

HAMPSHIRE POLICE AND CRIME PANEL

Report

Date Considered:		22 January 2016		Item:	8
Title:		Budget 2016/17			
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1. Executive Summary

- 1.1. This report presents the proposed council tax precept for 2016/17 and the latest medium term financial position.
- 1.2. The budget is designed to assist in achieving the priorities set out in the updated Police and Crime Commissioner's Police and Crime Plan:
 - Improving frontline policing
 - Supporting victims and witnesses
 - Reducing crime and anti-social behaviour
 - Reducing re-offending

2. Contextual Information

- 2.1. The Police and Crime Plan sets out the Police and Crime Commissioner's priorities, targets and success measures. These are subject to ongoing review and consultation to ensure that they remain relevant and that progress is being made. The latest update to the Police and Crime Plan 2013-17 was published in 2015. It is not possible to divide the budget into each of the priorities as many of the activities undertaken aim to assist with more than one priority. However, the priorities are considered within the development of the budget and in the commissioning of services.
- 2.2. The Police and Crime Commissioner has undertaken consultation with the public to seek their views on the policing service and funding. The feedback from the consultation will be reported separately.
- 2.3. During the Spending Review 2010 period through to 2014/15, £54m of savings were delivered through a change programme that focused on saving money from non-pay budgets and streamlining back office support functions. These savings were achieved without reduction to

frontline officer and PCSO staffing numbers in order to minimise the impact on the operational capability of the Constabulary.

- 2.4. When the Government announced that austerity would continue from 2015/16 for potentially another four to five years, the scope for making further savings had to include a review of frontline services. The Operational Change Programme (OCP) was set up in order to review all functions, including frontline operational services, to create the necessary efficiencies that would allow high quality policing services to continue to be delivered, despite the funding reductions. The OCP identified savings of £22m across the years 2015/16 and 2016/17 with other initiatives taking total planned savings across the 2 financial years to £26m. This meant total planned savings of £80m since 2010/11.
- 2.5. A new OCP structure was designed for implementation in 2016/17. However, it was always known that there would be more police officers in 2015/16 than established posts in the new 2016/17 OCP structure, so 2015/16 had to be an interim position as officer numbers reduced through natural wastage in order to reach the OCP establishment.
- 2.6. Alongside the OCP, the Estates Change Programme (ECP) has been working to modernise the estate and align it to operational needs. Post implementation, this programme will deliver a new fit for purpose estate but will also provide annual ongoing savings of over £3m per annum as a result of the changes made.
- 2.7. Further cuts to grant were expected for 2016/17 onwards. However following representations from PCCs, Chief Constables and others about the scale of the potential cuts to be imposed, the Chancellor of the Exchequer announced in the Spending Review and Autumn Statement on 25 November that there would be no cuts to policing in real terms.
- 2.8. The Home Secretary clarified in her letter to PCCs and Chief Constables on 25 November that *'The Chancellor and I have agreed a fair deal for the police. This settlement gives Chief Constables and Police and Crime Commissioners immediate certainty that police spending will be protected in real terms over the Spending Review period, when local precept income is taken into account.....Total central Government resource funding to policing, including funding for counter terrorism, will be reduced by 1.3% in real terms over four years. Taking into account the scope that you have to raise local council tax, this means a flat real settlement for policing as a whole.'*
- 2.9. The letter goes on to say that *' You should plan on the basis that the overall referendum limit for police precept will be maintained at 2% over the Spending Review period for Police and Crime Commissioners in England '.*
- 2.10. The Annual Budget Statement also states that *'The government will offer PCCs greater flexibility in their local funding decisions by rewarding those areas which have historically kept council tax low. This will allow them to raise up to an additional £12 million per year compared to a 2% annual increase.'*

- 2.11. There is a clear intention set out by the Chancellor of the Exchequer and Home Secretary that police funding overall should be protected in real terms over the Spending Review period and in order to achieve this, precept increases would be necessary.
- 2.12. The Annual Budget Statement allows the 10 PCCs with the lowest precept to increase their precept by up to £5 on Band D council tax precept. This is intended to allow some PCCs to make progress in equalising council tax levels across England in advance of the grant funding formula review, now postponed until the autumn of 2016. Hampshire currently has the 11th lowest precept in England.
- 2.13. It should be noted that the information provided by Government very clearly states that 'policing as a whole' will be protected in real terms. If police funding is 'top-sliced' to fund central programmes and costs the amount that remains to be distributed to PCCs locally via the funding formula can still reduce. In her speech at the Policing Reform Summit on 8 December 2015, the Home Secretary stated that PCCs and Chief Constables would still need to make savings each year.
- 2.14. Final revenue grant settlement figures have been announced for 2016/17 and have been used in the calculations for this report, but the 2017/18 to 2019/20 figures have to be estimated based on current trend and figures included in Treasury publications. The Home Secretary set out a clear direction at the Police Reform Summit for more national and regional collaboration, which could lead to greater top-slicing of policing funds to fund national initiatives in future. Assumptions used in the calculation of the Medium Term Financial Strategy are shown in appendix A. Capital grant and grant from the Ministry of Justice is pending clarification so estimates have been included within this Budget report.
- 2.15. The HMIC carried out a PEEL Efficiency Assessment within the Force in 2015. The overall rating received was 'Good', however the specific rating for the question 'How sustainable is the force's financial position for the short and long term?' was judged to be 'Outstanding' showing that HMIC has confidence in the financial planning and management within Hampshire.

3. Government Grant

- 3.1. For 2016/17, the revenue grant reduction will be 0.6% in cash terms for PCC's, which equates to £1.103m for Hampshire. The amount of grant available to Police and Crime Commissioners is impacted by the increase in top-slicing that has been applied to the funding allocation to policing. The most significant increase is due to the national Emergency Services Network, which has been allocated £80m of police funding. Some of the top-slices such as Innovation Fund, Special Grant and PFI funding could be returned to forces. Historically Hampshire has achieved a net gain from the Innovation Fund and aims to continue on that line.

Table 1 – Police Funding Top-Slicing and Local Impact

	National Amount £m	Impact for PCC Hants £m	Allocated to PCC Hants £m
Top-Slice			
Counter Terrorism Police Grant	640	17.92	
Airwave	204	5.71	
Private Finance Initiatives	73	2.04	
Legacy Council Tax Grants	545	15.26	2.52
Top-Slice Subtotal	1,462	40.93	2.52
Re-Allocation			
College of Policing (for direct entry schemes)	4.6	0.13	0.00
Emergency Services Network	80	2.24	0.00
Independent Police Complaints Commission (for the transfer of integrity functions)	32	0.90	0.00
Police Innovation Fund (PIF)	55	1.54	tbc
Major Programmes (Home Office Biometrics & National Police Database Programme)	21.8	0.61	0.00
Police Special Grant	25.0	0.70	0.00
Transformation Fund	76	2.13	tbc
National and International Capital City Grant	178	4.98	0.00
Re-Allocation Subtotal	472.4	13.23	Tbc
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Total Top-Slice & Re-Allocation	1,934.4	54.16	2.52+tbc

- 3.2. Table 1 shows that the total amount of funding taken from the policing allocation for top-slices and reallocation results in £54.16m less direct grant funding for the PCC for Hampshire. Some of that funding will be allocated back to the PCC for Hampshire via specific grant. The current amount is £2.52m, but more could be received if the recently submitted Innovation Fund bids are successful. It is also possible that funding will be allocated from the new Transformation Fund.
- 3.3. The current Funding Formula for Government Grant has been in place for a number of years, but has never been fully implemented as floors and ceiling have been used to damp any changes to individual constabularies. This process has the effect of reducing the amount of funding that Hampshire and the Isle of Wight should receive according to the agreed funding formula. The amount of funding 'lost' when the formula was last run in 2013/14 was £10m pa (appendix B). The Home Office will not be using the formula until a new formula is introduced, therefore, the damping 'loss' for 2016/17 will not be published but will be

around £9m for 2016/17, having adjusted for the overall grant reductions since 2013/14. This has a significant impact on the budget and the service that can be provided.

- 3.4. During 2015/16, the Government undertook consultation on the funding formula for the Police Grant. Due to issues relating to the quality of data available to populate the proposed new model, the Home Office decided to delay any changes to the formula and further work will be carried out in 2016/17 with the aim of introducing the new formula for the 2017/18 budget.
- 3.5. There is a therefore a risk that this new formula will adversely affect the amount of grant received by Hampshire. Should this happen, the Risk Reserve and Grant Equalisation Reserve could be used to balance the budget in year as a one off, until savings could be made to cover the reduction in the long term.
- 3.6. The Police and Crime Commissioner will receive council tax support grant again of £10.4m, which is equivalent to 10% of the council tax precept in 2012/13, to reduce the impact of the loss of council tax precept expected from lower council tax bases as a result of the changes to council tax support made in 2013/14. The decisions taken by local billing authorities regarding council tax support impacts directly on the council tax base and therefore on the amount of precept that the Police and Crime Commissioner will receive.
- 3.7. The Police Authority accepted a precept freeze for 2011/12 and 2012/13. In return, a council tax freeze grant equivalent to 2.5% (£2.5m) for 4 years (2011/15) was received for freezing council tax in 2011/12. It had been expected that this grant would be removed for 2016/17, however this has not happened and the funding has been included in the settlement. The expectation is that the £2.52m will now be removed from 2017/18 and the budget forecasts have been adjusted accordingly. The council tax freeze grant for 2012/13 has ceased as this was a one-off grant equivalent to a 3% council tax increase (£3m) in 2012/13 only.
- 3.8. Therefore, the total grant receivable relating to council tax is £10.4m for council tax support grant plus £2.5m for the 2011/12 council tax freeze, which comes to £12.9m. This is the same cash value as received in 2015/16.

4. Council Tax

- 4.1. Each year the Government sets a referendum limit. Any precept increase above the referendum limit is deemed by the Government to be excessive and therefore a public referendum vote, within the area covered by the proposed increase, is required to take place to gain approval. Since 2013/14, precept increases have been approved within the referendum limit. This has reduced the impact of the grant reductions, although significant savings have still been required.
- 4.2. Using the average gross salary cost of a police officer of £47,500, Table 2 below gives illustrative sensitivity analysis of the potential impact of council tax decision on police officer numbers. Table 2 shows an

approximation of how many police officers could be 'protected' by the increase in council tax funding made available.

Table 2 – Impact on police officer numbers of council tax decisions

Annual increase in council tax precept	16/17	17/18	18/19	19/20
1% per annum	21	43	65	87
2% per annum	43	87	131	177

- 4.3. In normal circumstances an increase in council tax would give additional funding to be invested in either increased numbers of officers or equipment. Due to the current cuts in government grant, increases in council tax have been used to prevent higher reductions of officer numbers, rather than being able to actually increase the numbers. The figures in Table 2 show that an annual council tax precept increase of 2% would pay for 177 more police officers to be retained by 2019/20 compared to a 0% increase in precept over the same period.
- 4.4. If the Band D council tax precept is increased to £160.46 in 2016/17, it will mean that the council tax precept increases made between 2013/14 and 2016/17 generate sufficient additional revenue to pay for the equivalent of 196 police officers. Although there have been significant reductions in both staff and officer numbers overall, the increase in precept has reduced the impact. During this period the proportion of officers in frontline roles has increased.
- 4.5. In 2015/16, 31 of the 37 Police and Crime Commissioners in England did not freeze council tax. The 2015/16 council tax precept for Hampshire remained in the bottom quartile. A chart of English police bodies' 2015/16 band D council tax rates is shown in appendix C.
- 4.6. The Secretary of State has confirmed that in 2016/17 precept increases of 2% or more will be considered excessive and would trigger a referendum. The 1.99% proposal would not trigger a referendum.
- 4.7. It has also been confirmed that there will be no Council Tax Freeze Grant for 2016/17.

5. Budget 2016/17

- 5.1. The budget is shown at appendix D, with a summary of the plan for Commissioning included at appendix E.
- 5.2. The 2015/16 budget report showed a projected shortfall of £2.197m for 2016/17, which incorporated all the planned savings. This gap has now been closed due to the change to government grant reductions and the implementation of the Force restructure. A breakdown of the savings has been included at appendix F.
- 5.3. Inflation has been included where necessary for contract spend and other areas where inflationary increases are expected to be unavoidable. Where more accurate information is available, such as specific

contracts, these values have been used. Due to the current falling prices on vehicle fuel, gas and electricity, no inflation has been included.

- 5.4. Pay has been increased at 1% from September 2016 for both staff and officers, in line with the Government's pledge to keep public sector pay increases to this level or below. However this will be subject to agreement between employers and the staff associations.
- 5.5. As in previous years, there have been budget pressures in some areas which will need to be met. These are relatively low this year and include temporary increases in staffing levels for Firearms Licensing and the Police National System Office, and on-going costs to accredit the Scientific Service Department. Details of these growth and budget pressures are set out in appendix G.
- 5.6. Changes to employers' National Insurance rates have increased the cost for the year 2016/17 onwards. This is an additional charge to the budget to the effect of £4.2m. An increase to police staff pension lump sum from £4.368m in 2015/16 to £4.752m for 2016/17 has also been included. No further increases to the staff pension lump sum have been included for future years at this stage. The employee budget also includes £0.5m for the cost of a work required to review documents and submit evidence for national operations relating to undercover work.
- 5.7. The budget also allows £1.5m for the Police and Crime Commissioner's contribution for 2016/17 Innovation Fund bids. The Home Office will confirm whether 2016/17 bids are successful in March 2016. If Home Office funding is not received, the initiatives may still go ahead but further local funding would have to be approved in order for all of those initiatives to be able to proceed. The national scheme to replace the current Airwave communication system, Emergency Services Mobile Communication Programme (ESMCP), will require local investment in 2016/17 of £0.7m.
- 5.8. Within the Annual Budget Statement the Chancellor announced the introduction of a new Apprenticeship Levy which will be charged on all organisations payrolls at 0.5% of annual salary costs. This equates to £1m for the Constabulary and has been included within this budget proposal under levies. An additional £0.5m has also been included under levies for costs associated with national work and ICT systems. The Home Office policy is for more costs towards national systems to be funded from contributions from PCCs rather than top-slicing the policing services budget as has been done in the past.

6. Medium Term Financial Strategy 2016/17 and Future Years

- 6.1. This report is focused on the 2016/17 budget, but makes references to future financial years as decisions taken for 2016/17 could significantly impact on the medium term position. No information is currently available on the budget settlement for 2017/18 or beyond, therefore estimates have been included within the projections based on previous Government statements and proposed allocations to the Home Office by the Treasury.

- 6.2. In previous years, a MTFS Report has been presented to the PCP in September, however due to the additional uncertainty around Government Grant this year, it was necessary to incorporate the MTFS within this report.
- 6.3. The MTFS at appendix D shows an estimated budget shortfall of £6m by 2019/20 assuming 1.99% council tax precept increases from 2016/17 onwards. A council tax freeze each year would increase the shortfall by a further £8.5m by 2019/20.
- 6.4. The HC2020 programme was set up to identify and deliver the changes necessary to make efficiencies over the years to 2019/20. Although the savings requirement is now significantly lower than expected, this team will continue to identify opportunities for efficiencies across the Force to fill the funding gap, but also to improve services and reinvest in priority areas where possible.
- 6.5. Budgeted employees, pension contribution rates and inflation have been included as per appendix A. In some cases such as electricity, inflation factors will be known as they are included within multi-year contracts. In most cases inflation is unknown. A default rate of 2.0% has been used where inflation is unknown, in line with the Bank of England target rate of 2%.
- 6.6. A number of partnerships are supported across the Force. These include the ACPO Criminal Records Office (ACRO) which is wholly funded by the Home Office, ACPO, fees and European funding. Staff at ACRO are officially employed by the Chief Constable. The costs of supporting ACRO are recharged. In addition, a surety is held in reserves to guard against any liabilities. Less financially significant partnerships exist with the Local Criminal Justice Board, Youth Offending Team (YOT) and Community Safety Partnerships.

7. Capital Programme including Estate Development Programme

- 7.1. The Capital Programme is set out in appendix H. It includes approved capital schemes and best estimates for schemes that are still subject to final business case approval (marked with a '#'). The cost of financing the capital expenditure shown for 2016/17 is included within the revenue budget calculations for capital financing.

8. Reserves and Financial Stability

- 8.1. The Police and Crime Commissioner continues to use reserves to pay for the cost of change that is required to meet the financial challenge. The Home Secretary has made it clear that policing must continue to reform to make further efficiencies and improvements and that forces will need to make savings each year. The HC2020 programme will seek to find further efficiencies to meet that challenge. Reserves also exist to mitigate the increased risk created by the financial environment, including potential changes to formula grant.

- 8.2. The Risk Reserve specifically exists to provide mitigation against any short notice announcements from Government that negatively impact on the financial position and to mitigate against under achievement of savings. The Transformation Reserve funds new initiatives that aim to improve performance and deliver efficiencies. The grant equalisation reserve was created to help smooth the impact of grant reductions.
- 8.3. The level of reserves continues to be reviewed by the Police and Crime Commissioner, Chief Finance Officers and auditors to ensure that suitable reserves are in place to reduce the risk of the financial challenges faced, but that reserves are not unnecessarily held to the extent that is detrimental to current service delivery. As the details of the Spending Review 2015 become clearer, the level of reserves required and the intended use of those reserves can be reassessed. This will also become increasingly important when the position on formula grant review is known. There is a need to take note of current shocks in local government funding due to late and significant reductions in grant.
- 8.4. The reserves include some amounts that are ring-fenced and not available for use by the Police and Crime Commissioner, for example, circa £11m of reserves are held on behalf of ACRO. The Reserves Strategy is set out in appendix I.

9. Consultation

- 9.1. Public consultation is undertaken on an ongoing basis by the Police and Crime Commissioner. In addition, specifically in relation to the council tax precept, consultation is undertaken via an independently facilitated event and through the website. The results of the consultation are considered by the Police and Crime Commissioner before deciding the proposed council tax precept.

10. Risks

- 10.1. Plans are already in place through the HC2020 change programme to make further savings due to expected further reductions in Government grant. There is a risk that increases in top-slices, reductions in grant, inflation or new additional expenditure will be greater than forecast, hence further savings could be required. The position will continue to be closely monitored and, if required, the Risk Reserve can provide some one-off assistance to allow time for changes to be implemented.
- 10.2. Council tax bases and collection funds information will continue to be updated until the deadlines are reached.

11. Recommendations

- 11.1. It is recommended that the Police and Crime Panel agree the proposed precept increase of £3.13 (Band D), which is an increase of 1.99%, in line with proposed Police and Crime Commissioner decision as follows:
 - a) The 2016/17 budget is as set out in this report at appendix D, based upon a £3.13 (Band D), which is 1.99%, precept increase

- b) The Police and Crime Commissioner in Hampshire's basic Council Tax for the year beginning 1 April 2016 be £160.46 per annum at Band D
- c) The Police and Crime Commissioner for Hampshire's basic Council Tax for the year beginning 1 April 2016 for each band be as set out in appendix C
- d) The Council Tax requirement for the Police and Crime Commissioner for Hampshire for the year beginning 1 April 2016 will be £105,431,220.20* as per appendix C
- e) Precepts are issued totalling £105,431,220.20* on the billing authorities in Hampshire and the Isle of Wight requiring payment, in such instalments and on such dates set by them and previously notified to the Police and Crime Commissioner for Hampshire, in proportion to the tax base of each billing authority's areas as determined by them and set out in appendix C.

* The council tax bases provided by billing authorities are estimates at the time of writing the report so may be subject to change when finalised.

Appendix A

Inflation and Assumptions

Employees (FTEs)	2016/17	2017/18	2018/19	2019/20
Officers	2,890.28	2,890.28	2,890.28	2,890.28
Staff	1,771.76	1,769.76	1,769.76	1,769.76
PCSOs	336.00	336.00	336.00	336.00
Total	4,998.04	4,996.04	4,996.04	4,996.04

Basic Pay	Sept 2016	Sept 2017	Sept 2018	Sept 2019
Officer pay	1.00%	1.00%	1.00%	1.00%
Staff pay	1.00%	1.00%	1.00%	1.00%

Basic Pay	2016/17	2017/18	2018/19	2019/20
Officer pay	101.00%	101.00%	101.00%	101.00%
Staff pay	100.58%	101.00%	101.00%	101.00%

National Insurance	2016/17	2017/18	2018/19	2019/20
Below UAP Average - officers	13.80%	13.80%	13.80%	13.80%
Below UAP Average -staff	13.80%	13.80%	13.80%	13.80%
Above UAP Average	13.80%	13.80%	13.80%	13.80%

Pensions	2016/17	2017/18	2018/19	2019/20
Actual rate if in scheme:				
Officers	24.20%	24.20%	24.20%	24.20%
Staff	13.10%	13.10%	13.10%	13.10%

Budgeted rate (based on scheme membership)				
Officers	23.33%	23.33%	23.33%	23.33%
Staff	11.32%	11.32%	11.32%	11.32%

Police staff lump sum (£)	4,751,900	4,751,900	4,751,900	4,751,900
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Government Grant	2016/17	2017/18	2018/19	2019/20
Grant Reduction	1.3%	1.3%	1.3%	1.3%

Non-pay	2016/17	2017/18	2018/19	2019/20
Gas	0.00%	2.00%	2.00%	2.00%
Electricity	0.00%	2.00%	2.00%	2.00%
Cleaning (increase due to living wage)	7.00%	3.00%	3.00%	3.00%
Vehicle fuel	0.00%	2.00%	5.00%	5.00%
Grants	0.00%	0.00%	0.00%	0.00%
Other	0.50%	2.00%	2.00%	2.00%

Appendix B

Damping adjustments for policing bodies 2013/14

Policing Body	£
Northumbria	21,646,837
Cumbria	16,146,262
West Mercia	11,289,920
Cheshire	11,174,685
City of London	10,838,105
North Yorkshire	9,415,888
Merseyside	8,833,009
Lancashire	7,700,476
Surrey	6,257,140
Durham	6,074,960
Kent	5,822,489
Devon & Cornwall	3,605,644
Wiltshire	2,613,964
Gloucestershire	1,862,431
Sussex	1,402,612
Cleveland	1,341,929
Suffolk	1,134,057
Warwickshire	1,075,715
Essex	91,308
Norfolk	29,685
Lincolnshire	-237,331
South Yorkshire	-1,807,926
Dorset	-1,938,371
Derbyshire	-2,145,554
Staffordshire	-2,366,873
Northamptonshire	-2,511,967
Hertfordshire	-2,953,793
Bedfordshire	-3,028,976
Humberside	-3,693,512
Thames Valley	-4,258,419
Cambridgeshire	-4,495,316
Leicestershire	-4,796,405
West Yorkshire	-5,416,798
Greater London Authority	-6,752,890
Greater Manchester	-6,921,089
Hampshire	-10,088,267
Nottinghamshire	-10,477,328
Avon & Somerset	-10,711,010
West Midlands	-43,755,289

Appendix C

Council Tax Precept

Council tax at each band								
Band	A	B	C	D	E	F	G	H
£	106.97	124.80	142.63	160.46	196.12	231.78	267.43	320.92

Collection authority tax bases and share of precept 2016/17

Collection authority	Tax base	Precept (£)
Basingstoke and Deane	62,760.20	10,070,501.69
East Hampshire	48,627.61	7,802,786.30
Eastleigh	43,336.07	6,953,705.79
Fareham	42,005.70	6,740,234.62
Gosport	25,945.90	4,163,279.12
Hart	38,407.66	6,162,893.12
Havant	39,428.00	6,326,616.88
Isle of Wight	50,500.00	8,103,230.00
New Forest	69,632.30	11,173,198.86
Portsmouth	53,538.80	8,590,835.85
Rushmoor	30,172.66	4,841,505.02
Southampton	59,427.10	9,535,672.47
Test Valley	46,439.00	7,451,601.94
Winchester	46,835.09	7,515,158.54
Total	657,056.09	105,431,220.20

May require updating when council tax bases are confirmed

Table 7: 2015-16 Council tax (average Band D) and % change on 2014-15: individual local authorities		
POLICE AND CRIME COMMISSIONERS IN ENGLAND	Average council tax for the authority (Band D)	
	£	% change
1 Northumbria	88.33	1.99
2 West Midlands	106.55	1.99
3 West Yorkshire	140.95	1.99
4 Sussex	143.91	1.98
5 Essex	147.15	2.00
6 Kent	147.15	1.99
7 Hertfordshire	147.82	0.00
8 South Yorkshire	148.16	1.95
9 Greater Manchester	152.30	0.00
10 Cheshire	156.23	1.97
11 Hampshire	157.33	1.99
12 Lancashire	159.06	1.99
13 Bedfordshire	(R) 159.67	1.99
14 Merseyside	159.68	1.95
15 Durham	162.73	1.98
16 Thames Valley	163.70	1.99
17 Wiltshire	163.98	1.90
18 Devon & Cornwall	169.47	1.99
19 Suffolk	170.10	2.00
20 Derbyshire	173.61	1.99
21 Avon & Somerset	174.78	1.99
22 Nottinghamshire	176.40	1.98
23 Staffordshire	177.61	0.00
24 Leicestershire	180.00	1.99
25 Humberside	180.08	1.99
26 Cambridgeshire	181.35	0.00
27 West Mercia	185.90	1.99
28 Dorset	187.11	0.00
29 Warwickshire	188.23	1.99
30 Lincolnshire	197.64	1.95
31 Northamptonshire	200.96	1.99
32 Cleveland	206.26	1.99
33 Gloucestershire	207.73	0.00
34 Norfolk	208.80	1.98
35 Cumbria	212.58	1.90
36 North Yorkshire	212.77	1.99
37 Surrey	215.89	1.99

Appendix D

Budget 2016/17 and Medium Term Financial Strategy

Medium Term Financial Strategy	Revised Budget 2015/16	Inflation	Efficiency Savings	Growth & Budget Pressure	Other changes	Forward Budget 2016/17	Forecast Budget 2017/18	Forecast Budget 2018/19	Forecast Budget 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Funding:									
Expected amount from General Grants	(184,203)	0	0	0	1,103	(183,100)	(180,720)	(178,370)	(176,052)
Council tax freeze and benefit grant	(12,944)	0	0	0	0	(12,944)	(10,424)	(10,424)	(10,424)
Council tax precept	(101,966)	0	0	0	(3,466)	(105,431)	(107,581)	(109,779)	(112,019)
Council tax collection fund surplus	(2,187)	0	0	0	633	(1,554)	(485)	(485)	(485)
Total amount funding expected:	(301,300)	0	0	0	(1,730)	(303,029)	(299,210)	(299,059)	(298,979)
Expenditure owned by the PCC:									
Office of the PCC	1,512	12	0	0	4	1,528	1,544	1,564	1,584
Commissioning	2,014	0	0	0	(119)	1,896	1,259	1,259	1,259
Estates	12,965	434	(90)	0	14	13,323	13,029	13,295	13,567
Capital Financing	4,247	0	0	0	(1,152)	3,095	2,824	2,788	2,763
Interest on Balances	(500)	0	0	0	0	(500)	(500)	(500)	(500)
Contributions to / (from) Reserves:	(857)	0	0	0	125	(732)	(137)	(137)	(137)
Net Expenditure owned by Office of the PCC	19,381	446	(90)	0	(1,128)	18,609	18,018	18,268	18,535
Police Services									
Expenditure:									
Employees	246,064	2,261	(11,570)	261	6,395	243,411	241,721	244,574	246,975
Transport	7,745	0	0	0	(498)	7,247	7,404	7,637	7,878
Supplies and Services	38,343	414	(385)	94	3,895	42,361	41,619	40,164	40,569
Premises	894	1	0	0	50	944	965	1,140	1,022
National Levies	2,234	0	0	0	1,500	3,734	3,809	3,885	3,963
Grants Paid	261	0	0	0	55	316	316	316	316
Total Expenditure on Police Services:	295,542	2,675	(11,955)	355	11,397	298,014	295,835	297,716	300,724
Income:									
Service Income	(10,106)	0	0	0	(154)	(10,260)	(10,555)	(10,724)	(10,922)
Additional Specific Grants	(3,518)	0	0	0	184	(3,334)	(3,334)	(3,334)	(3,334)
Total Income on Police Services:	(13,624)	0	0	0	30	(13,594)	(13,889)	(14,058)	(14,256)
Net Expenditure on Police Services:	281,918	2,675	(11,955)	355	11,427	284,420	281,946	283,658	286,468
Amount from General Grants and Taxation:	301,300	3,121	(12,045)	355	10,299	303,029	299,963	301,925	305,002
Budget (surplus)/ shortfall:	0	3,121	(12,045)	355	8,569	0	753	2,867	6,023
<i>Effect of alternative precept increases:</i>									
0% increase each year						2,057	4,908	9,168	14,512
1% increase each year						1,025	2,831	6,037	10,314
2% increase each year						(13)	727	2,834	5,977
3% increase each year						(1,045)	(1,390)	(428)	1,516

Appendix E

The Police and Crime Commissioner's Commissioning Plan and Commissioning Funding

The Commissioning Plan for 2013/17 is published on the Police and Crime Commissioner's website. It is the result of conferences, multi agency workshops and many discussions with service providers, users, and statutory and voluntary agencies. The Commissioning themes are as follows:

Theme	Details	Police and Crime Plan Priority
Domestic and Sexual Abuse	The Commissioner's focus will be on preventing domestic and sexual abuse through working with education and other partners, supporting work with perpetrators, and supporting people who have experienced domestic and sexual violence.	3, 4
Data and Technology	To improve the availability of crime data.	1, 4
Children, Families and Young People	Prevention of crime requires focused work with young people including those on the cusp of the criminal justice system. The Commissioner will support the Troubled Families projects and will look for ways to support families of offenders to prevent reoffending. The Commissioner will work with Children's Services and will look at safeguarding issues.	3, 4
Victims and Witnesses	In April 2014, additional funding for supporting victims of crime was available to the Commissioner and a commissioning approach adopted.	2
Preventing Substance Misuse	Preventing substance misuse, supporting people to stop misusing, and supporting families	3, 4
Anti Social Behaviour	The Commissioner will work with local Authorities and local Community Safety Partnerships (CSPs) to reduce the incidence of anti social behaviour.	3, 4
Preventing Reoffending	The Commissioner will support the work of Integrated Offender Management (IOM) services and wishes to ensure stability of service while changes are taking place within the management of the probation service.	3, 4
Restorative justice	To develop ideas and approaches towards Restorative Justice.	4

The Commissioning budget consists of the Community Safety Fund, Ministry of Justice funding and the Commissioning Reserve.

Community Safety Fund

The Community Safety Fund (CSF) was previously administered by District Council based Community Safety Partnerships who spent it to meet priorities decided in local strategic needs assessments. The fund was then transferred to top tier authorities. This made no difference in the three unitary authority areas, but within Hampshire it led to the creation of the County Strategy Group for Crime and Disorder, whose aim was to achieve consensus about spending. When the Police and Crime Commissioner role was created the Community Safety Fund was transferred, and the Commissioner now has a unified budget for Hampshire, Portsmouth, Southampton, and the Isle of Wight. CSF was transferred into general Police Grant in 2014/15. Police Grant has been subsequently reduced but it is possible to calculate an amount of the Police Grant received in respect of CSF. The element of Police Grant received in 2016/17 that is a result of CSF being moved into Police Grant is £1.302m. The amount of CSF related expenditure budgeted for 2016/17 is £1.681m consisting of £1.481m CSF grants and £0.200m Youth Offending Teams grant. The Commissioning Reserve will fund £0.379m in 2016/17.

Expenditure:

Community Safety Grants	£1.481m
Youth Offending Teams	£0.200m

Funded by:

CSF element of Police Grant	£1.302m
Commissioning Reserve	£0.379m

Ministry of Justice and Victims and Witnesses Grant Funding

Funding for support for Victims and Witnesses, including funding the charity Victim Support, is administered through the Ministry of Justice (MoJ). Funding for a range of specialist services was devolved in October 2014 and funding of the Victim Support service itself was devolved in April 2015. The amount available for 2016/17 will be confirmed by the MoJ in 2016. Total grant income is estimated in the 2016/17 budget at £1.024m. If the amount actually received is different to the estimated grant then the budgeted level of expenditure for commissioning may have to be adjusted accordingly.

The Commissioning Reserve

This reserve was created in 2013/14 to stabilise CSF funding, provide CSF inflation and to fund Innovations Grants to support the Police and Crime Plan. The opening balance as at 1 April 2016 is forecast to be £0.427m. Of this amount £0.379m is committed to supported CSF expenditure in 2016/17, leaving a projected balance of £0.048m as at 31 March 2017.

Appendix F

Savings & Efficiencies

Department / Savings Programme	Unit	Description	2016/17			
			Non-Pay £'000s	Pay £'000s	Total £'000s	FTE
Operational Change Programme	Neighbourhoods & Prevention	Removal of remaining posts following OCP restructure	0	-3,630	-3,630	-76
Operational Change Programme	Response & Patrol	Removal of remaining posts following OCP restructure	0	-2,518	-2,518	-53
Operational Change Programme	Investigations	Removal of remaining posts following OCP restructure	0	-2,575	-2,575	-54
Operational Change Programme	Intelligence Tasking & Development	Removal of remaining posts following OCP restructure	0	-2,848	-2,848	-60
Joint Working	Procurement	Reduction in costs through renewal and collaboration of contracts.	-245	0	-245	0
Joint Working	Human Resources	Phase 2 of reductions to the HR Team	-140	0	-140	-4
Estates Change Programme	Facilities Management	Removal of posts as buildings close	0	-90	-90	-3
Total			-385	-11,660	-12,045	-250

Appendix G

Budget Pressures and Growth

Title	Ref	Owner	Priority Level	Detail	Risk	Included in Budget Proposal			
						2016/17 Proposal £'000	2017/18 Proposal £'000	2018/19 Proposal £'000	2019/20 Proposal £'000
Revenue						355	282	86	57
Firearms Licensing	DCC1	Darren Miller	High	Additional staff to clear backlog and prevent further slippage of firearms licensing applications	Risk of licences being issued incorrectly	143.6	80.3	30.7	0.0
PNC / PND	ACC1	Head of PNC/PND Governance Unit	High	Staff to carry out PNC, PND and RMS (Minerva) work.	Data quality work will not be completed	117.1	172.1	0.0	0.0
Scientific Services	ACC2	Head of Scientific Services Dept	High	Accreditation of SSD to enable work to be carried out in house.	Operational capability will be compromised	93.9	133.6	134.2	135.6

Appendix H

Capital Programme

Those schemes which have already been approved and are either annual programmes or projects for which full business cases and / or project appraisals have been agreed (with the exception of those marked #).	Total scheme cost (£'000)	Cumulative	Future Allocations				
		Predicted up to 31 March 2016	Carry Forward Estimate 2015-16	2016-17	2017-18	2018-19	2019-20 and later years
		£'000		£'000	£'000	£'000	£'000
Estate							
# Estate Change Programme	78,704	24,591		29,803	23,810	500	
Total Estate:	78,704	24,591	0	29,803	23,810	500	0
Technology							
<i>Capitalisation of ICT equipment</i>							
- Unallocated				182	481	496	1,000
- Lifecycle & Altaris Hardware Refresh			107	384	384	384	
- APD Upgrade (2013-14 MTFS ICTH)			0				
- Load Balancing (2013-14 MTFS ICTF)			70				
- Data Centre Refresh (2014-15 MTFS ICTC)				100	110	120	
- Network Infrastructure Refresh (2014-15 MTFS ICTD)			525	25	25		
<i>Digital Policing Programme</i>							
- Innovation Funding	3,873	1,799		2,074			
- Mobile Information	5,112	3,984	739	389			
- Body Worn Video	1,598	1,598					
<i>ICT 5 Year Plan</i>							
# - Capital Investment	3,290	951	1,309	900	130		
# - ICT Rationalisation	2,160	210	420	810	720		
# - Infrastructure Enabler	1,300	225	225	130	190	250	280
# - Technical Debt	7,820	1,290	1,290	1,310	1,310	1,310	1,310
<i>Other ICT Capital Programmes</i>							
- Replacement of desktop XP operating systems	3,224	3,474					
- Data Centre Migration (inc EAS & Refresh) (Decision 165)	1,499	1,499					
- Automatic Number Plate Recognition	639	556	83				
- SEPSNA South East Police Shared Network Service Agreement	2,585	2,586					
# - ESMCP Airwave Replacement	0	0					
- CMP Contact Management Programme	0	0					
- HTCU Server Replacement	590	590					
Technology:	33,690	18,762	4,768	6,304	3,350	2,560	2,590
Transport							
Vehicle Replacement Programme	Annual Programme	Annual Programme		2,300	2,300	2,400	2,300
Transport:	0	0	0	2,300	2,300	2,400	2,300
Grand Totals:	112,394	43,353	4,768	38,407	29,460	5,460	4,890
Capital Receipts:							
Operational Buildings				(36,507)	(9,850)	(4,725)	(200)
Residential Properties				(995)	(305)		
Vehicles and fleet				(300)	(300)	(300)	(300)
Other							(2,750)
Total Capital Receipts:			0	(37,802)	(10,455)	(5,025)	(3,250)
Capital Grant & Reserves:							
Capital Grant				(2,300)	(2,300)	(2,300)	(2,300)
Innovation Capital Grant				(1,220)			
Revenue Contributions to Capital Outlay				(200)	(200)	(200)	(200)
Funded by Transformation Reserve			(7,482)	(9,003)	(2,350)	(1,560)	(1,590)
Shortfall / Surplus Funding			(2,714)	(12,118)	14,155	(3,625)	(2,450)

Reserves Strategy

Background

The Chief Finance Officers have a responsibility to ensure that the level of reserves maintained is sufficient. The Police Reform and Social Responsibility Act 2011 states that only the Police and Crime Commissioner, and not the Chief Constable, is permitted to hold reserves. In Hampshire, it was agreed that this would continue to be the case after the Stage 2 transfer in May 2014.

The Chartered Institute of Public Finance and Accountancy (CIPFA) produces guidance on reserves, but the exact level of reserves to be held is left as a local decision due to the need to reflect individual circumstances. Whilst there are no firm requirements on the amount, it is clear that reserves must be held to ensure that the organisation is able to meet any unexpected liabilities. CIPFA warned that the use of reserves to deal with shortfalls in day-to-day spending would be a “recipe for significant financial problems”.

Reserves required for accounting purposes only are not covered by this strategy as they are not optional and follow proper accounting practices.

The level of reserves held is audited annually by the external auditors, currently Ernst & Young LLP.

Matters for consideration in assessing the level of reserves

The current financial climate has resulted in the Government introducing a programme of austerity measures that has reduced the amount of funding made available to many public sector organisations, including the police service. There have also been other changes as a result of the Winsor Review of police terms and conditions and changes to pension arrangements as a result of the Hutton Review. Other Government fiscal policy decisions such as the increase in employers’ national insurance contributions will have a significant impact on costs. Some of the changes made have to be implemented at relatively short notice. Therefore, the austerity programme and the resulting changes create an increased risk to financial stability which will naturally require an increase in reserves to reflect this risk. However, the Spending Review 2015 announcement from the Chancellor of Exchequer potentially reduces further risks as policing as a whole will be protected in real terms. The Home Secretary has confirmed that local PCCs will need to deliver savings still each year as more funding for policing will be top-sliced for national initiatives, but it is not known how much. The formula for distributing police grant will also be reviewed by the Home Office in the autumn of 2016 with a view to implementing a new formula grant model from 2017/18. The level of reserves required to be kept for risk and grant equalisation will be reviewed as the medium term financial position becomes clearer.

Current reserves and levels

The General Reserve has been set at a minimum target balance of £4.500m, with an additional £1.000m added to the target (to make £5.500m) due to inherent risks associated with the austerity period. The balance on the General Reserve as at 31 March 2015 was £18.681m but much of this has been committed elsewhere resulting in a planned balance of £8.246m by March 2016 and £7.089m by March 2019.

A Risk Reserve has also been created to guard against the possibility of short notice reductions in funding and/or delays in delivering the savings required to address the funding reductions. The balance on the Risk Reserve was £7.662m. The longer term intention is to deliver savings as required in order to leave the Risk Reserve available for investment in performance improvements once greater financial stability is achieved within the wider financial environment.

The Grant Equalisation reserve was established in 2015/16 at £5.000m to specifically smooth the difference between funding reductions and the ability to implement savings programmes. The need for and use of this reserve will be reviewed when the medium term financial position is clarified following the formula grant model review.

An Estate Risk Reserve has been created in 2015/16 to provide funding towards the contingency element of the Estate Change Programme, should it be required. The balance is £2.750m.

The financial challenges are requiring the Constabulary to implement transformational change. These changes require additional investment to cover significant one-off costs such as the cost of redundancies, investment in infrastructure, investment in technology and project costs. The Transformation Reserve was created to fund the costs required. The Transformation Reserve had a balance of £33.685m as at 31 March 2015, but again this is expected to be committed to initiatives so that the balance is £0.189m by March 2019. The criteria for accessing the Transformation Reserve ensure that all funding is used to deliver efficiency savings and/or improve performance. Therefore, all the cost of change will be recouped through year on year savings, required in order to balance future budgets with the reduced funding available.

Her Majesty's Inspectorate of Constabulary has reviewed the Constabulary's preparedness for austerity and commented favourably on the approach, judging the financial planning and position of the Force to be 'Outstanding'.

The change programme needs to continue to deliver savings ahead of the actual funding reduction in order to generate reserves that can be used to pay for the next round of savings initiatives.

The Police and Crime Commissioner holds some other smaller reserves for specific purposes. These are the:

- Commissioning Reserve (£1.703m as at 31 March 2015) is used to support commissioning functions and the Community Safety Fund. This is set out in more detail in Appendix E of the Budget report.
- Equipment Reserve (£1.000m) available to offset the impact of large scale equipment replacement such as the need to replace body armour when the warranty for body armour expires. This reserve will be used when needed and then replenished as the financial position allows.
- Performance Reserve (£0m as at 31 March 2015) is used to pay for specific targeted medium term operations such as Operation Fortress and Cyber Crime
- Insurance Reserve (£0.894m) is available to pay for items that are not covered by the insurance contract. Research and experience has shown that it is more cost effective to hold a reserve for some things that are low risk and low probability rather than pay an insurance premium to cover them. This reserve is expected to be maintained at a similar level.
- Laboratory Reserve (£0.103m) is available to pay for renewal of equipment as part of a joint scheme with Hampshire County Council. This reserve will be used periodically and replenished in between.
- Capital (Revenue Contributions) Reserve holds funds that have been set aside from within the annual revenue budget to pay for capital schemes. This reserve will collect funds on a temporary basis as the funds will usually then be paid out in the next one or two years to cover the cost of a capital scheme.

In addition to the reserves set out above, the accounts include earmarked reserves that are ring fenced for specific purposes and are not available for other use. These include:

- ACRO Surety (£4.094m) and AVCIS Surety (£0.300m) held to cover any potential costs to the Chief Constable or Police and Crime Commissioner should ACRO cease to trade on its current basis.
- other balances of £6.656m held on behalf of ACRO.
- Safer Roads Unit balances ring-fenced to be used on safer roads initiatives. This funding is planned to be used to replace existing safety cameras with digital cameras.
- Repairs and Maintenance ring-fenced for essential repairs and maintenance agreed.

Reserves Position as at March 2019

The Reserves Profile shows that existing planned commitments will result in a reduction of reserves by March 2019 to £20m which is circa 7% of the annual revenue budget at that point. This assumes that there are no adverse issues that impact on the General Reserve or the Risk Reserve.

The use and level of reserves held will be kept under continual review.

Reserves Profile

Reserves	As at 31/03/15	15/16	As at 31/03/16	16/17	As at 31/03/17	17/18	As at 31/03/18	18/19	As at 31/03/19
£000									
General Reserve:									
Commissioner carry forward		(2,788)							
Constabulary carry forward		(260)							
Transformation Reserve									
Underspend 14/15									
Grant Equalisation		(5,000)							
Performance Reserve		(2,000)							
Other movements		(387)		(387)		(387)		(387)	
Balance	18,681		8,246		7,859		7,472		7,085
Transformation Reserve									
Contributions to Transformation Reserve		7,000							
Use of reserve		(16,650)		(14,656)		(7,630)		(1,560)	
Balance	33,685		24,035		9,379		1,749		189
Risk Reserve:									
Movement									
Balance	7,662		7,662		7,662		7,662		7,662
Grant Equalisation Reserve									
Movement		5,000		0		(2,000)		(3,000)	
Balance	0		5,000		5,000		3,000		0
Estate Risk Reserve									
Movement		0		0		0		0	
Balance	2,750		2,750		2,750		2,750		2,750
Commissioning									
Movement		(1,276)		(379)		(48)		0	
Balance	1,703		427		48		0		0
Equipment Reserve:									
Movement		0		0		0		0	
Balance	1,000		1,000		1,000		1,000		1,000
Performance Reserve:									
Movement		1,800		(500)		(500)		(300)	
Balance	0		1,800		1,300		800		500
Insurance Reserve:									
Movement		0		0		0		0	
Balance	894		894		894		894		894
Laboratory Reserve:									
Used to replace equipment		(103)		(50)		(50)		(50)	
Contributed for future costs		50		50		50		50	
Balance	103		50		50		50		50
Capital (Revenue Contributions) Reserve:									
Contribution from revenue account		200		200		200		200	
Used to support capital programme		(622)		(200)		(200)		(200)	
Balance	422		0		0		0		0
Sub-total of Reserves available to use	66,900	(15,036)	51,864	(15,922)	35,942	(10,565)	25,377	(5,247)	20,130
% of Total Net Expenditure Budget	21.8%		17.3%		12.2%		8.8%		7.0%
Earmarked Reserves:									
ACRO surety	4,094	0	4,094	0	4,094	0	4,094	0	4,094
AVCIS surety	300	0	300	0	300	0	300	0	300
ACRO general reserves	6,656	0	6,656	0	6,656	0	6,656	0	6,656
Netley Business Plan	198	0	198	0	198	0	198	0	198
Other funds on the balance sheet but ring-fenced (e.g. Driver Training balances)	5,754	(3,101)	2,653	0	2,653	0	2,653	0	2,653
Balance on earmarked reserves	17,002		13,901		13,901		13,901		13,901
Revenue Grants Unapplied									
Balance	388	(200)	188	(100)	88	(88)	0		0
Total Revenue Reserves:	84,290	(18,337)	65,953	(16,022)	49,931	(10,653)	39,278	(5,247)	34,031