

APPENDIX 1

2017/18 REVENUE BUDGET AND COUNCIL TAX

PURPOSE OF THE REPORT

1. The purpose of this report is to enable the Commissioner to finalise the budget for 2017/18 and meet his statutory duty to set a precept. An overview of the statutory requirements regarding budget and precept setting and the interaction with the Police and Crime Panel is attached in Appendix 2.

INTRODUCTION & FINANCIAL BACKGROUND

2. The Commissioner is required to set an annual budget and precept taking into account Government funding, precept regulations and organisational demands. This requirement is supported by the production of a Medium Term Financial Strategy (MTFS) with the annual budget forming the first year of the Strategy. The creation and maintenance of the MTFS is fundamental in promoting good financial planning and delivery of value for money.
3. The MTFS covers the period 2017-22 and contains a financial scenario which provides an overview of the financial assumptions made in developing each year's projected funding levels and overall financial plan. This is augmented by strategies relating to reserves, value for money and other associated documents which support financial planning and management. The current MTFS was approved by the Commissioner on 4 January 2017.
4. The MTFS recognises the consequences of the 2015 Spending Review, where the previous Chancellor's commitment to 'maintain overall police force budgets at current cash levels' is dependent upon Commissioners increasing their council tax by 2% in each year through to 2020. The previous Home Secretary's letter of 25 November 2015 recognised that the 'total Government 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 Commissioners have to raise council tax precept, this means a flat real settlement for policing as a whole.'
5. On 15 December 2017, the Home Office issued the 2017/18 Provisional Grant Settlement. This showed a £1.49m (1.4%) decrease in grant funding compared with 2016/17. This is a slightly higher reduction than the 2015 Spending Review implied as the increase in the 2016/17 taxbase on which Council Tax is calculated, has also been taken into account in the Government's grant allocation.
6. The Government has imposed a 2% limit on the increase in Council Tax for policing and any proposed increase at or above this level will require a local referendum. The cost of a referendum in Cheshire is estimated at £1.2m which would be paid for by the Commissioner from his policing budget. This is the equivalent of approximately 2% increase in the Council Tax and therefore to achieve a net increase in funding, an increase in excess of 4% would be required.

7. For the ten lowest Council Tax charges for policing, the Government will allow a £5 increase rather than the 2% limit mentioned above. This applied to Cheshire in setting the budget for 2016/17 and resulted in Cheshire moving from the 10th lowest to the 11th lowest so this flexibility does not apply for 2017/18 but may apply in future years.
8. The proposed 2017/18 Council Tax increase of 1.99% for Cheshire raises an additional £1.16m, resulting in a net reduction in funding of £0.33m compared to the forecast within the MTFS.
9. The above grant and Council Tax funding does not cover the cost of inflation, any commitments or priority developments etc. These additional costs, together with the net change in funding, will need to be met through efficiencies and savings.

POLICE & CRIME PLAN 2016-21

10. On coming into office the first thing the Commissioner set out to do was to get out and listen to as many people as possible about what is important for local communities. During six weeks of public consultation, the Commissioner received over 2,400 responses as well as having thousands of conversations with residents, community groups and elected community representatives. The results showed a consistent set of public priorities across the four Local Authority areas of Cheshire.
11. As well as listening to the public and partners, the Commissioner also took into account the Chief Constable's assessment of key emerging threats and risks for the Constabulary, Cheshire's community safety needs assessment and the Home Secretary's Strategic Policing Requirement.
12. This has given the Commissioner a clear understanding of the key issues and challenges that policing in Cheshire faces and what is important to communities which have been used to develop his Police & Crime Plan.
13. In the Police & Crime Plan, the Commissioner states his vision for policing in Cheshire based on even safer communities for the next four years in which Cheshire will have a Constabulary focused on community policing and putting victims first. The legacy will be a police service fit for the future which is connected with, based within and accessible to local communities – real neighbourhood policing. The Commissioner set out four main priorities in this plan as follows:

PRIORITY 1 - A police service connected with our communities

- Deliver a visible police service with officers, PCSOs and specialist staff spending more time in our communities
- Work with partners to deliver an accessible police service which is based in the heart of communities
- Engage with residents and communities and reflect their needs in local operational plans
- Provide local communities with a named local officer

- Analyse, understand and respond to local, regional and national threats to ensure safe communities
- Work with partners to engage and support young people on issues relating to policing and crime

PRIORITY 2 - Support victims and protect vulnerable people

- Provide support for all victims of crime to help them cope and recover from their ordeal
- Support services that prevent; protect and support young people from child sexual abuse
- Listen to the needs of victims to help shape services
- Be a voice for victims and work with criminal justice partners to improve the experiences of victims through the court system
- Work together to support victims and protect people from domestic and sexual violence; and hate crime
- Work together to develop a greater understanding and response to modern day slavery and hidden harm and abuse such as female genital mutilation
- Support the continued development of restorative justice
- Work together to provide an effective response to individuals and families with complex needs, including mental health

PRIORITY 3 - Prevent crime and anti-social behaviour

- Improve the safety of our communities
- Prevent and tackle anti-social behaviour
- Tackle drug and alcohol related harm and violence
- Prevent crime and reduce reoffending across Cheshire
- Solve crimes and bring offenders to justice
- Improve the safety of Cheshire's roads through enforcement activity and education
- Promote a safe and vibrant night time economy
- Prevent and protect Cheshire's communities from serious and organised crime
- Work across Cheshire, regionally and nationally to address internet crime and fraud; and emerging threats

PRIORITY 4 - A police service fit for the future

- Challenge the Government to ensure Cheshire has the resources it needs to maintain safe communities
- Invest in technology and equipment that supports officers in our communities
- Invest in an accessible police estate connected with our communities
- Create a more diverse and inclusive police service for Cheshire

- Work with partners to develop new ways of working to support frontline services such as with other Commissioners, the Fire Service and Councils

STRATEGIC POLICING REQUIREMENT

14. Whilst many threats can be tackled by individual police forces within their own force areas, national threats such as terrorism, civil emergencies, serious and organised crime, public order, and a national cyber security incident require a coordinated or aggregated response in which resources are brought together from a number of police forces. Forces often need to work collaboratively, and with other partners, national agencies or national arrangements to ensure such threats are tackled effectively. The Strategic Policing Requirement (SPR) is the outcome of the Home Secretary's statutory duty to set out what are, in her view, the national threats at the time of writing and the appropriate national policing capabilities required to counter those threats.
15. The implementation of the SPR is the responsibility of the Chief Constable and the Commissioner. In reviewing the MTFs and the proposed efficiency savings and investments, the Chief Constable is satisfied that this will enable him to meet the requirements of the SPR; protect the public of Cheshire and achieve the priorities of the Police & Crime Plan.

2017/18 BUDGET PROPOSALS

16. Table 1 shows the proposed revenue budget for 2017/18. The impact of the threats and demands place upon policing; commitments required; proposed savings and the total funding available to the Commissioner has been reflected within the proposals and are detailed in the following sections.

Table 1: Proposed Revenue Budget 2017/18	£000
2016/17 Gross Expenditure Budget	192,540
Pay and Price Inflation	2,019
Commitments	2,434
Priority Development Proposals & Growth	2,927
Savings	(5,404)
Transfer to/(from) Reserves	(1,530)
2017/18 Gross Expenditure Budget	192,986
Financed by:	
Government Police Grant & Formula Funding	104,763
Council Tax Precept (including surpluses on Collection Fund)	60,147
Net Budget Requirement	164,910
Other income and specific grants	28,076
Total Funding and Income	192,986

FUNDING

17. For 2017/18 there is a reasonable degree of certainty within to the Provisional Grant Settlement, but there remain some outstanding issues affecting next year such as counter terrorism grant and the Final Grant Settlement which will not be known until after the budget has been agreed by the Commissioner. Any changes to the funding will be reported to the Commissioner as soon as they are known together with the associated proposed changes to the budget.

INFLATION AND COMMITMENTS

18. Inflation in both pay and price terms is applied to the budget where appropriate. Pay inflation covers the pay award to both officers and staff (currently 1%), and changes to National Insurance. For non-pay items, the inflation applied is based on the Office of National Statistics Inflation Report using the most applicable inflation factor. The following table shows the inflation applied.

Table 2: Inflation	2017/18 £000
Pay inflation	1,003
Price (non-pay) inflation	1,016
Total Inflation	2,019

19. Commitments come from two sources, the impact of decisions taken in previous years that have a financial impact for 2017/18; and the financial impact of external decisions and changes such as the introduction of a new financial burden or change in legislation. The following table shows the commitments included within the 2017/18 proposed budget.

Table 3: Commitments	2017/18 £000
Apprentice Levy	685
Fluctuation in pay costs – average pay & bank holiday costs	(352)
Collaborations – increase in contributions	301
Contract increases including Mobile Data	295
LGPS - Actuarial increase	1,449
Borrowing costs increases	56
Total Commitments	2,434

20. Within the above Commitments is an increase in the Local Government Pension Scheme (LGPS) employers' contribution due to the impact of the actuarial review in March 2016. This increase is permanent and spans the next three years. As such, it is proposed to use reserves earmarked for such purposes to smooth the increase over the three year period with £1.2m being used in 2017/18.

PRIORITY DEVELOPMENTS AND SAVINGS

21. The demands of policing are changing, not just in Cheshire but across the UK with 21st century policing now requiring a broader range of skills. In addition to standard policing, most officers also carry additional specialist skills. To meet such tasks, specialist units have been created such as

dedicated rape unit, paedophile unit including on-line prevention work, on-line crime including fraud and a cyber unit. Increasingly, officers are being first aiders as well as providing greater support for people with mental health illnesses, as the public now look to the police for support in these broader community based issues.

22. In December 2016, the Commissioner published his Police & Crime Plan. This is the culmination of a development process which has included Cheshire residents every step of the way, from getting the public views on their policing priorities, to giving communities the opportunity to comment on the Plan itself.
23. The proposed investments for the upcoming financial year have been developed to meet the priorities detailed within the Police & Crime Plan 2016-21 and meet the vision for Cheshire to have a police service focused on community policing, putting victims first. The legacy will be a police service connected and accessible to local communities. The following priority developments link to at one or more of the priorities set out in the Police & Crime Plan:
 - New and cutting edge technology supporting officers to spend more time within their communities and enhance public contact
 - Supporting partners in Local Safeguarding Children and Adult Boards
 - Provision of a modern, fit for purpose estate connected with the communities it serves, in partnership with others where appropriate
 - Investment in speed awareness education, safety camera staff, increased motorcycle patrols and drug wipes to improve the safety of Cheshire's roads
 - Cyber-crime – including data investigation and training both within the Constabulary, via the website and in the community
 - Management of sexual and violent offenders including Sex Offender Liaison Officers to protect victims and prevent re-offending
 - Continuing funding for Non-Recent Sexual Abuse Team (NSAT) to support victims of such abuse and bring those responsible to justice
 - Communications – supporting the Commissioner and Constabulary to give the public a voice in policing in Cheshire
 - Modernising the workforce mix and developing skills fit for the future
 - Supporting specials and volunteers such as rural watch and many others who provide their free time to support the policing of Cheshire and serve their communities
24. To meet these priority developments and the cost of commitments, savings of £5.4m are proposed. Since 2010 £52.4m savings have been successfully delivered but with each passing year, such savings become increasingly challenging. However, the overall basis of these savings has been to protect the Strategic Policing Requirement including crime prevention.
25. Where there are temporary costs, such as implementation costs for new technology, the use of reserves is proposed in order to protect the

permanent budget and service delivery. For 2017/18, £0.330m of funding is requested from the MTFS reserve in addition to the reserves used for the LGPS increases.

26. The main efficiencies and savings proposed are:

- Estates, including savings on energy costs through better use of buildings and the impact of the photovoltaic panels installed. Investment in buildings allowing year on year savings from leasing costs. On 4 January 2017 the Commissioner approved the principles upon which an Estates Strategy will be developed. This includes the delivery of a modern, fit for purpose estate at the best value for money connected with communities
- Use of new and cutting edge technology, delivering both cash and non-cash efficiencies such as officers spending more time out of police stations and in the community
- Proposed collaborations, including corporate services with Cheshire Fire and Rescue Service delivery same or improved services in a more cost effective way
- Contract savings
- Conferences, supplies and services reductions
- Removal of specific project temporary posts once the project has concluded
- Review of capital funding - temporary reduction to the level of funding from revenue to capital
- Review of essential user and other vehicle allowances across the organisation
- Based on the lower forecast number of new injury and ill health pensions expected in year - reduction in pension contributions
- Increase in vacancy factors to match expected turnover
- Reduction of contingency budgets based on forecast needs in 2017/18

27. Although the above savings meet the overall remit, there is a need for further savings and a small number of staff posts have been identified for removal, subject to collective consultation. At present, the Constabulary has a number of vacancies and it is intended that re-deployment will be used to facilitate the reductions wherever possible.

STAFFING

28. This will provide an establishment of 3444.5 overall, shown in the table below.

Table 5: 2017/18 Establishment (FTEs)

Officers	2003.3
PCSOs	210.0

Staff	1231.2
	<u>3444.5</u>

29. Police Officer establishment is about service deliverability and connection with communities in Cheshire. There is investment in new technology delivering both cash and non-cash efficiencies such as officers spending more time out of police stations and in the community, estimated as half an hour time saving per day per officer. This is estimated to be equivalent to at least 50 officers. The above establishment is deemed to be sustainable for the next few years based on current forecast funding levels.
30. The PCSO establishment will be 210. In October 2016, the Constabulary wrote to all partners seeking their confirmation of funding for 2017/18. The letter highlighted a need to review the current arrangements to ensure sustainable and equitable arrangements across partners are in place going forward. The outcome of the review will be reported during 2017/18.
31. A number of reviews are currently underway including collaborations with Cheshire Fire and Rescue Service which will have an impact on the staffing levels during 2017/18. As each review is finalised and approved, the establishment will be updated accordingly.

COMMISSIONING

32. In 2017/18, the approach to commissioning will focus on victims of crime with the aim of ensuring that appropriate services are in place for those unfortunate enough to become victims of crime, in order to help them to cope with their ordeal and recover as best they can. The main supporting service for victims across Cheshire is Cheshire CARES and can be accessed by victims of crime whether or not they make a formal complaint to the police. CARES support victims from the outset and throughout any Criminal Justice process.
33. The Commissioner has additional responsibilities to have specialist services available, e.g. to support victims of Rape and Sexual Abuse, Domestic Abuse or Hate Crime as well as to provide a restorative justice service. The cost of Cheshire CARES and other commissioned services are funded through this allocation. The funding allocation for the 2017/18 Victims Grant is £1.2m. The further devolution of services to local commissioning is being explored by the Government.
34. Since 2012/13, the specific community safety funding ceased and was incorporated into the main grant for policing. In Cheshire, this funding has continued to be allocated to support the work of Cheshire's Community Safety Partnerships, substance misuse services and Cheshire's Youth Justice Service. The Commissioner will review the outcomes which are being achieved from this funding in the forthcoming year and will continue to promote greater joint working amongst the four Community Safety Partnerships. The review will inform future commissioning intentions. For 2017/18, the allocated budget is £1.02m.

35. For 2016/17 the Commissioner allocated £60,000 to a Safer Communities Fund, aimed at supporting local and community level initiatives across Cheshire. These awards are capped at £5,000 and need to demonstrate the benefits to the local community through an application process. The fund will be maintained at £60,000 for 2017/18, with an increasing focus on outcomes.

CAPITAL PROGRAMME

36. In addition to the revenue budgets, a programme of capital investment is proposed for 2017/18. This programme links to the 'invest to save' programmes such as new technology and the annual replacement cycle for assets such as vehicles.
37. Funding for these comes from Government general and specific grants, reserves held by the Commissioner, contributions and borrowing. Given that borrowing will need to increase to support this level of investment, it is vital that capital expenditure is prioritised to generate savings for future years, to help protect local policing services. Details of the proposed programmes and their associated funding are shown below.

Table 4: Capital Programme	£000	£000
Prior Years		839
Annual Replacement Schemes:		
Technology Refresh	671	
Fleet Vehicles	2,403	3,074
New Schemes:		
Joint corporate services collaboration with Fire	2,476	
Estates	557	
IT and Communications	2,857	
Equipment	1,090	
Additional Vehicles	359	7,339
Total Capital Programme		11,252

38. Full details of the individual schemes within the capital programme are provided in Part 2 of this report. The proposed funding for the above capital investment is set out in the following table.

Table 5: Capital Financing	£000
Government Grants	925
Capital Receipts	2,529
Revenue Contribution to Capital	0
External Contributions to Capital	854
HQ IT Reserve	202
Borrowing Requirement	6,742
Total Capital Financing	11,252

ROBUSTNESS OF ESTIMATES

39. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in the

preparation of this proposed budget. Details of how this requirement is met are in Appendix 3.

RESERVES

40. Section 25 of the Local Government Act 2003 also places a requirement on Chief Finance Officers to formally report on the adequacy of the reserves. The Chief Finance Officers assess this in the context of the strategic, operational and financial risks and opportunities facing the Commissioner and the Constabulary. Details of these reserves are shown in Appendix 4.
41. While holding reserves is a recognised and recommended financial management tool, the levels of such reserves must remain prudent, appropriate to the level of risk and opportunity and not excessive.

CONSULTATION WITH THE PUBLIC AND BUSINESS RATEPAYERS

42. Between 3 and 24 January 2017, Cheshire's communities and businesses were able to give their views on whether funding for Cheshire Constabulary should be maintained at current levels or reduced.
43. Recent years have seen severe cuts to public services. The result locally has been £52.4 million of savings from the police budget over the past 7 years. The current protection of police funding does not take into account inflation and is based on local Police & Crime Commissioners increasing the police share of council tax, known as the policing precept, by 2%. An increase beyond 2% would trigger a referendum.
44. The public and the business community were asked if they were willing to support a 2% or 1% increase in the precept or whether it should be kept at the current level.
45. Maintaining current funding levels through a 2% increase in the precept would not mean local policing stands still. Through careful re-prioritisation and increased efficiency, the people of Cheshire will see investment in areas including:
 - supporting victims of sexual abuse
 - local policing
 - cutting edge technology to support public contact and road safety
 - a modern fit for purpose estate ensuring policing in Cheshire is connected with our communities
46. A 1% increase would result in a cut of £0.6 million; this would mean a reduction in policing services and be equivalent to 13 fewer police officers.
47. Freezing the precept at the current level would require greater reductions in policing services through a £1.2 million cut, which is equivalent to 26 fewer police officers.

48. The consultation for the increase of council tax precept 2017 closed on 24 January 2017 with results showing a 42% increase in participation in comparison to 2016 precept consultation. 60% of respondents and 59% of business rate payers supported a 2% increase in the precept. Some respondents also submitted comments which have been taken into account in the budget proposals. Feedback also included that an additional box for further comments would be welcomed and this will be incorporated into next year's consultation.

COUNCIL TAX PRECEPT

49. A precept is levied on the Council Tax for policing in Cheshire. It is the responsibility of the Commissioner to set the level of precept as part of the budget setting process. While the decision is the Commissioner's, the Government has placed a capping limit for a number of years on the level on year on year increase that can be applied. In line with the current spending review, the level of Government funding for policing has been cash limited dependent on Commissioners raising their Council Tax by up to 2%, and within the budget proposal in this report, the funding includes a 1.99% year on year increase.
50. To calculate the level of Council Tax funding, each local authority calculates the taxbase (the assimilated number of council tax bills issued) taking into account changes in the number of houses, housing benefits etc. Compared to 2016/17, the overall taxbase has increased by 5459.91. The following table shows the proposed level of precepts for each local authority and the individual amount levied per each Council Tax band.

Table 7: Proposed Precepts 2017/18	Number of Band D Equivalents	Precept on Collection Fund £
Cheshire East	144,201.5	23,712,496
Cheshire West & Chester	116,329.0	19,129,141
Halton	33,818.0	5,561,032
Warrington	66,527.0	10,939,700
TOTAL	360,875.5	59,342,369

Band	Proposed 2017/18 £	Actual 2016/17 £	Change per year £	Change per week £p
A	109.63	107.49	2.14	0.04
B	127.90	125.40	2.50	0.05
C	146.17	143.32	2.85	0.05
D	164.44	161.23	3.21	0.06
E	200.98	197.06	3.92	0.08
F	237.52	232.89	4.63	0.09
G	274.07	268.72	5.35	0.10
H	328.88	322.46	6.42	0.12

51. In addition to the above precept, each of the four local authorities hold a council tax collection fund which is a separate fund that records the income and expenditure relating to Council Tax and non-domestic rates. Any

surplus or deficit on the fund is either due to or paid for by the individual authorities, the Police & Crime Commissioner and Cheshire Fire Authority. The amount declared surplus and payable to the Commissioner in 2017/18 amounts to £0.8 m.

LOOKING FORWARD

52. Looking forward there are risks to the overall budgets forecast throughout the Medium Term Financial Strategy (MTFS) 2017-22. At present, the most significant risk to the assumptions used within the MTFS is the way in which the Home Office allocates the police funding to individual forces. This is allocated through a formula which is currently under review. Ministers have indicated their strong desire for a new more open and transparent formula to be in place for the 2018/19 budget. There are many unknowns at this point as to what the new formula will be, how it will allocate funding and the impact it may have upon Cheshire. It is expected that should this be a negative result, i.e. the Commissioner receives less Government funding; there will be a transition period to allow the force to downsize to a sustainable level in line with the revised funding. At present there are no assumptions for this within the MTFS but as soon as any firm indications of the change are known, the MTFS will be updated accordingly.
53. Outside of the formula funding, the impact of Brexit has yet to be felt in full and remains a risk to the overall financial scenario and Government's economic plans. Also included in the Autumn Statement was the reaffirmation of the efficiency savings of £3.5bn expected from all Government departments from 2020. At this moment there are no firm plans or indications on how this is to be delivered and therefore remains a risk to the funding levels beyond 2020.

CONCLUSION

54. The changing demands on policing, the priorities of the Commissioner's Police & Crime Plan and the Strategic Policing Requirement are the driving force throughout the PBB process to ensure the Constabulary can meet its obligations. However, with the funding available being cash limited, the impact of pay and price increases, new burdens such as the Apprentice Levy and the investment in priority areas mean savings must be found to balance the budget.
55. Such savings are increasingly challenging year on year, but the remit to deliver the Strategic Policing Requirement and the service provided to the public remains the key goal. The savings proposed within this budget will deliver overall the same level of service currently provided during 2017/18. The Commissioner and Chief Constable's priorities are to protect local policing services and that the Constabulary pursues all areas of potential efficiency to underpin both performance and required savings going forwards.

APPENDIX 2

PURPOSE

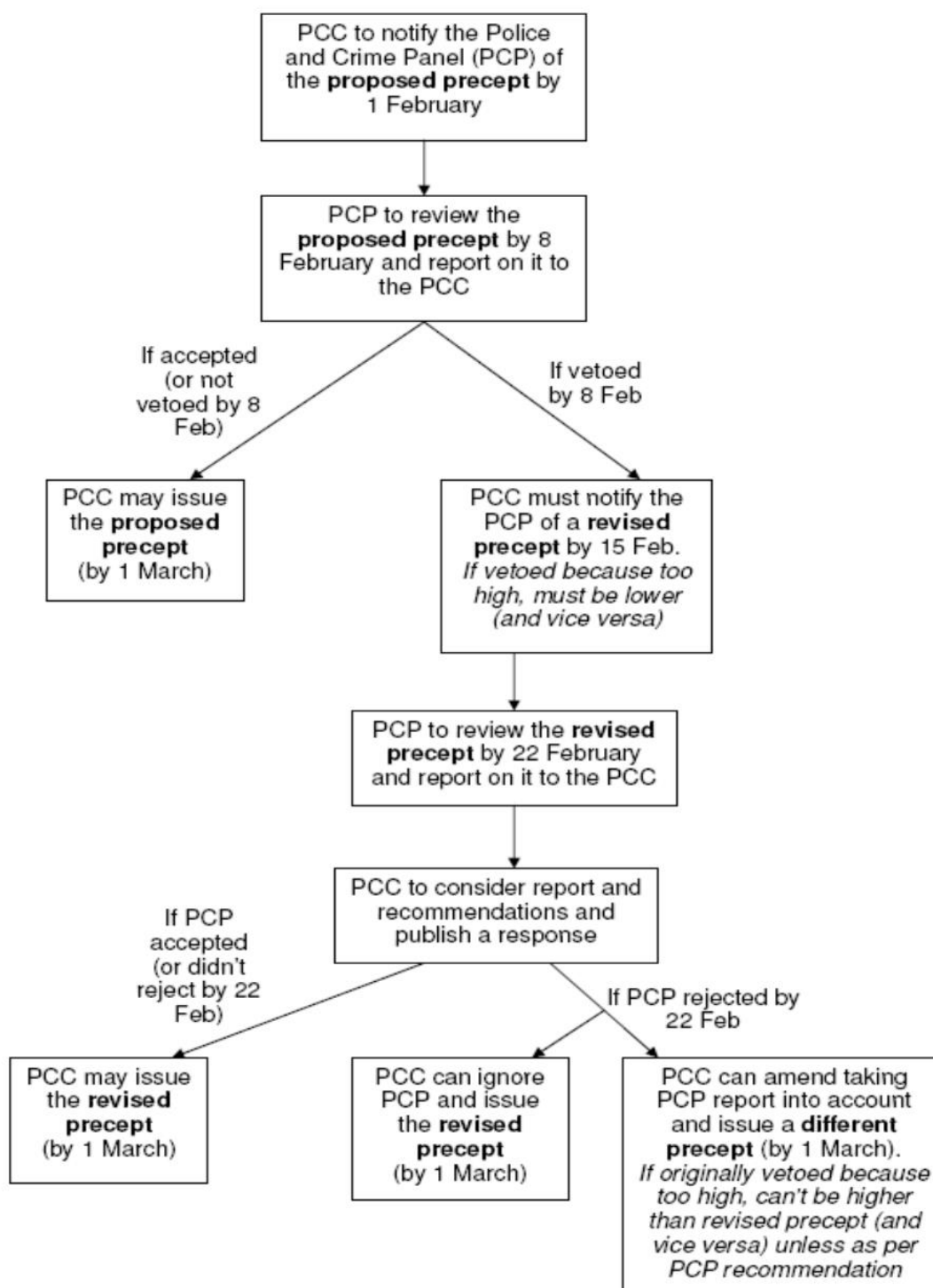
1. To provide the Commissioner with an overview of the statutory requirements regarding budget and precept setting and the interaction with the Police and Crime Panel. It also provides a copy of the internal timetable developed to enable the Commissioner to meet the statutory timetable.

STATUTORY REQUIREMENTS

2. The statutory requirements for precepting authorities to set a budget and issue a precept for the next financial year are set out in Chapters 3, 4, and 5 of the Local Government Finance Act 1992. They include significant detail on how budget estimates and the precept must be calculated. The Police Act 1996) and the Police Reform and Social Responsibility Act (2011) amended these provisions for the change to police authorities and Police and Crime Commissioners respectively but the basic statutory requirements remain the same.
3. Schedule 5 of the Police Reform and Social Responsibility Act (2011) and The Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations (2012) provide further detail on the process the Commissioner must follow for notifying the Police and Crime Panel of the proposed precept by 1 February of the relevant financial year (Section 3 of the 2012 Act). They also cover the interaction between the Panel and the Commissioner leading to the determination of the precept by the Commissioner by 1 March. The process is set out with the due dates diagrammatically in Annex A.

BUDGET AND PRECEPT SETTING TIMETABLE

4. The timetable is set out at Annex B. It comprises briefings, reports and meetings to enable the Commissioner to consider the 2017/18 budget and precept options, undertake budget consultation with the public and business ratepayers, and approve the final budget and capital programme at Management Board on 31 January 2017. It also enables him to issue the precept at the same meeting to the Police and Crime Panel.

PCC PRECEPT APPROVAL (Final Regulations)

BUDGET TIMETABLE 2017/18

Date	Activity
31 October 2016	Public Consultation on 2016-21 Police and Crime Plan closes
<i>1 November 2016</i>	<i>Budget Briefing Session: PBB process and confirm budget timetable.</i>
<i>8 November 2016</i>	<i>Budget Briefing Session: emerging findings from PBB and latest financial assumptions, MFSS Fusion upgrade and proposals on future Estate</i>
18 November 2016	Police and Crime Panel consider draft Plan
23 November 2016	2016 Autumn Statement and CFO to circulate briefing note
Early December 2016	2016-21 Police and Crime Plan published
<i>6 December 2016 – 9 - 10 am</i>	<i>PBB- Emerging findings and discussion of JSDG agenda</i>
10.30am, 15 December 2016	Written ministerial statement on Provisional 2017/18 Grant Settlement
<i>15 December 2016</i>	<i>JSDG considers Grant Settlement, revised MTFS for 2017-22, PBB outcomes and 2017/18 budget options</i>
<i>22 December 2016</i>	<i>Budget Briefing Session</i>
4- 24 January 2017	Budget consultation with the public and ratepayers
4 January 2017	Updated 2017-22 MTFS approved by Management Board
<i>10 January 2017</i>	<i>Draft 17/18 budget report considered with the Commissioner</i>
January 2017	Borough Councils confirm taxbase and collection fund deficit/surpluses
<i>17 January 2017</i>	<i>Final 17/18 budget report considered with the Commissioner and briefing for PCP meeting</i>
10.00 am 19 January 2017	Informal Police and Crime Panel meeting to consider emerging budget/precept considerations
24 January 2017	Management Board agenda closes
31 January 2017	Commissioner proposes 2017/18 budget, capital programme and precept at Management Board
3 February 2017	Police and Crime Panel consider precept
Early February 2017	Final 2017/18 Grant Settlement

ROBUSTNESS OF ESTIMATES

1. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in preparing the budget.
2. The Commissioner has a policy and expenditure planning process which takes account of the service scenario and financial scenario in some detail for 2017-22. Alongside this, future capital programmes have been produced taking into account forecast Government funding, borrowing limits and council tax. For 2017/18 borrowing levels have also been guided by the prudential indicators for 2017-20.
3. For 2017/18, full consideration of these issues had led to:
 - Policy and expenditure proposals that reflect the Government's Provisional Police Grant Settlement together with the on-going revenue impact of new capital projects, whilst recognising the outstanding issues and uncertainties.
 - A proposed capital financing budget based on prior years' and the 2017/18 capital programme.
4. When using estimates in preparing the budget every effort is taken to ensure that they take into account the most up to date data. However, it should be noted that there are a number of areas where the actual impact could vary from the estimates used in setting the budget. The main areas are:
 - Pay awards, pension increases, national reviews of pay & inflation
 - Service financial performance (i.e. variances on budgets)
 - Ability to achieve projected savings
 - Operational demands
5. To provide for all potential scenarios that may arise would be prohibitively expensive and result in demands on council taxpayers considerably higher than likely need. For 2017/18 £2m has been provided for pay and price increases.
6. There are many factors that can affect financial performance in year including under or over-achievement of efficiency savings, income and other financial targets. The Commissioner takes a number of steps to minimise the impact including:
 - Seeking wherever possible to explore in full the implications and achievability of policy and expenditure options before the budget is set.
 - Promoting a robust approach to financial management requiring budget holders to monitor expenditure against budget and to take early action in reporting and responding to projected variances.
 - Quarterly reporting of the projected budgetary outturn supplemented by monthly exception reports to prompt remedial action if necessary.
 - Creation of appropriate contingencies.
7. It should be noted that while every effort is taken to ensure the budget is balanced, there is always the possibility of variances to the budget occurring. This is one of the reasons why the Commissioner holds reserves against unanticipated cost pressures.

RESERVES

1. In addition to the requirements covering the robustness of estimates, Section 25 of the Local Government Act 2003 also requires the Chief Finance Officers to present a report assessing the adequacy of the unallocated reserves in the context of policing threats and demands together with corporate and financial risks facing the organisation. The Commissioner needs to balance the necessity for reserves against the cost to council taxpayers and arrive at a level that is both prudent and adequate for the current climate but not excessive.
2. As part of the Medium Term Financial Strategy, a Reserves Strategy was approved by the Commissioner and the Chief Constable on 4 January 2017. This set out the reserves held, their intended usage and the strategy for ensuring the funds are maintained at an appropriate level.
3. The following table shows the estimated reserve levels at the start and end of 2017/18, based on the proposed capital programme and expected usage of earmarked reserves.

Table 8: Reserves	Estimated 1 Apr 17 £000	Net Movement £000	Estimated 31 Mar 18 £000
Redundancy Reserve	482	0	482
MTFS Reserve	1,103	(330)	773
LGPS Reserve	1,800	(1,200)	600
Total Revenue Earmarked Reserves	3,385	(1,530)	1,855
Capital Receipts	1,315	(1,315)	0
Capital Reserve	85	0	85
IT Reimbursement Reserve	0	0	0
Unapplied Capital Grants Reserve	437	300	737
Total Capital Earmarked Reserves	1,837	(1,015)	822
General Reserve	5,773	0	5,773
Total Reserves	10,995	(2,545)	8,450

4. The opening balances shown in the table are based on the three-quarter year review of revenue and capital budgets. The final figures will be known once the accounts have been verified by External Audit as part of the Statement of Accounts – published July 2017.
5. The purpose of each reserve is set out below:

Redundancy Reserve £0.5m

It is recognised that the cost of reforms, efficiencies and restructuring will require changes to staffing levels. This reserve is held to meet any associated redundancy costs.

Medium Term Financial Strategy (MTFS) Reserve £0.8m

The origins of this reserve dates back to the start of the austerity programme and has been successfully used to support transition, implementation costs of transformational changes together with 'invest to save' projects.

Local Government Pension Scheme (LGPS) Reserves £0.6m

Every three years the Actuary for the LGPS reviews the level of contributions made to the scheme against the forecast liabilities with any shortfall in funding resulting in increased employer's contributions. The LGPS was reviewed on 31 March 2016 and increased contributions are required over the next three years. To smooth the transition to the higher contribution rates, funds have been set aside within this reserve for the next two years.

Capital Receipts £nil

Capital Receipts represents the net proceeds from the sale of assets. The use of this funding is limited by regulation to re-investment in the purchase of new assets or the repayment of debt. The forecast net movement represents capital financing of the 2017/18 proposed capital programme.

Revenue Reserve for Capital £0.1m

In recognition of the decreasing level of Government Capital Grant and in order to meet the minimum asset replacement cycles, a revenue contribution is made into this reserve each year and used to finance that year's capital programme.

HQ IT Reserve £nil

This reserve was created as part of the private finance initiative (PFI) scheme to support the replacement of computer equipment. It is supplemented each year in line with the schemes requirement and applied to finance relevant capital.

Unapplied Capital Grants Reserve £0.7m

This reserve contains the capital granted received by the Commissioner but not yet used to finance capital investment. Funding is now generally applied in full in the year it is received, with the exception of specific grants which are applied when expenditure is made – for example on the new Emergency Services Network.

General Reserves £5.8m

The purpose of general reserves is to provide funding to cover specific and general risks identified in setting the budget but also in recognition of unforeseen risks and expenditure that may arise in year. Given the current levels of threats and demands facing the organisation the amount held in this reserve is deemed both prudent and adequate.