

To:	The Sussex Police & Crime Panel
From:	The Sussex Police & Crime Commissioner
Subject:	Revenue and Capital Budget 2017/18
Date:	20 January 2017
Recommendation:	That the Police & Crime Panel note – i) the draft revenue budget for 2017/18; ii) the latest Medium Term Financial Forecast; iii) the latest savings schedule to 2020/21; and iv) the draft capital budget for 2017/18 and capital and investment programme to 2020/21

1.0 Introduction

1.1 This report sets out the latest draft revenue and capital budget proposals for 2017/18, taking into account the impact of the provisional finance settlement that was published on 15 December 2016. It includes:

- the overall funding position and draft revenue budget for 2017/18;
- spending and saving proposals within the draft revenue budget 2017/18;
- draft capital budget for 2017/18 and capital programme to 2021;
- Medium Term Financial Forecast (MTFF) and savings projections up to 2021.

1.2 The Panel is provided with this information as background to support the Police & Crime Commissioner's recommended precept increase.

2.0 Grant Funding Settlement

2.1 The Provisional 2017/18 Police Finance Settlement was announced 15 December 2016. The key points are:

- It is a one year settlement;
- Police core grant funding (including the revenue support grant) has been reduced by 1.4% in cash terms. Total grant funding has been reduced by 1.8%;
- Local policing budgets would be protected in cash terms if Police & Crime Commissioners maximise the potential to raise funding through the precept;
- Sussex can increase its precept by £5;
- The police core grant distribution formula allocation has not changed but a review is underway to determine the most suitable method for future years.

2.2 A summary of the provisional grant settlement for Sussex is set out in Table 1 on the following page.

TABLE 1: Provisional Grant Settlement 2017/18

	2016/17 £'000	2017/18 £'000	Difference £'000	Difference %
Police Core Grant	97,828	96,462	(1,366)	-1.4%
Formula Funding	53,892	53,136	(756)	-1.4%
Total Core Grant Funding	151,720	149,598	(2,122)	-1.4%
Council Tax Support Grants	13,202	13,202	-	-
Total Revenue Funding	164,922	162,800	(2,122)	-1.3%
Capital Grant	1,766	906	(860)	-48.7%
Total Grant Funding	166,688	163,706	(2,982)	-1.8%

- 2.3 The settlement reduces the core revenue grant funding for Sussex by £2.1m (1.3%) on a like for like basis compared to 2016/17. The impact of the provisional finance settlement announcement is that revenue funding reductions for 2017/18 are £0.022m higher than anticipated in the current MTF.
- 2.4 Legacy grants relating to Council Tax Freeze for 2011/12 and 2013/14, together with the Council Tax Support grant, continue to be included in the baseline Home Office settlement. These are now allocated as specific grants alongside Home Office core funding. These grant amounts remain unchanged but their allocation in future years may be subject to outcomes of the Funding Formula review.
- 2.5 Whilst the overall grant figures covering Private Finance Initiative (PFI) and Counter Terrorism funding were announced within the Home Office settlement, individual allocations to forces have not been announced yet. These along with grant funding for victims and restorative justice are expected to be announced in January 2017.
- 2.6 Other funding may be made available to individual forces in relation to the Police Technology Programmes (Emergency Services Network, Airwave system, Home Office Biometrics and the National Law Enforcement database) and other transformation programmes in 2017/18 or within the period up to 2021 but no detailed announcements have been made yet.
- 2.7 The Home Office capital grant has reduced by 48.7% to £905,750 following further top slicing of this grant for the National Police Air Service (NPAS) and Communications Capabilities Development Programme, including the replacement for Airwave.
- 2.8 No announcements have been made on revenue or capital individual force allocation for future years. The Force is planning on the basis of a cash reduction in police core grant funding of 1.4% per annum up to 2019/20. This is based on actual force settlements in 2017/18.

- 2.9 The provisional settlement announcement confirmed the Government will be investing additional funding in police technology and will increase the size of the Police Transformation Fund in 2017/18 (an increase of over £40m to £175m). This aims to allow the policing sector to invest additional funding in the projects that will improve efficiency, protect vulnerable victims of crime, further improve the leadership and culture of policing, the diversity of its workforce and cross-force specialist capabilities, exploit new technology and tackle emerging crime types, including cyber-crime.
- 2.10 It was expected that a police core grant distribution formula allocation review would result in a change to the grant allocation for Sussex in 2017/18 and beyond. This has been postponed and will not be implemented until 2018/19 at the earliest. Due to the uncertainty it is not included in the MTFF but remains a risk.
- 2.11 The current arrangements for individual Force allocations continue in 2017. A review of the funding formula is underway and a public consultation on the proposed model could be published in the spring.
- 2.12 A proposed revised police core grant distribution formula could also be issued for public consultation in the spring.

3.0 Precept Funding

- 3.1 The Home Office states that overall no Police & Crime Commissioner will face a cash reduction in their total funding (police grants, plus legacy council tax grants plus precept income) as long as they maximise their precept. This also assumes an increase in the Council Tax base on which the precept is calculated of 0.5%.
- 3.2 During 2016/17 the council tax base increased by 1.5% to 605,514.43 Band D. This is 1.0% higher than the Home Office assumption of 0.5% growth and will raise a further £0.904m at the current Band D rate of £148.91. The latest estimates showing a 1.5% growth have been used to determine the precept included in the draft revenue budget 2017/18.
- 3.3 The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any Police & Crime Commissioner that wishes to raise council tax above the limits that apply to them will have to hold a referendum.
- 3.4 The 2017/18 draft settlement assumes that Police & Crime Commissioners in England will increase their precept to the maximum referendum limit of 2% or £5. Additional flexibility has been given to the 10 Police & Crime Commissioners in England and Wales with the lowest precept levels each year (the lower quartile), so that they can raise their precept by up to £5 per year per band D household. Sussex has the 5th lowest precept in England and Wales and is, therefore, able to raise its precept by up to £5.

4.0 Draft Revenue Budget 2017/18

4.1 In preparing the Revenue and Capital Budgets for 2017/18 the Commissioner has considered the following issues:

- Cuts to the police core grant funding;
- Delivery of the Police & Crime Plan;
- Key principles underlying the four year MTFF;
- Provisional Police Grant settlement for 2017/18;
- Likely revenue and capital outturn for 2016/17;
- Budget pressures in 2017/18;
- Budget savings;
- Options for the council tax precept;
- Reserves;
- Risk assessment; and
- The Prudential Code for Capital Finance in Local Authorities.

4.2 Despite undertaking a comprehensive range of efficiency measures, including reducing the workforce, collaborating, making efficiencies, transforming activities using technology, cutting waste, selling property and consolidating, further reductions to expenditure are required to match our spend with resources.

4.3 The draft revenue budget figure of £253m detailed in Table 2 below excludes the precept increase because the decision has not yet been approved. It does, however, include a slightly higher tax base increase in line with the latest estimates from billing authorities. The core grant funding and estimated precept income (based on a £5 Band D precept increase and 0.5% tax base increase, as per Home Office estimates) would provide resources for a revenue budget of £256m.

TABLE 2: Budget and Funding Resources 2017/2018

	£'000
2017/18 Initial Revenue Budget (As per Home Office assumptions based on maximum precept increase of £5 and 0.5% tax base increase)	255,060
Less Precept increase proposed (as yet to be approved)	(2,997)
Plus 1% additional tax base increase	904
2017/18 DRAFT REVENUE BUDGET	252,967
If the Precept increase is approved it would add a further:	3,028
2017/18 REVENUE BUDGET MAXIMISING PRECEPT INCOME	255,995

4.4 A summary of the draft revenue budget is attached at Appendix A and summarised in the table on the following page. The allocations within the Force are estimates and subject to change in line with changes to the structure and services delivered.

TABLE 3: Draft Total Police Fund Revenue Budget 2017/18

	£'000
Base Budget 2016/17	254,977
Base Budget Adjustments	(2,247)
Pay Related Costs	7,230
Price Inflation and Other Additional Costs	4,268
Savings Requirement	(11,261)
Draft Revenue Budget 2017/18 *	252,967

**Assumes no change to current Band D precept (£148.91 per year)*

- 4.5 Despite the current cash protection of police funding, there is a continuing need for a significant programme of savings in order to deliver a balanced budget. This is due to uncertainty over future grant levels, outcomes of the funding formula review, and additional increases to contractual and pay related costs, which are expected to increase from 2017/18 onwards.
- 4.6 The draft budget includes unavoidable cost pressures and commitments identified and assessed as part of the budget setting process. These include the new apprentice levy scheme, business rates revaluation, changes to police officer pay scales and allowances, increases to employer pension contribution rates, IT contract changes and other contract inflation.
- 4.7 This requires cashable savings of approximately £11.3m to be delivered, with any new or increasing policing demands and risks to be managed within the current level of resources. The separate precept report to the Panel outlines proposals for additional investment to meet the most significant policing demands and risks to be funded from an increase in precept in 2017/18. This additional funding and cost is not included in the current forecast.
- 4.8 The draft budget does not include the cost of implementing any new change programmes to be identified and/or developed throughout 2017/18. Any underspend for 2016/17 will contribute towards a cost of change reserve to fund these one off earmarked costs and will be drawn down as required during the 2017/18 year.

5.0 Medium Term Financial Forecast

- 5.1 The impact of the latest four year MTFE assumptions is a savings requirement of £32.6m for the next four years as set out in table 4.

TABLE 4: Estimated Annual Savings to 2020/21

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Savings Requirement	11,261	4,717	8,292	8,280	32,550

- 5.2 The Chief Constable's current change programmes include, the Local Policing Programme, Policing Together Programme and the South East Regional Integration Plan (SERIP) to modernise policing in Sussex, deliver on the savings requirement over the next four years and enable maximum allocation of resources to national and local policing priorities. Improvement changes include the Operations implementation team, Share Point Development, Emergency Services Network (Airwave replacement), the Enterprise Resource Planning implementation team and the Specialist Crime implementation team.
- 5.3 Planned savings and budget reductions in 2017/18 aim to facilitate the Force to meet the financial constraints and provide capacity to meet emerging crime threats, such as public protection and digital crime.
- 5.4 In preparing the draft budget for 2017/18, the senior management considered the implications for future years of the commitments set out in the budget, ongoing levels of grant funding and potential new commitments and cost pressures. The latest MTFF and planning assumptions are set out in Appendix B.
- 5.5 The grant settlement for 2017/18 was in line with expectation but there remains some uncertainty on the level of funding for future years and what additional funding and/or operational requirements may be provided or mandated. The MTFF assumptions represent a mid-case scenario based on the all the available information at this time. Funding for 2018/19 onwards could be subject to the Funding Formula review, which is likely to change the core policing grant totals allocated to forces. At this time we do not know the value of those changes.
- 5.6 The implication of the Chancellor's announcement on protection of police funding for Sussex is predicated on a £5 increase per annum for a Band D household in each of the next four years. The MTFF adopts a prudent approach and does not assume a Council Tax increase for 2018/19 or beyond. This is consistent with the continuation of the approach adopted in the last four years where precept decisions are made on an annual basis against the need for new investment in policing priorities.

6.0 Risks and Issues

- 6.1 The forecasts include a number of assumptions that are subject to a range of risks and/or issues. New and significant risks emerging for the medium term are highlighted below and detailed in Appendix C.
- 6.2 Pay inflation is included at approximately 1% until 2021. This is a risk area because there are many pressures on employers with pay claims above inflation and the improvement in the employment market is leading to a higher turnover due to more constrained salary levels in the public sector. Specific pay pressures remain for certain specialist job roles for both police officers and staff. It will, therefore, be difficult to manage pay pressures for a further four years and employee recruitment and retention is a risk to the Force.
- 6.3 A new Apprenticeship Levy is being introduced and an estimated cost of £0.850m has been included from 2017/18 although the levy will be dependent on the payroll levels in year.
- 6.4 The introduction of pension automatic enrolment in 2017 may further impact by increasing employer pension fund contributions from 2017/18.

- 6.5 The Home Secretary announced a full review of the Police Core Grant Allocation Formula would take place in 2016/17. That work is ongoing but the outcome is not expected to impact until 2018/19. The new formula outcome may not be beneficial to Sussex Police which would put further pressure on other sources of funding such as precept increases.
- 6.6 The assumption of future grant funding levels may be affected by future government announcements which could reduce the grant income further.
- 6.7 Sussex has the 5th lowest precept but has the option to protect its overall resource funding by increasing its precept by the maximum allowable each year.
- 6.8 There are continuing risks surrounding Police IT systems and infrastructure changes nationally. This may result in mandated cost increases to the Force. The Government has, over the last two years, employed top slicing to fund national initiatives or growth in national functions. It remains a distinct possibility that this approach may result in further reduction on the level of funding to police forces. The Emergency Services Network (ESN) is currently out to tender. ESN is a cross-Government departmental programme, including all three emergency services and a wide range of other users. It is not yet clear how much new funding will be required to implement the new ESN service and how much will be allocated to individual forces for implementation and transition costs. It is clear that forces will be required to fund a significant portion of their implementation costs.
- 6.9 The decision to leave the European Union has had a detrimental impact on currency exchange rates. Currency fluctuations may in turn lead to supplier price increases. The decision has also impacted on interest rates which have in turn reduced investment income for the Force.
- 6.10 The programme of change remains complex with operational and organisational risk to delivering the range and volume of change including regional and national programmes of changes regarding firearms capability and other specialist functions, implementation of a new core finance and HR system for Surrey, Sussex and Thames Valley, new national and local transformation projects for digitalisation of policing and blue light collaboration are expected to commence over the next three years.

7.0 Planned Savings

- 7.1 The Chief Constable's saving plans are based on the programmes of change (Local Policing Programme and Policing Together Programme) to deliver improvements in policing and realise cashable savings. A summary of the savings planned up to 2020/21 are set out in Table 5 on the following page.

TABLE 5: Latest Savings Proposals

Work streams	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	Total £'m
Specialist Crime Operations	1.7	0.6	1.0	0.5	0.5	4.3
Contact & Deployment	1.1	0.7	0.8	0.4	0.4	3.4
Support Services	0.2	0.5	0.6	0.3	0.3	1.9
Corporate Services	0.7	1.6	1.6	0.5	0.4	4.8
Local Policing	0.5	0.4	0.3	0.1	0.1	1.4
Other	5.5	12.4	9.1	0.0	0.0	27.0
	(0.6)	0.3	0.1	0.0	0.0	(0.2)
Total Savings Target	9.1	16.5	13.5	1.8	1.7	42.6
Savings Requirement	11.5	11.3	4.7	8.3	8.3	44.1
Savings Gap/(Surplus)	2.4	(5.2)	(8.8)	6.5	6.6	1.5
Savings Risk Rating						
Red/Purple (high risk)	1.1	9.6	3.7	1.8	1.7	17.9
Amber/Green (low risk)	8.0	6.9	9.8	0.0	0.0	24.7

7.2 The status of savings is colour-coded to show the confidence of achieving the savings. Purple represents assessed savings targets only; Red represents the higher-risk areas where outline proposals have been considered. Amber represents savings which have been detailed but are subject to final business case approval, and Green represents proposals where detailed business cases have been approved and achieved or a timeline for implementation agreed.

7.3 Nearly £71m of savings will have been delivered over the last six years (up to March 2017).

7.4 The proposed new savings for 2017/18 are based on:

- Local Policing Programme – including elements of local investigations, response policing and completion of neighbourhood policing and criminal justice projects;
- Policing Together Programme (collaboration with Surrey Police) – including building upon the existing work within the Specialist Crime and Operations Commands, and developing joint functions within Contact and Deployment, Support Services, Corporate Services, and Joint Procurement contracts;
- Estates and Future Workplace Programme – including further rationalisation of accommodation and estates cost reduction;
- Smaller savings from non-pay budgets and contracts.

7.5 Specialist Crime savings will be achieved through a revised operating model with fewer specialist teams. The Operations team is also revising their operating model with greater emphasis on multi-disciplinary teams.

7.6 Planned savings from the Local Policing Programme continue this year following a review of the policing model in terms of demand and operational ways of working. The new model builds resilience and breadth of skills within local policing teams.

- 7.7 If all planned savings for 2017/18 are achieved this will exceed the savings target requirement in year by £5.2m, however further plans will be required to meet the full savings target requirement by 2021, based on the current MTFE estimates to meet the remaining gap of £1.4m beyond current plans. The Force will continue to review its savings plans to ensure quality service delivery is maintained, future financial risks are taken into account and funding can be directed to priority areas.
- 7.8 There is still a significant savings requirement up to 2021, currently estimated to be in the region of £32.6m. This estimate could be impacted by any further changes as a result of anticipated grant reductions and the outcome of the Funding Formula review.

8.0 Capital and Investment Programme

- 8.1 The draft capital and investment programme totals £45.2m of expenditure over the next four years. The proposed funding is summarised in Table 6 below:

TABLE 6: Draft Capital and Investment Programme Financing

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Home Office Capital Grant	906	906	906	905	3,623
Revenue Contribution	2,025	2,025	2,117	2,025	8,192
Reserves and Receipts	15,531	9,973	7,343	576	33,423
Total Capital and Investment Programme	18,462	12,904	10,366	3,506	45,238

- 8.2 The draft capital budget of £18.5m for 2017/18 includes provision for the revised estates and fleet plans, plus investment in the mobile policing network. The detailed IT Strategy for 2017 to 2021 is still being developed and the latest draft estimate is included. It includes the latest proposed transfer of funding for specific capital schemes from 2016/17 to 2017/18 following capital reviews throughout the year.
- 8.3 The capital and investment plans to 2021 require no additional borrowing but subject to assumptions on the profile of delivery of the programme and achievement of capital receipts, the capital and investment reserves will be exhausted by 2021 and provides no headroom for further new investment requirements. These could be significant in relation to ESN, ICT infrastructure, digitalisation of policing services and criminal justice. The reducing levels of investment reserves over the four year period means prioritisation of capital schemes may have to be reviewed, the current approach of not borrowing may have to be revisited before 2021 and/or provision made in revenue budget for financing of capital investment.
- 8.4 The draft capital and investment budget for 2017/18 and programme to 2020/21 are set out in Appendix D.

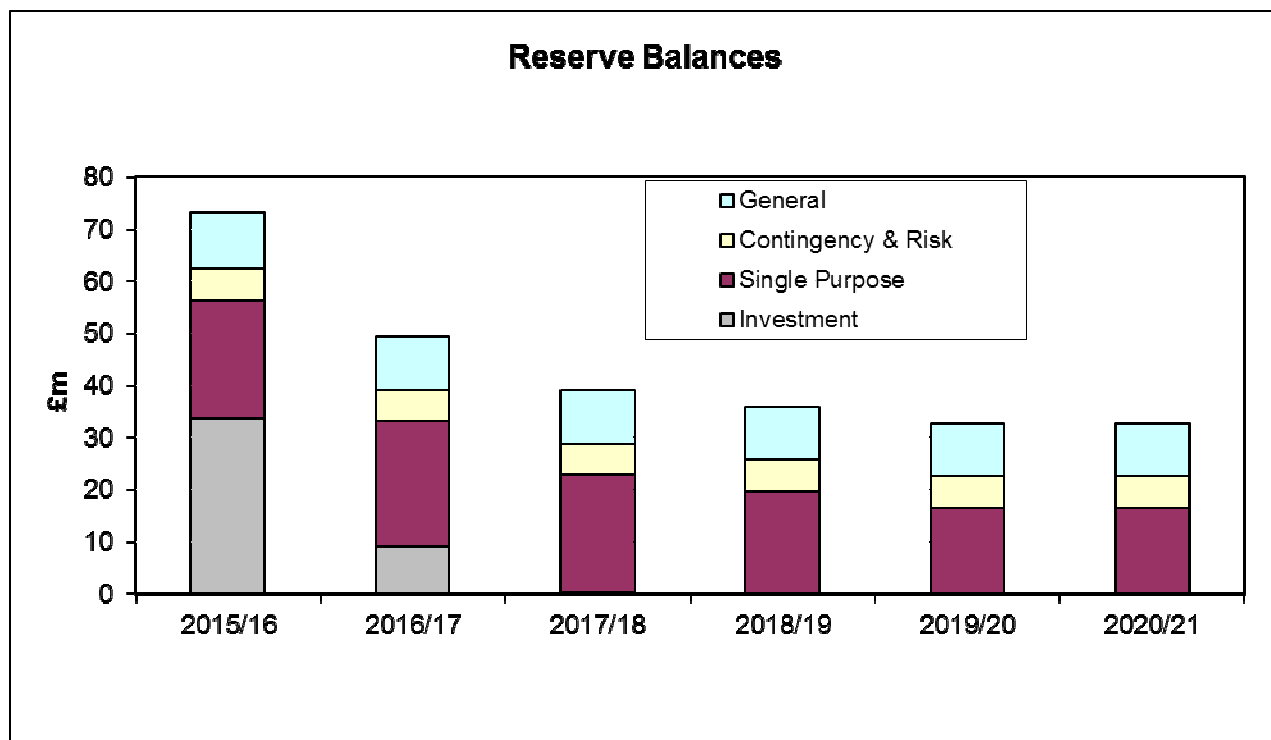
9.0 Reserves

9.1 Reserves are a key resource to support the budget plans and manage financial risk. The forecast level of reserves from 2017 to 2021 is set out in Appendix E.

9.2 The following proposed movements in reserves are included in the draft revenue and capital budgets for 2017/18:

- Funding from capital and investment reserves and capital receipts to fund the draft capital budget (£15m);
- Funding from the Sussex Safer Roads Partnership (SSRP) reserve to fund specific partnership capital investments (£0.3m);
- Funding from the Delegated Budget Holder reserve for the uplift in South East Allowance for 2017/18 (£1.1m).

9.3 The following graph shows the total forecast level of reserves at 31 March 2021 as £21.7m. This includes general balances of £10m (4.0% of net budget requirement, in line with the Police & Crime Commissioner's Reserves Policy of 4% of Net Revenue Expenditure). Further detail of earmarked reserve balances and movements is shown at Appendix E.



9.4 The forecast level of uncommitted investment reserves by 2021 is nil. The actual level of investment reserves remaining at 31 March 2021 will depend on achievement of capital receipts in line with the Estates Strategy and any revenue budget surplus in 2016/17 and future years, which may be transferred to investment reserves.

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Appendices

Appendix A – Draft Revenue Budget 2017/18

Appendix B(i) – Draft Police Fund Medium Term Financial Forecast

Appendix B(ii) – Medium Term Financial Forecast Planning Assumptions

Appendix C – Areas of Financial Risk & Issues 2017/18 and Beyond

Appendix D – Draft Capital Programme 2017 to 2021

Appendix E – Forecast Use of Reserves 2017 to 2021

Spend Area	£'000
Employees	
Police Officer pay	122,771
Overtime	4,475
Pension Employers Contribution	26,077
Total Police Pay	153,323
Police Staff Pay	68,564
PCSO Pay	6,442
Total Police Staff Pay	75,006
Other Employee Costs	2,711
Ill Health Pensions	2,854
Total Pay Costs	5,565
Buildings And Premises	11,080
Transport Costs	4,558
Supplies and Services	34,867
Third Party Payments	6,005
Total Non Pay	56,510
Gross Operational Delivery Budget	290,404
Fees, Charges & Specific Grants Income	(31,021)
Net Operational Delivery Budget (before savings)	259,383
Savings Requirement	(11,261)
Net Operational Delivery Budget	248,122

Office of PCC Budget	1,274
Community, Victims & Restorative Justice	3,584
Grant Income (Victims & Restorative Justice)	(1,949)
Financial Provisions & Reserve Transfers	1,936
Total PCC retained Budget	4,845
Total Police Fund	252,967

Financed by :

Police Grant	96,462
Ex DCLG Grant	53,136
Council Tax Support Grants	13,202
Precept	90,167
Total Financing	252,967

Draft Police Fund Medium Term Financial Forecast

Appendix B(i)

Incremental Budget Changes	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Base Budget	254,977	252,967	254,181	252,402
Base Budget Changes	(2,247)	1,100	0	0
Pay Costs	5,280	5,071	5,142	5,223
Pay Costs - S.E. Allowance	1,100	(1,100)	0	0
Pay Costs - Apprenticeship Levy	850	0	0	0
Price Inflation & Cost Pressures	4,195	1,250	1,279	1,312
Cost Pressures		0	0	0
Investments	73	(390)	92	0
Total Cost Increases	9,251	5,931	6,513	6,535
Gross Budget Requirement	264,228	258,898	260,694	258,937
Savings Target	(11,261)	(4,717)	(8,292)	(8,280)
Net Budget Requirement	252,967	254,181	252,402	250,657

Funding Sources	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Core Policing Grants	162,800	160,521	158,273	156,058
Council Tax Precept	90,167	93,660	94,129	94,599
NET BUDGET REQUIREMENT	252,967	254,181	252,402	250,657

Draft Police Fund Medium Term Financial Forecast

Appendix B(i)

Continued

Chief Constable	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Employees				
Police Officer Pay (incl. overtime)	127,246	128,355	130,580	132,823
Police Pension Employer Contributions	26,077	26,510	26,950	27,399
Total Police Pay	153,323	154,865	157,530	160,222
Police Staff Pay	68,564	70,577	72,636	74,742
PCSO Pay	6,442	6,630	6,822	7,019
Total Police Staff Pay	75,006	77,207	79,458	81,761
Other Employee costs	5,565	5,634	5,703	5,774
Total Pay Costs	233,894	237,706	242,691	247,757
Buildings & Premises	11,080	11,352	11,929	12,332
Transport Costs	4,558	4,675	4,794	4,917
IT & Communications	6,005	6,175	6,349	6,526
Other Supplies & Services	34,867	35,265	36,084	36,920
Total Non Pay Costs	56,510	57,467	59,156	60,695
Cumulative Savings Target	(11,261)	(15,979)	(24,271)	(32,552)
Gross Operational Delivery Budget	279,143	279,194	277,576	275,900
Income	(22,428)	(22,428)	(22,428)	(22,428)
Specific Grants	(8,593)	(8,593)	(8,593)	(8,593)
Total Income and Grants	(31,021)	(31,021)	(31,021)	(31,021)
Net Operational Delivery Budget	248,122	248,173	246,555	244,879
Police and Crime Commissioner	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Office of the PCC	1,274	1,313	1,352	1,391
Community Safety & Victims Services	3,584	3,584	3,584	3,584
Grant Income (Victims)	(1,949)	(1,949)	(1,949)	(1,949)
Financial Provisions & Transfers to/from Earmarked Reserves	1,936	3,060	2,860	2,752
Total PCC Retained Budget	4,845	6,008	5,847	5,778
TOTAL POLICE FUND	252,967	254,181	252,402	250,657

Medium Term Financial Forecast Planning Assumptions Appendix B(ii)

Assumption	2017/18	2018/19	2019/20	2020/21
Core funding changes	-1.4%	-1.4%	-1.4%	-1.4%
Specific Grants change	No Change	No Change	No Change	No Change
Council Tax Support Grant	-0%	-1.4%	-1.4%	-1.4%
Legacy Council Tax Freeze Grants	-0%	-1.4%	-1.4%	-1.4%
Tax base increase	1.5%	0.5%	0.5%	0.5%
Collection Surplus/(Deficit)	-	-	-	-
Pay award (Sept average)	1.0% - 1.25%	1.0% - 1.25%	1.0% - 1.25%	1.0% - 1.25%
Police staff pension contributions	1%	1%	1%	1%
Precept	0%	0%	0%	0%
General Price inflation	2%	2%	2%	2%
Investment Interest Returns	0.40%	0.40%	0.40%	0.40%
Employers NI Increase	No further increase	No further increase	No further increase	No further increase

Issue	Assumption	Comment
Maintaining & improving service performance levels	Resources sufficient to meet targets and priorities in the Local Policing Plan and Strategic Policing Requirement	The Chief Constable believes that there are sufficient resources to deliver future Police and Crime Plan priorities and Strategic Policing Requirement. However there remains risk from the cost of major operations including counter-terrorism, particularly if these are not fully funded nationally.
Pay and price budgets and establishment control	Provision for national pay awards ceiling of 1%. Staff turnover and increments based on detailed analysis of current staff profile and trends. General price inflation of 2%	The number of police officer leavers is difficult to predict but recruitment and promotions are managed during the year across the Force to match staffing need and resources to budget. Close corporate monitoring of the overall budget and management action to maintain financial discipline. Pay and price contingency is available to meet any unexpected increases in year.
Limits to Precept Increases	Future precept planning assumption of a 0% increase.	The Localism Act 2011 gives a statutory obligation for council tax referendums to be held should a precept higher than prescribed be considered by the Police and Crime Commissioner (PCC). The Secretary of State for Communities and Local Government set the level above which a referendum would be required at 2%. Decisions on any increase to the precept are made by the PCC annually. Compared to other police areas across the country, Sussex has a low level of precept.
Grant Levels	Overall revenue grant reduction of 1.3% in 2017/18. Funding levels for 2018/19 are assumed to reduce by 1.4% cash pa to 2021. Changes to the grant formula may further reduce the level of grant payable.	2018/19 allocations are subject to the CSR and unknown at this time. Legacy council tax grants are included in core Home Office; allocation of this funding this could change in future years. Any change to the grant formula could have a significant impact on base funding (+/-20%).
Budget Estimates (Expenditure)	Provision for specific on-going cost pressures	The Chief Constable and his finance team undertake a detailed examination of the budget estimates including all identified additional costs for 2017/18, supported by input and review by the PCC's Chief Financial Officer. Only spending pressures in future years that are known at this stage have been included in the Medium Term Financial Forecast (MTFF).
National IT Systems	Move to full cost charging without transfer of funding from Home Office.	Further potential costs related to the national changes to training and the creation of the national police college could continue in 2017/18 and beyond.

Issue	Assumption	Comment
Local Policing Programme; Policing Together Programme and other cash releasing savings.	Savings requirement of £32.6m to 2020/21	Action plans to deliver savings from April 2017 continue to be reviewed by Chief Officers and regular monitoring will be undertaken to track achievement of savings and ensure any additional action required is undertaken during the year. The achievement of savings in 2017/18 and beyond heavily depends on the delivery of savings from the Local Policing Programme and the Policing Together Programme (joint vision and services with Surrey Police). Wider blue light collaboration will contribute to the delivery of savings over the medium term.
Levels of reserves	Forecast to reduce over the term of the MTFF	Currently used to finance the capital and investment programme and major change initiatives. It remains a risk that the level of reserves is adequate to meet unplanned demand.
Interest rates, investment and borrowing	Interest rates assumptions of 0.40% Borrowing at fixed rates.	Forecasts of investment income for 2017/18 onwards are based on estimated cash balances and interest rate forecasts as set out in the treasury management strategy. A prudent position has been adopted with regard to anticipating future increases in interest rates. At this stage, no borrowing has been planned to finance the capital programme in 2017/18 or beyond.
Income Assumptions	Income budgets reduced for specific items.	Some risk of achieving on-going level of income targets included in Divisional and Department budgets. This will be monitored during the year and appropriate action or mitigation agreed as necessary. Additional income may be received in-year due to unforeseen events. Budget adjustments will be requested where appropriate. The increase in firearms licence costs will provide additional income.
Policing of Gatwick Airport	Funding of £12.9m in 2017/18.	The existing public Services agreement for Policing Gatwick Airport expires on 31 March 2017. Negotiations are underway to renew this agreement for a further three years to 31 March 2020.
Reductions in security grants	Potential reductions in Airport and other security grants.	MTFF assumes that grants will continue at current level. If subsequently reduced, savings will be made to cover the reduction outside of core savings targets.
Operation Otter	Costs in excess of government grant to be met from Reserves or central reimbursement	The 2017 Labour Party Autumn Conference being held in Brighton is planned for. The scale of the operation is expected to be relatively low key and additional costs are not expected to be significant.
Public disorder	Additional cost of overtime and associated costs	Whilst action will be taken to mitigate the overtime and other additional costs relating to policing public order operations, significant costs may be incurred on anticipated events in 2017/18. It is proposed that in-year over-achieved savings will be used as a first source for funding, otherwise the public order contingency, other revenue budget and operational reserve provides potential sources of funding if necessary.
Operational Demands	Public Protection and Digital Forensics	Key operational pressures include continuing increase in demand and complexity of public protection cases (domestic abuse and vulnerable children/adults) plus changes in nature/type of evidence collection (more digitally based); requiring additional time/resource and cost to process.

Capital Programme	2017/18	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000	£'000
Information Technology Strategy	5,352	1,283	1,256		7,891
Fleet Strategy	3,460	3,239	3,067	2,907	12,673
Specialist Crime			92		92
Corporate Development	99	60			159
Operations Department	478	252	200		930
Communications	50	50			100
HR Shared Business Services	204				204
Total Estates Strategy	8,819	8,020	5,750	600	23,189
Total Investment Programme	18,462	12,904	10,365	3,507	45,238

Forecast Use of Reserves 2017 to 2021

Appendix E

USABLE RESERVES	Investment		Single Purpose				Contingency and Risk		General	Total Reserves
	Capital and Investment Reserve	Capital Receipts	Asset Seizures	Delegated Budget Holder Reserve	Sussex Safer Roads Partnership	PFI	Insurance	Operational	General Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Audited Balance at 31/3/16	24,760	8,870	365	7,361	2,136	12,794	3,623	2,450	10,807	73,166
2016-17										
Approved Contributions	1,237									1,237
Estimated Contributions		1,353		7,100						8,453
Estimated Commitments	(17,519)	(10,223)		(4,973)	(289)					(33,004)
Approved Commitments				(450)						(450)
Transfers Between Reserves	567								(567)	0
Estimated Balance at 31/3/17	9,045	0	365	9,038	1,847	12,794	3,623	2,450	10,240	
2017-18										6,300
Estimated Contributions		6,300								(16,632)
Estimated Commitments	(8,953)	(6,300)		(1,100)	(279)					0
Estimated Balance at 31/3/18	92	0	365	7,938	1,568	12,794	3,623	2,450	10,240	39,070
2018-19										
Estimated Contributions		7,000								7,000
Estimated Commitments	(2,921)	(7,000)		(205)	(52)					(10,178)
Transfers Between Reserves	2,829			(2,829)						0
Estimated Balance at 31/3/19	(0)	0	365	4,904	1,516	12,794	3,623	2,450	10,240	35,892
2019-20										
Estimated Contributions		4,000								4,000
Estimated Commitments	(3,343)	(4,000)								(7,343)
Transfers Between Reserves	3,343			(3,199)					(144)	
Estimated Balance at 31/3/20	(0)	0	365	1,705	1,516	12,794	3,623	2,450	10,096	32,549
2020-21										
Estimated Contributions		1,200								1,200
Estimated Commitments		(576)								(576)
Transfers Between Reserves										0
Estimated Balance at 31/3/21	(0)	624	365	1,705	1,516	12,794	3,623	2,450	10,096	33,173

