
| 8.6 | General                 | 0       | 0       | 0       | 0       |

For budget lines held locally no general inflation will be added thus reducing the amounts available. This will result in a real terms reduction in the budget concerned and contributes to the overall level of efficiency savings.

### ***Pay Awards***

The Chancellor's Budget in 2013 proposed a pay restraint of 1% for both officers and staff for 2014/15 and 2015/16. However, a prudent view has been taken with regard to 2015/16 and the award is forecast to be 1.5% for 2015/16. The pay-award for the following three years of the MTFS period through to September 2018 is forecast at 2.0%.

### ***Workforce Numbers***

#### *Police Staff*

The proposed budget plan includes reductions in police staff numbers through the implementation of reviews. These reviews are expected to reduce police staff numbers by 30 in 2016/17 and 30 in 2017/18. There are other factors that will affect the police staff budget:

- the impact that JE will have on the police staff costs base is not known at this point
- the Strategic Alliance with Dorset can be expected to deliver further efficiency savings both via use of police staff and in other areas
- funding forecasts for 2016/17 are highly uncertain being outside of the current spending review period

#### *PCSOs*

The budget for 2015/16 assumes no change to the budgeted establishment of 360. The Chief Constable is undertaking a review of the workforce mix including the role of PCSOs.

#### *Police Officers*

The protection of police officer numbers is key to delivery of the Police and Crime Plan and also the desire to reduce crime.

## Specials

The budget profile for specials is set to deliver at least 150,000 annual hours of service for the duration of this plan in line with the proposals contained in the Police and Crime Plan.

Applying these assumptions produces the following base budget expenditure levels:

**Table 9: Budget Requirement 2015/16-2018/19**

| Ref  | Summary   | 2014/15<br>£000 | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 | 2018-19<br>£000 | Total<br>£000 |
|------|---|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| 9.1  | Base Budget Requirement   | 292,624         | 292,624         | 290,992         | 294,448         | 293,728         |               |
| 9.2  | Exclude contribution to Revenue Support Fund  |                 | (3,609)         | (3,609)         | (3,609)         | (3,609)         |               |
| 9.3  | Unavoidable commitments and technical adjustments for policy changes (Appendix 1.1) |                 | 3,857           | 6,881           | 2,908           | 4,732           | 18,378        |
| 9.4  | New Growth Items (Appendix 1.2)   |                 | 600             | 1,200           | 1,300           | 900             | 4,000         |
| 9.5  | 2014-15 Forecast Savings  | (3,451)         |                 |                 |                 |                 |               |
| 9.6  | Savings (Appendix 1.3)  |                 | (6,089)         | (4,625)         | (2,628)         | (5,928)         | (19,270)      |
| 9.7  | Unidentified savings  |                 |                 |                 | (2,300)         | (7,523)         | (9,823)       |
| 9.8  | Gross Budget before contributions to/from Revenue Support Fund                      |                 | 287,383         | 290,839         | 290,119         | 282,300         |               |
| 9.9  | External Income   | (8,133)         | (9,801)         | (9,889)         | (9,757)         | (9,689)         |               |
| 9.10 | Forecast Outturn 2014-15  | 281,040         |                 |                 |                 |                 |               |
| 9.11 | Net Budget before contributions to/from Revenue Support Fund                        |                 | 277,582         | 280,950         | 280,362         | 272,611         |               |

#### **4. Funding the Budget Requirement**

In the 2013 Budget the Chancellor announced a further 1.1% reduction to the Home Office Departmental Expenditure Limit (DEL) for 2015/16. At that time the Home Office were considering whether this additional reduction could be absorbed within the department rather than pass the cut on to the police service. Because of this, the police service did not receive a provisional 2015/16 settlement last year.

The actual cash cut for 2015-16 is 5.1%, this is because the overall amount allocated to policing (excluding council tax legacy grants) has reduced by 3.7% rather than 3.2% and Home Office have increased the level of top slicing. It can be seen from these changes that the Home Office have passed on some of the 1.1% departmental cut but not all of it.

#### **Home Office Funding**

As expected, this provisional settlement covers just one year. It is widely anticipated that there will be a spending review following shortly after the general election on 7 May 2015.



## Topslices

The settlement shows provisional topslices in 2015/16 totalling £190m. In 2014/15 the figure was just £90m.

There are three new top-slices in 2015/16:

- **Police Knowledge Fund (£5m)** - Further details will be provided in due course, however it is linked to driving improvements in the same way as the Innovation Fund. (Table 10.15)
- **Major Projects Fund (£40m)** - The topslice will support development of the National Police Data Programme, Home Office Biometrics and the Emergency Services Mobile Communications Programme. (Table 10.21)
- **Police Special Grant (£15m)** - A contingency fund which will support forces facing unplanned or unexpected additional pressures which place them at financial risk. (Table 10.20)

As forecast there has been a significant increase in the IPCC top-slice – up 67% from £18m to £30m in 2015/16. The Home Office states this is to enable the IPCC to deliver significantly more independent investigations as investigations staff are recruited.

## Innovation Fund

As expected the Innovation Fund is confirmed as being worth £70m in 2015/16. £20m has already been allocated under previous multi-year bids, leaving the remaining £50m available. Bidding closes 2 January 2015 with announcements of successful bids in mid-March 2015.

## Counter Terrorism

Allocations of Counter Terrorism have not yet been announced, nationally funding will be maintained at £564m.

Table 10 shows the overall changes in the topslice between 2014/15 and 2015/16 and the specific effect on Devon and Cornwall in 2015/16.

**Table 10: Overall changes in topslice and specific effect on Devon & Cornwall**

| Ref   | National Top Slice                     | 2014/15<br>£m | 2015/16<br>£m | Increase<br>£m | %<br>Increase |
|-------|--|---------------|---------------|----------------|---------------|
| 10.1  | - Welsh Top-up                         | 13            | 13            | 0              |               |
| 10.2  | - Police Innovation Fund               | 50            | 70            | 20             | 40%           |
| 10.3  | - National Police Co-ordination Centre | 2             |               | -2             |               |
| 10.4  | - Police Knowledge Fund                |               | 5             | 5              |               |
| 10.5  | - IPCC                                 | 18            | 30            | 12             | 67%           |
| 10.6  | - College of Policing                  | 3             | 5             | 2              | 67%           |
| 10.7  | - City of London Capital City Grant    | 2             | 3             | 1              | 50%           |
| 10.8  | - HMIC Inspections                     | 9             | 9             | 0              |               |
| 10.9  | - Special Grant                        |               | 15            | 15             |               |
| 10.10 | - Major Programmes                     |               | 40            | 40             |               |

|       |  |    |     |    |     |
|-------|--|----|-----|----|-----|
| 10.11 |  | 97 | 190 | 93 | 96% |
|-------|--|----|-----|----|-----|

|       | <b>Devon and Cornwall Top Slice</b>    |      |      |       |     |
|-------|--|------|------|-------|-----|
| 10.12 | - Welsh Top-up                         | 0.30 | 0.30 | 0.00  |     |
| 10.13 | - Police Innovation Fund               | 1.17 | 1.64 | 0.47  | 40% |
| 10.14 | - National Police Co-ordination Centre | 0.05 | 0.00 | -0.05 |     |
| 10.15 | - Police Knowledge Fund                | 0.00 | 0.12 | 0.12  |     |
| 10.16 | - IPCC                                 | 0.42 | 0.70 | 0.28  | 67% |
| 10.17 | - College of Policing                  | 0.07 | 0.12 | 0.05  | 67% |
| 10.18 | - City of London Capital City Grant    | 0.05 | 0.07 | 0.02  | 50% |
| 10.19 | - HMIC Inspections                     | 0.21 | 0.21 | 0.00  |     |
| 10.20 | - Special Grant                        | 0.00 | 0.35 | 0.35  |     |
| 10.21 | - Major Programmes                     | 0.00 | 0.94 | 0.94  |     |
| 10.22 |  | 2.27 | 4.45 | 2.18  | 96% |

## 2015-16 Council Tax Freeze

The 2013 Spending Round announced funding for English local authorities that freeze their council tax in 2015/16. This is expected to be equivalent to a 1% increase on the average 2015/16 Band D council tax and will be paid in 2015/16 only. At last year's settlement the Minister for Local Government Brandon Lewis announced that funding for the 2015/16 council tax freeze grant will be built into spending review baselines. This has subsequently been clarified as for one year only.

## Council Tax Referendum Principles

The Communities and Local Government Minister has announced that if the PCC sets an excessive council tax increase i.e. 2% and above, the appropriate billing authority must be notified, who will hold a referendum on the precepting authority's behalf. Where the major precepting authority covers more than one billing authority area, the referendum must be held on the first Thursday in May. Billing authorities can recover the costs of holding a referendum on the precepting authority's behalf from the precepting authority. The conduct of referendums is set out in regulations made by the Secretary of State, which encompass issues such as the question to be asked, spending limits on campaigning and publicity. Only those on the electoral register and eligible to vote in local government elections are entitled to vote and a simple majority of those voting in the referendum will determine the outcome.

If a majority reject the council tax increase set by the authority, the result is binding and substitute calculations take effect. As a result, a lower level of council tax will apply and the authority has discretion to issue new bills immediately, offer refunds at the end of the year or allow credits the following year; however, council tax payers have a right to request a refund on demand if the latter options were pursued.

The additional costs of holding a referendum comprise of the costs of holding the referendum and the re-billing costs if the referendum goes against the increase. In a worst case for Devon and Cornwall this cost could be £1.8m and in the best case £875,000.

## Formula Review

As expected, there are no developments with regard to the Police Formula Review.

## Capital Funding

Police capital funding in 2015/16 is £120.9m in total, of which £10.4m will be top-sliced for the National Police Air Service (NPAS) and £1m held as contingency, with the remaining £109.5m distributed to PCCs. As with last year each PCC has received a uniform cut in capital grant.

The Home Office have indicated that Ministers are still considering an additional top-slice to support the Communications Capabilities Development (CCD) Programme and Emergency Services Mobile Communications Programme (ESMCP) and will announce a final decision in Final Police Grant Report in early February 2015.

## The Total Funding Available

Based on the information in the Settlement of the 17<sup>th</sup> December 2014 Table 11 shows the total funding available for 2015/16 onwards for both central government grants and council tax. The forecast assumes that a 1.99% council tax increase is applied.

**Table 11: Total Funding Availability (1.99% council tax increase)**

| Ref  | Summary                                       | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 | 2018-19<br>£000 |
|------|---|-----------------|-----------------|-----------------|-----------------|
| 11.1 | Police Grant                                  | 166,800         | 159,554         | 153,642         | 150,564         |
| 11.2 | Council tax Legacy Grant                      | 15,461          | 15,461          | 15,461          | 15,461          |
| 11.3 | Council Tax @ 2% increase<br>1.99% in 2015/16 | 97,463          | 99,242          | 101,813         | 104,872         |
| 11.4 | Specific grant and other<br>income            | 9,801           | 9,889           | 9,757           | 9,689           |
| 11.5 | Total Funding Available                       | 289,525         | 284,146         | 280,673         | 280,586         |

It should be noted that the final information is not yet available on the following:

- Council tax base – final figures have not yet been received from all billing authorities
- Capital Grant – has not yet been announced by the Home Office
- Counter terrorism grant – not yet announced by the Home Office.

## 5. The Budget Deficit

The following table applies the funding available to the expected expenditure level to produce a forecast budget deficit. This deficit is required to be funded by future savings.

**Table 12: Forecast budget deficit 2015/16 to 2018/19**

| Ref  | Item  | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/1<br>9 £000 | Total<br>£000 |
|------|---|-----------------|-----------------|-----------------|------------------|---------------|
| 12.1 | Total Budget<br>Requirement before<br>savings | 293,472         | 295,464         | 295,047         | 295,75<br>1      | 1,179,73<br>4 |
| 12.2 | External Funding (Table<br>11)                | 289,525         | 284,146         | 280,673         | 280,58<br>6      | 1,134,93<br>0 |
| 12.3 | Gap to be achieved by                         | 3,947           | 11,318          | 14,374          | 15,165           | 44,804        |

| Ref   | Item   | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 | Total<br>£000 |
|-------|--|-----------------|-----------------|-----------------|-----------------|---------------|
|       | identified savings and use of Revenue Support Fund |                 |                 |                 |                 |               |
| 12.4  | Savings (Appendix 1.3)                             |                 |                 |                 |                 |               |
| 12.5  | Low Risk   | (5,013)         | (1,856)         | (491)           | (10)            | (7,370)       |
| 12.6  | Medium Risk  | (1,076)         | (1,924)         | 100             | (400)           | (3,300)       |
| 12.7  | High Risk  | 0               | (200)           | 0               | 0               | (200)         |
| 12.8  | Strategic Alliance                                 | 0               | (645)           | (2,237)         | (5,518)         | (8,400)       |
| 12.9  | Savings Identified                                 | (6,089)         | (4,625)         | (2,628)         | (5,928)         | (19,270)      |
| 12.10 | Unidentified Savings                               |                 |                 | (2,300)         | (7,523)         | (9,823)       |
| 12.11 | Total Savings Required                             | (6,089)         | (4,625)         | (4,928)         | (13,451)        | (29,093)      |

The unidentified savings of £9.8m will be the subject of further consideration by the Every Penny Counts delivery board these could represent savings in officer numbers or staff and non –staff costs. In order to provide funding whilst savings are realised a contribution from the revenue support fund will be made. Table 13 shows the proposed estimated effect on Revenue Support Fund balances.

**Table 13: The use of the Revenue Support Fund to cover the delivery of savings over the four years.**

| Ref  | Summary  | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 | 2018-19<br>£000 |
|------|--|-----------------|-----------------|-----------------|-----------------|
| 13.1 | Gap (Line 3 Table 12)                              | 3,947           | 11,318          | 14,374          | 15,165          |
| 13.2 | Total savings (Line 2 Table 12)                    | (6,089)         | (4,625)         | (4,928)         | (13,451)        |
| 13.3 | Additional funding requirement ICT Roadmap         | 125             | 450             | 650             | 950             |
| 13.4 | Additional funding requirement – Capital Financing | 210             | 404             | 697             | 427             |
| 13.5 | Contribution (from) or to the Revenue Support Fund | 1,807           | (7,547)         | (10,793)        | (3,091)         |

A late development in the budget preparation process is the identification of a requirement for £2.125m additional revenue funding for the ICT Roadmap. At this stage it has been assumed that this will be funded from the Revenue Support Fund in advance of any future underspend. Table 13 show that after taking into account the additional ICT Roadmap costs and increased capital financing cost there will be a contribution into the fund of £1.7m in 2015/16 with drawings on the fund of £21.4m over the following three years.

**Table 14: shows the balance on the Revenue Support Fund:**

| Ref  | Description                                 | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 | 2018-19<br>£000 |
|------|---|-----------------|-----------------|-----------------|-----------------|
| 14.1 | Balance on Revenue Support Fund 31 March    | 28,385          | 20,838          | 10,045          | 2,954           |
| 14.2 | Support for the Capital Programme           |                 |                 | (4,000)         |                 |
| 14.3 | Revised balance on the revenue support fund | 28,385          | 20,838          | 6,045           | 2,954           |

This budget produces the following table of staff and officer numbers assuming the further savings required are filled by people reductions only: The reductions in 2017/18 and 2018/19 are not simple staff reductions but relate to different service delivery models in the Strategic Alliance and transformational changes in service:

**Table 15: Potential People Numbers**

| Ref  |   | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Total Reduction |
|------|---|---------|---------|---------|---------|-----------------|
| 15.1 | Police Officers                                   | 3,050   | 3,020   | 3,010   | 3,010   | (40)            |
| 15.2 | Police staff                                      | 1,737   | 1,693   | 1,677   | 1,677   | (60)            |
| 15.3 | PCSOs   | 360     | 360     | 360     | 360     |                 |
| 15.4 | Potential SA reduction                            |         | (22)    | (75)    | (280)   | (280)           |
| 15.5 | If remaining gap filled by people reductions only |         |         | (195)   | (412)   | (412)           |
|      |   | 5,147   | 5,051   | 4,777   | 4,355   | (792)           |

The balance on the support fund at the end of 2018/19 is forecast to be £3.0m. This provides some support for the phased reduction of officer numbers if these savings are not identified from elsewhere in the budget.

### **Council Tax Options**

The above table is based upon an assumption that the council tax is set at 1.99% in order to avoid a referendum whilst ensuring that council tax income is increased to keep pace with general inflation. There are two main options that the PCC can consider for setting the precept in 2015/16. These are:

#### **Option 1**

This option relies upon not accepting the one year council tax freeze grant for 2015/16 and levying a 1.99% increase and then increasing the council tax by 2% for each year of the successive plan years; and

#### **Option 2**

Acceptance of the one year Council tax freeze grant, equivalent to a 1% rise, and levying a 0% Council Tax increase for 2015/16 and a 2% rise thereafter.

The financial consequences of each of these options are presented showing the assumed staff profile for each option, the funding available and the budget requirement.

#### **Option 1**

**Table 16 – 1.99% Council Tax Increase in 2015/16 and 2% ongoing**

| Ref  | Summary                                | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 | 2018-19<br>£000 | Total |
|------|--|-----------------|-----------------|-----------------|-----------------|-------|
| 16.1 | Funding                                | 279,724         | 274,257         | 270,916         | 270,897         |       |
| 16.2 | Budget requirement                     | 283,671         | 285,575         | 285,290         | 286,062         |       |
| 16.3 | Variation shortfall (+)<br>surplus (-) | <b>3,947</b>    | <b>11,318</b>   | <b>14,374</b>   | <b>15,165</b>   |       |
| 16.4 | Additional ICT Roadmap Spending        | 125             | 450             | 650             | 950             |       |
| 16.5 | Additional Capital Financing Costs     | 210             | 404             | 697             | 427             |       |

|       |  |                |                |                |                |                 |
|-------|--|----------------|----------------|----------------|----------------|-----------------|
| 16.6  | Contribution to/ (from) Revenue Support Fund   | 1,807          | (7,547)        | (10,793)       | (3,091)        |                 |
| 16.7  | Adjusted shortfall   | <b>6,089</b>   | <b>4,625</b>   | <b>4,928</b>   | <b>13,451</b>  |                 |
| 16.8  | Revenue Support Fund balance at year end   | 28,385         | 20,838         | 10,045         | 2,954          |                 |
| 16.9  | Use of Support Fund for Capital Programme  |                |                | (4000)         |                |                 |
| 16.10 | Revised Revenue Support Fund balance at year end   | 28,385         | 20,838         | 6,045          | 2,954          |                 |
| 16.11 | Identified savings required assuming 1.99% rise in Council Tax in 2015/16                        | <b>(6,089)</b> | <b>(4,625)</b> | <b>(2,628)</b> | <b>(5,928)</b> | <b>(19,270)</b> |
| 16.12 | Unidentified savings required assuming 1.99% rise in Council Tax in 2015/16                      | <b>0</b>       | <b>0</b>       | <b>(2,300)</b> | <b>(7,523)</b> | <b>(9,823)</b>  |
| 16.13 | Loss of officers and staff assuming a 1.99% rise and budget gap filled by people reductions only |                | (86)           | (296)          | (400)          |                 |
| 16.14 | Cumulative loss of officer and staff   |                | (86)           | (382)          | (782)          |                 |

The key features of this option are that:

- A contribution to the Revenue Support Fund of £1.807m in 2015-16 and a use of the fund in 2016-17 to 2018-19 totalling £21.4m
- Unidentified savings total £9.8m (line 12.10) by 2018/19 if no alternative savings are found this will require reductions in staff number of approximately 782 FTE.

## Option 2

**Table 17 - CT Freeze Grant at 1% 2015/16 and 2% increase thereafter**

| Ref  | Summary                                      | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 | 2018-19<br>£000 | Total<br>£000 |
|------|--|-----------------|-----------------|-----------------|-----------------|---------------|
| 17.1 | Funding                                      | 278,774         | 272,337         | 268,949         | 268,881         |               |
| 17.2 | Budget requirement                           | 283,671         | 284,625         | 283,370         | 284,095         |               |
| 17.3 | Variation shortfall (+) surplus (-)          | <b>4,897</b>    | <b>12,288</b>   | <b>14,421</b>   | <b>15,214</b>   |               |
| 17.4 | Additional ICT Roadmap Spending              | 125             | 450             | 650             | 950             |               |
| 17.5 | Additional Capital Financing Costs           | 210             | 404             | 697             | 427             |               |
| 17.6 | Contribution to/ (from) Revenue Support Fund | 1,807           | (7,547)         | (10,793)        | (3,091)         |               |
| 17.7 | Adjusted Shortfall                           | <b>7,039</b>    | <b>5,595</b>    | <b>4,975</b>    | <b>13,500</b>   |               |
| 17.8 | Revenue Support Fund balance at year end     | 28,385          | 20,838          | 10,045          | 2,954           |               |
| 17.9 | Use of Support Fund for                      |                 |                 | (4000)          |                 |               |

| Capital Programme |  |         |         |         |         |          |
|-------------------|--|---------|---------|---------|---------|----------|
| 17.10             | Revised Revenue Support Fund balance at year end   | 28,385  | 20,838  | 6,045   | 2,954   |          |
| 17.11             | Identified savings required assuming no increase in council tax 2015/16                          | (6,089) | (4,625) | (2,628) | (5,928) | (1,9270) |
| 17.12             | Unidentified savings required assuming acceptance of freeze grant in 2015/16                     | (950)   | (970)   | (2,347) | (7,572) | (11,839) |
| 17.13             | Loss of officers and staff assuming a 1.99% rise and budget gap filled by people reductions only | (32)    | (118)   | (297)   | (402)   |          |
| 17.14             | Cumulative loss of officer and staff   | (32)    | (150)   | (447)   | (849)   |          |

The key features of this option are that:

- Total additional savings £2m by 2018-19 as compared to option 1
- Overall staffing numbers are lower by 69FTE by 31 March 2019 than under option 1, that is overall staff number reduce by 849 in total.
- A contribution to the Revenue Support Fund of £1.807m in 2015-16 and a use of the fund in 2016-17 to 2018-19 totalling £21.4m (the same as option 1)
- Unidentified savings total £9.8m by 2018/19 if no alternative savings are found this will require reductions in staff number of approximately 849 FTE.

Following the above analysis of the options it is considered that to increase the council tax by 1.99% provides the best financial option in that it maximises the council tax income available and consequently the number of police officers employed.

A 1.99% increase in the Council tax for 2015/16 will increase council tax bills by 6.3p pence per week or £ 3.31 per year for a property in council tax Band D.

## 6. The Capital Programme

Table 18 provides a summary of the proposed four year capital programme:

**Table 18: The Proposed Capital Programme**

| Ref   |   | 2015/16<br>£000 | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 | Total<br>£000 |
|-------|---|-----------------|-----------------|-----------------|-----------------|---------------|
| 18.1  | <b>Capital Expenditure</b>                              | 12,994          | 27,171          | 13,477          | 7,594           | 61,236        |
| 18.2  | Unfinanced spend to 31/03/2015 Exeter CJC               | 1,797           |                 |                 |                 | 1,797         |
| 18.3  | <b>Total</b>  | <b>14,791</b>   | <b>27,171</b>   | <b>13,477</b>   | <b>7,594</b>    | <b>63,033</b> |
| 18.4  | <b>Capital Financing</b>                                |                 |                 |                 |                 |               |
| 18.5  | Capital Grant   | 2,218           | 2,520           | 1,945           | 3,329           | 10,012        |
| 18.6  | Revenue Support Fund                                    |                 |                 | 4,000           |                 | 4,000         |
| 18.7  | Capital Financing Reserves & Strategic Alliance Reserve | 5,011           | 3,146           | 677             | 1,005           | 9,839         |
| 18.8  | Capital Receipts  | 6,167           | 19,169          | 2,325           | 2,045           | 29,706        |
| 18.9  | Borrowing   | 1,396           | 2,336           | 4,530           | 1,215           | 9,477         |
| 18.10 | <b>Total Financing</b>                                  | <b>14,791</b>   | <b>27,171</b>   | <b>13,477</b>   | <b>7,594</b>    | <b>63,033</b> |



The major increase in spending in 2016/17 relates to the Exeter Criminal Justice Centre and related works. This project has been included on the basis of the COG preferred option. When the project was first envisaged it was planned that it would be funded entirely from the receipts from the sale of land at Middlemoor. Changes in the build cost and significant and changing uncertainty with regard to the resources available to fund the project mean that it is necessary to include a contingency of £9.7m within the programme to support this project.

The annual revenue costs associated with this programme are contained within the annual budget base expenditure costs. Up to 2016/17 the estates parts of the overall programme is based mainly upon funding from capital receipts generated from the sale of existing assets. Borrowing of £9.5m will be required to fund the new priorities contained in the programme. A full copy of the 2015/16 to 2018/19 Capital Programme is contained in Appendix 1.4

## 7. The Financial Risks

The Joint Audit Committee and JMB regularly review the financial uncertainties affecting the OPCC and force and the following areas are determined as high uncertainty and high impact financial risk areas:

- Police and Crime plan not financially planned and fully funded from grant and council tax by 2019/20
- There is a possible review of Home Office funding in 2016/17 to coincide with the next spending review. Given current economic conditions further losses of grant are to be expected.
- The effects of inflation on the council tax referendum cap may reduce the level at which it is set and therefore the income to be raised through the precept in future years (i.e. not at 2%)
- Increase in Topslice funding in future years further depletes resources
- The allocation of commissioning grant does not provide a long term sustainable amount for service delivery
- That the pay awards for 2014/15 and future years do not match the assumption built into the budget plan (1.5% in September 2015 and 2.0% thereafter).
- Sanctions are used against PCCs that have consistently increased council tax by the maximum legally allowed under referendum rules.

In addition to these wider risks the following areas are kept under review.

- Reduced funding for 2016/17 below that included in the MTFS
- Increased funding of the change programme
- Revenue reductions not delivered on time
- Business planning and financial planning non-aligned
- Increases in long term interest rates
- Budget uncertainty through assumption changes
- Major incident cost overrun
- Further cost transfers from the centre (e.g. IT costs)
- Reductions in local authority funding placing pressure on the police service
- Savings delivery not as expected
- Opening up of old crimes especially around CSE
- Severance costs higher than planned ;
- Possible impacts of historical A19 decisions ;and
- Further changes to council tax benefit localisation which could cost up to 10% of the benefit in future years if schemes alter.

The severity of funding reductions is now prompting questions to be asked nationally about how financial viability is to be measured. This will inevitably mean that expenditure in future will need to be



prioritised for business and to identify certain functions that are non-essential. Part of the mitigation against financial risk is the management and maintenance of adequate reserves.

As part of the budgetary process for 2015/16 the PCC has asked that the overall level of reserves and the policies relating to them are reviewed. This review also includes the management of the PCCs debt holding and its cost impact upon the annual revenue expenditure.

The objective of the review of reserves is to determine their adequacy when measured against the risks faced by the PCC and the Force in setting the budget and medium term financial strategy for 2015/16 to 2018/19.

## 8. Review of Reserves and Assumptions

The accounting statements of PCCs use the following terminology to distinguish reserves: *Earmarked Reserves*; - funds set aside to meet known or predicted future spending. A distinction is made within these funds between reserves that are based upon contingency where the risk is difficult to quantify e.g. A19 and those that have planned profiles of expenditure e.g. the change programme or the revenue support fund.

*General Reserves*; This type of reserve is a working balance in order to manage the day to day fluctuations in cash flow and to protect annual budgets against one off unpredictable fluctuations.

These two types of reserve form the PCC's total reserves.

Table 19 provides a summary of reserves holdings with an analysis of the individual reserve types given for 2014/15.

**Table 19 Summary of Reserve Trends**

| Ref  | Reserve Type | 2010/11<br>£m | 2011/12<br>£m | 2012/13<br>£m | 2013/14<br>£m | 2014/15<br>Estimate<br>£m |
|------|--------------|---------------|---------------|---------------|---------------|---------------------------|
| 19.1 | Earmarked    | 22.3          | 32.0          | 43.8          | 55.1          | 55.2                      |
| 19.2 | General      | 6.2           | 6.2           | 6.2           | 6.2           | 6.2                       |
| 19.3 | Total        | 28.5          | 38.2          | 50.0          | 61.3          | 61.4                      |

The doubling of reserves between

March 2011 and March 2014 is a product of the continuing underspends in these years. It has been a conscious policy, reported to JMB, to increase these reserves by under-spending based upon a review of specific financial risks. They have also been increased in order to provide transitional support fund monies thus allowing time for savings that need to be made during a period of prolonged austerity.

If Devon and Cornwall is compared with organisations with similar sized budgets, i.e. with gross revenue budgets within the range of £250m-£350m the percentage that total reserves represent in comparison with spending is shown in the following table:

**Table 20: Comparison of total reserves as a % of Net Revenue Budgets 2014/15**

| Ref  | No of PCCs £250m to £350m | Devon and Cornwall | Group | Variance |
|------|---------------------------|--------------------|-------|----------|
| 20.1 | 11                        | 21.1%              | 15.8% | 5.7%     |

However, reserves are based upon the risks individual policing organisations face, these do not always correlate to budget size and therefore benchmarking can only be a broad indicator.

## Assessing adequacy

The assessment of reserves is a two part process. Firstly an assessment is made of the risks where financial provision needs to be made and then secondly what the size of the identified provision should be.

Financial risks: The following table shows the significant financial risks facing the PCC and how relevant financial reserves are in mitigation of those risks. The risks identified expand on those contained in the joint risk register.

**Table 21: Risk Adjusted Reserves**

| Ref  | Financial Risk   | Potential size   | Mitigation   | % Probability assigned by Treasurer | Possible call on Reserve £m |
|------|--|--|--|-------------------------------------|-----------------------------|
| 21.1 | Police and Crime Plan not fully funded by 2018/19                              | £5m one off funding (for example to reduce police officer numbers quickly) | Would need to be mitigated through the support fund  | 50%                                 | 2.5                         |
| 21.2 | Review by Home Office of funding formula removes protection caused by damping  | £5m per annum  | Would require further annual savings to reduce base budget. Support fund needed to transition to lower level | 50%                                 | 2.5                         |
| 21.3 | The Council Tax referendum cap may reduce to 1% or 1.5% in line with inflation | Each 1% reduction removes £900k of funding annually                        | Would require further annual savings to reduce base budget. Support fund needed to transition to lower level | 75%                                 | 0.6                         |
| 21.4 | Increase in topslice from the police grant                                     | Each 1% is a loss of £1.8m one off   | On off reduction which would be charged to support fund  | 50%                                 | 0.9                         |
| 21.5 | Reductions or cessation in commissionin  | Need to fund annually from own resources                                   | Would require further  | 25%                                 | 0.4                         |

| Ref  | Financial Risk  | Potential size                                   | Mitigation   | % Probability assigned by Treasurer | Possible call on Reserve £m |
|------|---|--|--|-------------------------------------|-----------------------------|
|      | g grant after 2015/16 for CSPs  | £1.7m  | annual savings to reduce base budget. Support fund needed to transition to lower level                       |                                     |                             |
| 21.6 | Pay restraint .5% above assumptions in plan(1.5% 15/16 and 2% thereafter)             | Ongoing impact of £1m per annum                  | Would require further annual savings to reduce base budget. Support fund needed to transition to lower level | 50%                                 | 0.5                         |
| 21.7 | Changes in government leading to changed spending priorities                          | likely to be one off                             | Support fund used to transition to new policy  | Unknown                             |                             |
| 21.8 | Increased funding of change programme   | £1m possible overspend based on past performance | On off reduction which would be charged to support fund or projects and Programme reserve                    | 50%                                 | 0.5                         |
| 21.9 | Revenue reduction from the Strategic Alliance and other savings not delivered in time | £8m additional savings not achieved on time      | Would require further annual savings to reduce base budget. Support fund needed to transition to lower       | 25%                                 | 2.0                         |

| Ref   | Financial Risk                         | Potential size  | Mitigation   | % Probability assigned by Treasurer | Possible call on Reserve £m |
|-------|--|---|--|-------------------------------------|-----------------------------|
|       |  |   | level  |                                     |                             |
| 21.10 | Working Capital                        | Reserves required to cover working capital for one weeks expenditure. | This amount could be covered by working capital or temporary borrowing in extreme circumstances.       | 0%                                  | 0                           |
| 21.11 | Capital Financing                      | Funding as identified in capital programme                            | Definite charge  | 100%                                | 2.5                         |
| 21.12 | Major incident cost overrun            | Major incident cost £6.0m requiring additional £5.5m over budget      | Charge to specific major operations reserve  | 25%                                 | 1.375                       |
| 21.13 | Severance costs exceed the budget      | Large pension strain costs 500k                                       | Charge to workforce modernisation  | 25%                                 | 0.1                         |
| 21.14 | Impacts of A19                         |   | Charge to remuneration reserve   | Best case                           | 3.0                         |
| 21.15 | Los of income from council tax benefit | £1.3m pa lost through not being in control of schemes                 | Would require further annual savings to reduce base budget. Support fund needed to transition to lower | 25%                                 | 0.3                         |

| Ref          | Financial Risk          | Potential size   | Mitigation                         | % Probability assigned by Treasurer | Possible call on Reserve £m |
|--------------|-------------------------|--|------------------------------------|-------------------------------------|-----------------------------|
|              |                         |  | level                              |                                     |                             |
| 21.16        | Workforce modernisation | Equal pay claims arising from JE exercise. Hay MSL estimate 2006, £20m | Workforce modernisation on reserve | 50%                                 | 10.00                       |
| <b>21.17</b> | <b>Total</b>            |  |                                    |                                     | <b>27,175</b>               |

The above table shows that reliance is placed on the support fund to mitigate any major one off swings in central government expenditures. In order to cover the assessed risk reserves should be in the region of £27m.

The following table compares the reserves position as forecast in the current MTFS as at 31 March 2018 against the risk based assessment in table 21 above.

#### Table 22 Risk Adjusted Balance Levels

This table compares the reserves at the end of the current four year MTFS (i.e. 31/03/2018) with the possible calls on reserves adjusted by probability in Table 21.

#### Table 22: Risk Based Assessment of the Probable Calls on Earmarked and General Balances

| Ref   | Description of Balance        | Amount at 31/03/2018 £000 | Probability calls on funding Table 21 £000 |
|-------|-------------------------------|---------------------------|--|
| 22.1  | General Balances              | 6,198                     | 0  |
| 22.2  | Revenue Support Fund          | 2,883                     | 9,800                                      |
| 22.3  | Police Officer ill Health     | 0                         | 0  |
| 22.4  | Budget Management Fund        | 0                         | 0  |
| 22.5  | Major Operations Reserve      | 2,376                     | 1,375                                      |
| 22.6  | Programmes & Projects Reserve | 173                       | 500  |
| 22.7  | Workforce Modernisation       | 3,430                     | 10,000                                     |
| 22.8  | Capital Financing             | 85                        | 2,500                                      |
| 22.9  | Estates Development Reserve   | 0                         | 0  |
| 22.10 | Remuneration Reserve          | 2,876                     | 3,000                                      |
| 22.11 | Police and Crime Plan Reserve | 0                         | 0  |
| 22.12 | Total Earmarked               | 11,821                    | 21,625                                     |
| 22.13 | Total Reserves                | <b>18,021</b>             | <b>27,175</b>                              |

The above reserves, provisions and balances have been tested against the identified financial risks from the OPCC risk register. On the basis of the above, the reserves and balances cover known liabilities and commitments and provide cover for unknown liabilities at the assessed level for 2014/15 and adequate cover in the longer term.

Appendix 1.5 provides a detailed forecast of the position on each reserve over the MTFS period.

## 9. Conclusions and Recommendations

In this the fifth year since CSR10 the requirement to make increased financial savings continues. As this report shows savings of £52m have already been made since 2009/10 and there are a further £29m to be made by March 2019. The Government has provided PCCs again with the promise of a council tax freeze of 1% for 1 year. The decision is both an operational and a financial one. Taking the freeze grant would not enable the maximum no of police officers to be employed in 2015/16; as the Chief Constable's report (contained in the PCC's report to the Panel) indicates this would have a significant impact on delivery of the objectives of the Police and Crime Plan. The decision in financial terms is one of long term income security versus the short term gain of accepting the council tax freeze grant without the security of promises that it will continue beyond 2015/16 at current levels. The PCC and Force are entering into a further period of uncertainty with the additional risk this brings. As in previous years the prospect of continuing austerity places emphasis upon the following:

- Renewed levels of effort to find savings that enable the police officer numbers to be maximised. This will place emphasis on releasing savings from the envisaged strategic alliance with Dorset and also the activities of the Every Penny Counts Delivery Board.
- Sound financial monitoring and delivery of both financial and actual planned reductions by ensuring the adequacy of reserves and the maximisation of the council tax base; and
- Sound systems of risk analysis and recording to ensure that early action is taken to mitigate the risks encountered through the extensive change programme being undertaken by the force.

Given the requirement to ensure long term financial sustainability and viability to increase the Council Tax by 1.99%, is recommended as the basis of the proposed precept increase to The Police and Crime Panel.

### RECOMMENDATIONS

This report considers the future four year financial position for the PCC and Chief Constable and presents the following options for the Council Tax for consideration and decision by the PCC:

- i. A 0% increase in Council Tax for 2015-16 with acceptance of a one year council tax freeze grant equivalent to 1%
- ii. 1.99% increase in Council Tax for 2015-16

It is recommended that a 1.99% increase in council tax is proposed to the Police and Crime Commissioner in support of his Police and Crime Plan.

## Appendix 1.1

### Technical Adjustments

This table contains those adjustments that cannot be avoided by the PCC as they are required by either the economic climate, statutory, legal or regulatory circumstances.

| Ref   | Cost Increase                         | Reasons for Increase   | 2015/16<br>£m | 2016/17<br>£m | 2017/18<br>£m | 2018/19<br>£m |
|-------|---------------------------------------|--|---------------|---------------|---------------|---------------|
| A1.1  | Pay and prices                        | Pay award based on 1.5% from Sept 2015 and 2% from September 2016                        | 4.095         | 5.325         | 5.670         | 5.880         |
| A1.2  | Police Officer turnover               | The savings generated by replacing experienced officers with new recruits                | -3.545        | -3.430        | -3.185        | -3.807        |
| A1.3  | Increments                            | Contractual  | 1.900         | 1.800         | 1.900         | 1.900         |
| A1.4  | Police Officer terms and conditions   | Winsor changes plus changes to costs of housing allowances and competency based payments | -0.850        | -0.826        | -0.400        | -0.400        |
| A1.5  | National Insurance Levy               | Government decision, single state pension  | 0.000         | 4.500         | 0.000         | 0.000         |
| A1.6  | Police Staff pension contribution     | Actuarial assessments, excludes grading and pay impact                                   | 0.200         | 0.000         | 0.000         | 0.000         |
| A1.7  | Contract changes - Serco etc.         | Termination by existing supplier - 'not viable'  | 0.250         | 0.000         | 0.000         | 0.000         |
| A1.9  | Cost reductions/inc reases            |  | -0.221        | -0.921        | -0.507        | 0.659         |
| A1.10 | Estates rationalisation one off costs |  | 0.000         | 0.500         | -0.500        | 0.000         |
| A1.11 | PNC Topslice                          |  | 0.180         | 0.000         | 0.000         | 0.000         |
| A1.12 | Capital Financing                     |  | -0.067        | -0.067        | -0.070        | 0.000         |
| A1.13 | Police Officer Ill Health             | Increased cost of ill health retirements   | 0.200         | 0.000         | 0.000         | 0.000         |
| A1.14 | Police Officer Transferees            | To meet specialised functions  | 0.400         | 0.000         | 0.000         | 0.000         |

| Ref   | Cost Increase  | Reasons for Increase   | 2015/16      | 2016/17      | 2017/18      | 2018/19      |
|-------|--|--|--------------|--------------|--------------|--------------|
| A1.15 | Net movement in reserves (excluding smoothing fund)    |  | 0.250        | 0.000        | 0.000        | 0.000        |
| A1.16 | MRP  | Additional borrowing   |              |              |              | 0.500        |
| A1.17 | Contribution from Police Officer III Health Reserve    | Reduction in reserves matched by expected increases in costs | -0.200       | 0.000        | 0.000        | 0.000        |
| A1.18 | Commissioning Expenditure (matched by increased grant) | Victim's Commissioning                                       | 1.265        | 0.000        | 0.000        | 0.000        |
| A1.19 | <b>Total Technical Changes</b>                         |  | <b>3.857</b> | <b>6.881</b> | <b>2.908</b> | <b>4.732</b> |



## Appendix 1.2

### New Growth Items

These items represent small improvements to services:

| Ref  | Cost Increase   | Reasons for Increase                           | 2015/16<br>£m | 2016/17<br>£m | 2017/18<br>£m | 2018/19<br>£m |
|------|---|--|---------------|---------------|---------------|---------------|
| A2.1 | ICT Convergence Strategy and additional Airwave costs | Airwave replacement accelerated by Home Office | 0.4           | 0.7           | 0.8           | 0.9           |
| A2.2 | Policing plan priorities                              | See note *                                     | 0.2           | 0.5           | 0.5           | -             |
| A2.3 | <b>Total New Growth</b>                               |  | <b>0.6</b>    | <b>1.2</b>    | <b>1.3</b>    | <b>0.9</b>    |

Note\* The exact use of this funding will be determined by the Chief Constable. It is however, expected that this will be used to improved approaches to:

- Child sexual exploitation
- Cyber crime
- Online fraud
- Control of legal highs, and
- Investigation of historic CSE cases

**Appendix 1.3**  
**Saving as agreed**

| Ref  | Cut  | Impact  | Risk  | 2015/16<br>£m | 2016/17<br>£m | 2017/18<br>£m | 2018/19<br>£m | Total<br>£'000 |
|------|--|---|---|---------------|---------------|---------------|---------------|----------------|
| A3.1 | <b>Strategic alliance</b>                    | Transformational  | High. Dependent on four corporation soles; legislative change and PCC elections may impact. Scale of change to deliver savings especially challenging |               | -0.645        | -2.237        | -2.509        |                |
| A3.2 | <b>Strategic alliance</b>                    | Transformational  | High. Dependent on four corporation soles; legislative change and PCC elections may impact. Scale of change to deliver savings especially challenging |               |               |               | -3.009        |                |
| A3.3 | <b>Estates</b>                               | Property Storage and Records Management   | High. Significant reprovision of stored property and records management. Dependent on successful progression of HQ development                        |               | -0.200        | 0.000         | 0.000         |                |
| A3.4 | <b>Change programme police staff reviews</b> | CJ and Custody reviews as already agreed - reviews not yet complete but on target | Medium - in budget. Custody review in particular may identify significant change processes  | -0.780        | -1.130        | 0.000         | 0.000         |                |

|      |                                 |   |  |        |        |       |        |  |
|------|---------------------------------|---|--|--------|--------|-------|--------|--|
| A3.5 | Vehicle reductions (technology) | In order to reduce usage of vehicles and improve deployment. Significant cuts in vehicle numbers have taken 20% of costs from the system. Providing vehicle location data will drive next round of savings whilst mitigating the operational impact of further reducing vehicle numbers | Medium - procurement process not complete. OBC identified good evidence from other forces on savings made  |        | -0.600 | 0.000 | 0.000  |  |
| A3.6 | Estates                         | Assumes estates strategy shuts and does not reprovision some stations. Operationally are likely to be viable but may cause public / political concern. Stations to be initially considered include Budleigh, South Brent, and Callington.   | Medium. Likely opposition from staff, public and the press. Operational deployment issues less likely. Some potential closures would be of stations where the front desk has recently been closed. Interdependencies with other change (e.g. HQ Project) and resource issues | -0.200 | 0.000  | 0.100 | -0.400 |  |
| A3.7 | Charges to Local Authorities    | DCP currently provide a considerable amount of incident and crime data to Local Authorities as part of court order procedures. We currently provide this free of charge, leading to high  | Medium. Local Authorities may review their own charging arrangements leading to increased cost for DCP. Perception that police not co operating in child care and other court orders   |        |        |       |        |  |

|              |  |   |   |        |        |        |        |  |
|--------------|--|---|---|--------|--------|--------|--------|--|
|              |  | demand. Neighbouring forces charge for this information; were this charge to be introduced, it is likely that demand would significantly reduce and income be generated |   |        |        |        |        |  |
| <b>A3.8</b>  | <b>Mobile data (change programme)</b>                                      | Mixture of stationery and travels costs; and police staff reductions including in control room  | Some medium and some high risk. Pilot of project not yet rolled out | -0.096 | -0.094 | 0.000  | 0.000  |  |
| <b>A3.9</b>  | <b>Returns on commercial developments - EPC</b>                            | Potentials for commercial development of sites e.g. Paignton being explored   | Medium. Legal issues being explored                                 |        | -0.100 | 0.000  | 0.000  |  |
| <b>A3.10</b> | <b>Officer reductions</b>  | To 3010 as previously agreed  | In budget - low   | -1.505 | -0.780 | -0.230 | 0.000  |  |
| <b>A3.11</b> | <b>Other locally managed budgets (underspendings and other reductions)</b> |   | In budget - low   | -0.600 | -0.465 | -0.064 | -0.006 |  |
| <b>A3.12</b> | <b>Forensics (collaboration)</b>   | Phase 1 & 2   | In budget - low   | -0.200 | -0.300 | 0.000  | 0.000  |  |
| <b>A3.13</b> | <b>ICT FM contract</b>   |   | In budget. Contract awarded - low                                   | -0.950 | 0.000  | 0.000  | 0.000  |  |
| <b>A3.14</b> | <b>Vacancy disestablishment</b>  | To reflect higher turnover of police staff than anticipated   | In budget - low   | -0.500 | 0.000  | 0.000  | 0.000  |  |
| <b>A3.15</b> | <b>Forensics (collaboration)</b>   | Phase 3 business case for forensics alliance now agreed by Region.  | Low. Business case now agreed                                       | -0.420 | 0.000  | 0.000  | 0.000  |  |
| <b>A3.16</b> | <b>Wellness (contract)</b>   | Ending of current contract  | In budget - low   | -0.300 | 0.000  | 0.000  | 0.000  |  |

|              |  |  |   |               |               |               |               |  |
|--------------|--|--|---|---------------|---------------|---------------|---------------|--|
| <b>A3.17</b> | <b>OPCC<br/>EPC</b>                            | Estates and<br>staff changes                         | In budget - low   | -0.313        | -0.111        | 0.003         | -0.004        |  |
| <b>A3.18</b> | <b>OPCC<br/>Commissi<br/>oning<br/>budgets</b> |  |   |               | -0.200        | -0.200        | 0.000         |  |
| <b>A3.19</b> | <b>Estates</b>                                 | Existing<br>Rationalisation<br>and R&M<br>reductions | In budget - low   | -0.225        | 0.000         | 0.000         | 0.000         |  |
| <b>A3.20</b> | <b>CJSE<br/>(Program<br/>me<br/>savings)</b>   | Income from<br>Police Led<br>Prosecutions            | Medium.<br>Income already<br>expected but<br>has not been<br>received - work<br>on going to<br>address this |               |               |               |               |  |
| <b>A3.21</b> | <b>Total</b>                                   |  |   | <b>-6.089</b> | <b>-4.625</b> | <b>-2.628</b> | <b>-5.928</b> |  |

## Appendix 1.4

| Summary Programme 2015-16 to 2018-19                   |                                    |                                    |                                    |                                    |                                    |               |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---------------|
|  | As at 31                           |                                    |                                    |                                    |                                    |               |
|  | March 2015                         | 2015-16<br>£000                    | 2016-17<br>£000                    | 2017-18<br>£000                    | 2018-19<br>£000                    | Total<br>£000 |
| ICT Roadmap MTFs 14/15 - 18/19                         |                                    | 2,591                              | 1,578                              | 1,120                              | 1,939                              | 7,228         |
| Airwave  |                                    | 471                                | 250                                | 1,800                              | 2,025                              | 4,546         |
| ICT Convergence Enabling and additional                |                                    | 626                                | 1,937                              | 182                                | -                                  | 2,745         |
| ICT Convergence Inevitables                            |                                    | 230                                | 784                                | -                                  | -                                  | 1,014         |
| New Technology for Investigation                       |                                    | 100                                | -                                  | -                                  | -                                  | 100           |
| Mobile Data  |                                    | 147                                |                                    |                                    |                                    | 147           |
| Estates Programme:                                     |                                    |                                    |                                    |                                    |                                    |               |
| Exeter CJC Hub   |                                    | 2,150                              | 14,150                             | 6,350                              | -                                  | 22,650        |
| Rationalisation programme                              |                                    | 4,025                              | 5,952                              | 780                                | -                                  | 10,757        |
| Refurbishment Programme                                |                                    | 240                                |                                    | 1,400                              | 1,215                              | 2,855         |
| Vehicle Replacement Programme                          |                                    | 2,090                              | 2,420                              | 1,745                              | 2,315                              | 8,570         |
| Body Armour Replacement                                |                                    | 100                                | 100                                | 100                                | 100                                | 400           |
| ANPR   |                                    | 225                                | -                                  | -                                  | -                                  | 225           |
|  |                                    | 12,994                             | 27,171                             | 13,477                             | 7,594                              | 61,236        |
| Add unfinanced spend to 31/3/2015 Exeter CJC           | 2,629                              | 1,797                              |                                    |                                    |                                    | 4,426         |
|  |                                    | 14,791                             | 27,171                             | 13,477                             | 7,594                              | 65,662        |
| Funding  |                                    |                                    |                                    |                                    |                                    |               |
| Grant  |                                    | 2,218                              | 2,520                              | 1,945                              | 3,329                              | 10,012        |
| Capital Financing Reserve & Strategic Alliance Reserve |                                    | 5,011                              | 3,146                              | 677                                | 1,005                              | 9,839         |
| Revenue Support Fund                                   |                                    |                                    |                                    | 4,000                              |                                    | 4,000         |
| Capital Receipts                                       |                                    | 6,167                              | 19,169                             | 2,325                              | 2,045                              | 29,706        |
|  |                                    |                                    |                                    |                                    |                                    | -             |
| Borrowing  | 2,629                              | 1,396                              | 2,336                              | 4,530                              | 1,215                              | 12,106        |
|  |                                    | 14,791                             | 27,171                             | 13,477                             | 7,594                              | 65,662        |
| Resources  |                                    |                                    |                                    |                                    |                                    |               |
| Borrowing  | - 2,629                            | - 1,396                            | - 2,336                            | - 4,530                            | - 1,215                            | - 12,106      |
| Grant  | - 59                               | - 2,628                            | - 2,600                            | - 2,600                            | - 2,600                            | - 10,487      |
| Funds & Reserves                                       | - 4,903                            | - 1,201                            | - 2,137                            | - 4,932                            | - 750                              | - 13,923      |
| Capital Receipts                                       | - 4,161                            | - 18,090                           | - 6,410                            | - 870                              | - 270                              | - 29,801      |
|  | - 11,752                           | - 23,315                           | - 13,483                           | - 12,932                           | - 4,835                            | - 66,317      |
| <b>Financing Resources</b>                             | <b>As at 31<br/>March<br/>2015</b> | <b>As at 31<br/>March<br/>2016</b> | <b>As at 31<br/>March<br/>2017</b> | <b>As at 31<br/>March<br/>2018</b> | <b>As at 31<br/>March<br/>2019</b> |               |
| Grant  | - 59                               | - 469                              | - 549                              | - 1,204                            | - 475                              |               |
| Funds & Reserves                                       | - 4,903                            | - 1,094                            | - 85                               | - 4,340                            | - 4,085                            |               |
| Capital Receipts                                       | - 4,161                            | - 16,084                           | - 3,325                            | - 1,870                            | - 95                               |               |
|  | - 9,123                            | - 17,647                           | - 3,959                            | - 7,414                            | - 4,655                            |               |

## Appendix 1.5

| <b>Balances, Reserves &amp; Provisions</b>       |                |                |                |                |                |                |                |                 |                 |                |                 |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
|  | <b>Actual</b>  | <b>2014-15</b> |                |                | <b>2015-16</b> |                |                | <b>2016-17</b>  |                 |                | <b>2017-18</b>  |                |                | <b>2018-19</b> |                |                |
|  | <b>2013-14</b> | In-Year        | In-Year        | Closing        | In-Year        | In-Year        | Closing        | In-Year         | In-Year         | Closing        | In-Year         | In-Year        | Closing        | In-Year        | In-Year        | Closing        |
|  | <b>Closing</b> | Movement       | Movement       | <b>Balance</b> | Movement       | Movement       | <b>Balance</b> | Movement        | Movement        | <b>Balance</b> | Movement        | Movement       | <b>Balance</b> | Movement       | Movement       | <b>Balance</b> |
|  | <b>Balance</b> | Revenue        | Capital        |                | Revenue        | Capital        |                | Revenue         | Capital         |                | Revenue         | Capital        |                | Revenue        | Capital        |                |
|  | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>     | <b>£000</b>     | <b>£000</b>    | <b>£000</b>     | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| <b>General Balances</b>                          | <b>6,198</b>   | 0              | 0              | <b>6,198</b>   | 0              | 0              | <b>6,198</b>   | 0               | 0               | <b>6,198</b>   | 0               | 0              | <b>6,198</b>   | 0              | 0              | <b>6,198</b>   |
| <b>General reserves:</b>                         |                |                |                |                |                |                |                |                 |                 |                |                 |                |                |                |                |                |
| Programmes and Projects Reserve                  | 7,127          | (3,880)        | 0              | 3,247          | (1,214)        | 0              | 2,033          | (557)           | 0               | 1,476          | (1,176)         | 0              | 300            | (127)          | 0              | 173            |
| Estates Development Reserve                      | 681            | (401)          | 0              | 280            | 60             | 0              | 340            | 4               | 0               | 344            | (219)           | 0              | 125            | (125)          | 0              | 0              |
| Capital Financing Reserve                        | 7,383          | 1,161          | (3,641)        | 4,903          | 750            | (4,560)        | 1,094          | 750             | (1,759)         | 85             | 750             | (495)          | 340            | 750            | (1,005)        | 85             |
| Strategic Alliance                               | 0              | 0              | 0              | 0              | 451            | (451)          | 0              | 1,387           | (1,387)         | 0              | 182             | (182)          | 0              | 0              | 0              | 0              |
| Workforce Modernisation Reserve                  | 9,199          | 1,440          | 0              | 10,639         | (2,094)        | 0              | 8,545          | (2,465)         | 0               | 6,080          | (2,150)         | 0              | 3,930          | (500)          | 0              | 3,430          |
| Remuneration Reserve                             | 2,876          | 0              | 0              | 2,876          | 0              | 0              | 2,876          | 0               | 0               | 2,876          | 0               | 0              | 2,876          | 0              | 0              | 2,876          |
| Police Officer Ill Health                        | 500            | 500            | 0              | 1,000          | (370)          | 0              | 630            | (445)           | 0               | 185            | 410             | 0              | 595            | (595)          | 0              | 0              |
| Major Operations Reserve                         | 2,376          | 0              | 0              | 2,376          | 0              | 0              | 2,376          | 0               | 0               | 2,376          | 0               | 0              | 2,376          | 0              | 0              | 2,376          |
| Budget Management Fund                           | 1,505          | 1,295          | 0              | 2,800          | (1,201)        | 0              | 1,599          | (1,387)         | 0               | 212            | (212)           | 0              | 0              | 0              | 0              | 0              |
| Police and Crime Plan Reserve                    | 560            | 0              | 0              | 560            | (280)          | 0              | 280            | (280)           | 0               | 0              | 0               | 0              | 0              | 0              | 0              | 0              |
| Revenue Support Fund                             | 22,969         | 3,609          | 0              | 26,578         | 1,807          | 0              | 28,385         | (7,547)         | 0               | 20,838         | (10,793)        | (4,000)        | 6,045          | (3,091)        | 0              | 2,954          |
| <b>Sub-total - general reserves</b>              | <b>55,176</b>  | <b>3,724</b>   | <b>(3,641)</b> | <b>55,259</b>  | <b>(2,091)</b> | <b>(5,011)</b> | <b>48,158</b>  | <b>(10,540)</b> | <b>(3,146)</b>  | <b>34,472</b>  | <b>(13,208)</b> | <b>(4,677)</b> | <b>16,587</b>  | <b>(3,688)</b> | <b>(1,005)</b> | <b>11,894</b>  |
| <b>Specific Capital Reserves / Grants:</b>       |                |                |                |                |                |                |                |                 |                 |                |                 |                |                |                |                |                |
| Capital Grant                                    | 1,359          | 0              | (1,300)        | 59             | 0              | 410            | 469            | 0               | 80              | 549            | 0               | 655            | 1,204          | 2,600          | (3,329)        | 475            |
| Capital Receipts                                 | 3,396          | 0              | 765            | 4,161          | 0              | 11,923         | 16,084         | 0               | (12,759)        | 3,325          | 0               | (1,455)        | 1,870          | 270            | (2,045)        | 95             |
| <b>Sub-total - specific reserves</b>             | <b>4,755</b>   | <b>0</b>       | <b>(535)</b>   | <b>4,220</b>   | <b>0</b>       | <b>12,333</b>  | <b>16,553</b>  | <b>0</b>        | <b>(12,679)</b> | <b>3,874</b>   | <b>0</b>        | <b>(800)</b>   | <b>3,074</b>   | <b>2,870</b>   | <b>(5,374)</b> | <b>570</b>     |
| <b>Total - Reserves</b>                          | <b>59,931</b>  | <b>3,724</b>   | <b>(4,176)</b> | <b>59,479</b>  | <b>(2,091)</b> | <b>7,323</b>   | <b>64,711</b>  | <b>(10,540)</b> | <b>(15,825)</b> | <b>38,346</b>  | <b>(13,208)</b> | <b>(5,477)</b> | <b>19,661</b>  | <b>(818)</b>   | <b>(6,379)</b> | <b>12,464</b>  |
| <b>Provisions</b>                                |                |                |                |                |                |                |                |                 |                 |                |                 |                |                |                |                |                |
| Insurance  | 1,389          | (735)          | 0              | 654            | 0              | 0              | 654            | 0               | 0               | 654            | 0               | 0              | 654            | 0              | 0              | 654            |
| Remuneration                                     | 544            | (544)          | 0              | 0              | 0              | 0              | 0              | 0               | 0               | 0              | 0               | 0              | 0              | 0              | 0              | 0              |
| Other  | 370            | (370)          | 0              | 0              | 0              | 0              | 0              | 0               | 0               | 0              | 0               | 0              | 0              | 0              | 0              | 0              |
| <b>Total - Provisions</b>                        | <b>2,303</b>   | <b>(1,649)</b> | <b>0</b>       | <b>654</b>     | <b>0</b>       | <b>0</b>       | <b>654</b>     | <b>0</b>        | <b>0</b>        | <b>654</b>     | <b>0</b>        | <b>0</b>       | <b>654</b>     | <b>0</b>       | <b>0</b>       | <b>654</b>     |
| <b>Total Balances, Reserves &amp; Provision:</b> | <b>68,432</b>  | <b>2,075</b>   | <b>(4,176)</b> | <b>66,331</b>  | <b>(2,091)</b> | <b>7,323</b>   | <b>71,563</b>  | <b>(10,540)</b> | <b>(15,825)</b> | <b>45,198</b>  | <b>(13,208)</b> | <b>(5,477)</b> | <b>26,513</b>  | <b>(818)</b>   | <b>(6,379)</b> | <b>19,316</b>  |