



THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL AND THE ISLES OF SCILLY

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SAFE, RESILIENT AND CONNECTED COMMUNITIES

Police and Crime Panel Meeting
Friday 2nd February 2018
Report of the Police and Crime Commissioner

Proposed Precept, Budget and Medium Term Financial Strategy (MTFS) 2018/19 - 2021/22

This report considers the future four year financial position for the PCC and Chief Constable and presents the following council tax recommendation for consideration by the Police and Crime Panel:

- 1) **The Police Crime Commissioners (PCC) proposal is for a £12 increase in the Band D equivalent for the police element of the council tax for the 2018/19 financial year.**
- 2) **Items for the Police and Crime Panel to note:**
 - a) **That the reserves data will be published online to enhance transparency.**
 - b) **That the level of General Balances held will be no more than 5% or no less than 3% of the net annual budget at the end of the financial year.**
 - c) **Police Officers will be receiving an overall 2% increase in pay for the year to August 2018.**
 - d) **To reach, and maintain, officer levels at 3,015 it is anticipated we will need to recruit in the region of 575 officers over the next four years.**

This report has been produced in full consultation with the Chief Constable.

1. Executive Overview of this Medium Term Financial Strategy by the Police Crime Commissioner

- 1.1 This is my second budget since taking office which builds upon the same principles that underpinned my first i.e. that it is progressive, modernising, sustainable and financially based. I will again also be looking to maximise the resources available to the Chief Constable to deliver our Police and Crime Plan.
- 1.2 Through the Plan and this Financial Strategy, the Chief Constable and I will deliver a number of key improvements to our policing service.
- 1.3 With the increase in funding that I intend to make available to the Chief Constable through the precept he has identified a number of areas for priority investment to enable him to deliver policing. The letter from the Chief Constable attached at Appendix 6 sets out these areas but the key developments are:
- Increasing the number of Police Officers to 3,015 by 2019/20. As well as increasing the overall Officer numbers beyond last year's MTFs, it also means they are recruited earlier than had been planned.
 - 20 joint funded blue light officers. This will look to develop a new way of delivering neighbourhood functions in rural areas in collaboration with Fire and other partners.
 - The development of a county police headquarters for Cornwall at Bodmin – delivering a similar function expected of the development currently underway in Exeter.
 - Meet the expectations of an additional 1% in pay award for police officers and police staff from 2018/19, after 5 years of a 1% restriction on pay.
 - Significant increase in technology to drive efficiencies and productivity. This includes investment in a replacement records system, improved automatic number plate recognition (ANPR), digital storage and improved control room technology.
 - The roll out of Body Worn Video (BWV) which will protect officers and victims, catch criminals and provide transparency to the public.
- 1.4 As well as the key developments by the Chief Constable I will be setting aside £100k to support a small grants scheme. These funds will be targeted towards projects to tackle anti-social behaviour in our communities.
- 1.5 I remain committed to achieving previously identified savings and the Chief Constable will deliver £9.6m of savings by 2021/22 through a combination of efficiency, productivity and transformation. Devon and Cornwall have a strong track record of achieving savings with £60.2m saved since 2009. Significant future savings will be delivered through collaboration and the strategic alliance with Dorset which have been reflected in this Medium Term Financial Strategy (MTFS).
- 1.6 I have worked closely with the Chief Constable, the two Chief Financial Officers and the Independent Advisor to the PCC to construct these budget proposals. The time in which we are able to increase investment is limited to only 2 years and with that in mind I believe maximising this opportunity to deal with the

effects of austerity, inflation and potential funding formula revision is both ethical and makes economic sense.

- 1.7 It is my intention to maximise the available resources to policing through a proposed £12 (6.81%) increase in the police precept proportion of council tax, raising £7.2m in 2018/19. The proposed settlement conditions from central government indicated that if substantial progress against agreed milestones is achieved in 2018, then it intends to repeat the same flexibility of the precept in future, meaning an increase to the Band D precept of up to £12 for 2019/20. It is my intention to take advantage of this additional flexibility.
- 1.8 An online poll through the Office of the Police and Crime Commissioner Website is currently being undertaken on the council tax increase. The initial results indicate that the majority of those responding would pay an extra £12 per year for policing. This poll is due to close on 28 January 2018 and the final results will be circulated to the panel prior to the meeting.
- 1.9 The Police and Crime Plan is a requirement of the Police Reform and Social Responsibility Act 2011 (PRSR). The strategy used to produce this MTFS is my published Police and Crime Plan for 2017-2020 'Safe, resilient and connected communities' which is focused on the following 5 key objectives:
- **Connecting our communities and the police – through a new Local Policing Promise to ensure policing in the local area is 'Accessible, Responsive, Informative and Supportive'**
 - **Preventing and deterring crime – so we can stop people becoming victims of crime and help them move on with their lives**
 - **Protecting people at risk of abuse and those who are vulnerable – safeguarding the vulnerable and keeping them safe from harm**
 - **Providing high quality and timely support to victims of crime to help them recover and to get justice by improving the criminal justice system**
 - **Getting the best out of the police – making best use of our resources, supporting and developing our workforce and working well in partnership with others**
- 1.10 Significant reserves were accumulated in previous years. This was a conscious decision by my predecessor given that at one time a combination of Treasury forecasts and proposed funding formula changes suggested reductions of £50m were needed. Reserves of £11.2m were released in 2017/18 to support revenue during that year and the subsequent three years. It was, and remains, my conscious decision to spend those reserves to maximise funding to policing. This one-off cash injection will now be used for capital expenditure to invest in increased technology to ensure a mobile workforce who are equipped to provide a modern service. As At 31 March 2017 the total amount of reserves

held were £66.9m which is forecast to fall to £16m by the end of 2021/22. Full details of the reserves are contained in Appendix 2.

- 1.11 I am keen to minimise borrowing where reserves can be utilised instead. The choice of funding (i.e. reserves or borrowing) will be made at the point of need taking into account the cost of borrowing.
- 1.12 In preparation of my first budget in 2017/18 the Chief Constable wrote to me setting out his proposals for transforming the police workforce to ensure that policing is able to meet the changing nature and complexity of crime and the wider complex non crime demands that affect policing, such as mental health and vulnerability. The Chief Constables proposals for workforce transformation, which were set out in a letter annexed to my budget proposal for 2017/18 included an intention to move to a lower level of Police Community Support Officers (PCSO's), to invest in 100 additional police officers, to employ 50 police staff investigators and to pilot new initiatives for remote statement taking to free up time on the front line for police officers. The Chief Constable also set out his intention to move forward under the PRISM Transformational Change Programme by developing a new approach to end to end service delivery to improve the responsiveness and efficiency of policing. I gave my support to the Chief Constable for his transformation plans.
- 1.13 Since the 2017/18 MTFS was put in place a number of developments have occurred locally. Good progress is being made with workforce transformation, with police officer recruitment increased, new police staff investigators trained and in post and a pilot remote statement taking service operating across Devon and Cornwall to reduce the burden on front line officers. The Neighbourhood Policing Review (Project Genesis) is developing a new model of neighbourhood policing and will come forward with recommendations at the end of March 2018. Improved connectivity with our communities across policing, as well as in neighbourhood teams, is the heart of our Police and Crime Plan and the Chief Constable has now put in place a clear and coherent framework for connectivity across the area which will start to operate in full from April 2018.
- 1.14 We will continue to deliver the national modern slavery and Pathfinder projects and see the results of these Police Transformation pilots towards the end of the next financial year.
- 1.15 I remain committed to the areas of investment that I set out in my first 2017/18 budget which support the delivery of our Police and Crime Plan.
- 1.16 I have focused the detail of this four year budget presentation on the first year, 2018/19, whilst still setting out my expectations of the necessary savings and other actions in broad terms for the whole four year period. Given the uncertainties of future planning assumptions the final year in each of the detailed financial tables is shown in italics. In order to limit the amount of technical detail within this report, the appendices contain more information on the budget requirement; the proposed savings to be made; the reserves; and detailed council tax changes within bands.

- 1.17 The relative stability in Central Government funding is welcome. The Home Office have provided a one year settlement for 2018/19 with clear indications of the settlement that can be achieved in 2019/20. This provides greater certainty for planning purposes. It has also been indicated that the review of the central government police grant formula will now be delayed until the next Comprehensive Spending Review (CSR) which is not anticipated prior to 2020. However, it is unclear whether this means that the formula review will be implemented at this point or brought back for consideration.
- 1.18 As part of the consultation on my proposals I have contacted MP's, Leaders and Chief Executive's across the region. None of the respondents have opposed my proposals.
- 1.19 As promised I have made a cumulative saving from the OPCC of £100k linked to the move to Middlemoor which will be put towards policing.
- 1.20 Policing does not, currently, get any funding from business rates however, Fire does. This is an area I will continue to explore with the Treasury.

Alison Hernandez
Police and Crime Commissioner
January 2018

2. Introduction

- 2.1 This report will cover the revenue and capital budgets for 2018/19 together with the projections for 2019/20 to 2021/22. The specific areas that will be covered are the:
- National context.
 - Local and regional context and funding levels.
 - Council tax levels and assumptions.
 - Revenue expenditure.
 - Capital programme.
 - Review of reserves.
 - Risks.

3. National Context

- 3.1 On 22 November 2017 the Chancellor of the Exchequer made his Autumn Statement. The key issues for national funding were:
- The GDP forecasts have been revised down from those in the 2017 Spring Budget. GDP is predicted to grow by 1.5% in 2017, which is a reduction of 0.5% on the Spring Budget predictions. The changes mainly reflect the revisions to the productivity forecasts. The Spring Budget was the first post-Brexit forecast.
 - The Consumer Price Index (CPI) measure of inflation has been revised up for 2017. CPI inflation is now forecasted at 2.7% for 2017, followed by rates of 2.4% for 2018 and 1.9% for 2019.
 - An additional £3bn has been set aside over the next two years to ensure a smooth Brexit transition.
 - The 2016 Budget set out plans to make efficiency savings of £3.5bn in public spending. This has been revised to £1.4bn.
- 3.2 The Provisional Police Grant Report for 2018/19 was published on 19 December 2017. In his letter the Minister for Policing and the Fire Service indicated he had visited or spoken to every police force in England and Wales to better understand the demands faced and how these can be best managed. This settlement focuses on support to frontline police officers and staff to ensure that they have the resources, modern equipment and skills they need to deliver their responsibility to the public. To achieve this, the provisional settlement has four objectives:
- Greater public investment in both local and counter-terrorism, to help the police respond to shifts in both crime and terrorist threat.
 - Empowering locally accountable PCCs to have greater flexibility to set their own local funding.
 - Challenging and supporting police leaders to be more efficient, more productive with officers' time and transparent in their use of public money.
 - Maintaining substantial Government investment in national programmes that will upgrade police capabilities and help them be more effective in managing extra demand.

- 3.3 This settlement looks to recognise the material changes in the demand on policing since the 2015 spending review. Demand has grown and shifted to more complex and resource intensive work such as child sexual exploitation and modern slavery. At the same time the terrorist threat has changed.
- 3.4 The overall funding package is better than anticipated and proposes to increase investment in the police system by up to £450m year on year in 2018/19. Although only £180m will be funded centrally. The remaining £270m relates to the additional revenue that can be generated from the increase in council tax flexibilities. The provisional settlement includes the following:
- The core Government grant funding will remain the same as that received in 2017/18. This will allow PCC's to retain the full benefit from any additional local Council Tax received due to an increase in the council tax base.
 - PCC's will be given further flexibilities to increase the Band D precept by up to £12 in 2018/19 without the need to call a local referendum. This equates to an increase of 6.81% for Devon and Cornwall.
 - An additional £50m funding for counter-terrorism policing. PCC's will be notified separately of the individual allocations. At the time of writing this report the allocations have not yet been announced.
 - Increased investment in national policing priorities such as police technology and Special Grant by around £130m compared to 2017/18.
 - The Capital Grant will remain the same (£1.1m) as in 2017/18.
- 3.5 There is an expectation by government that the additional funding made available via this provisional settlement will be supported by a commitment from the PCCs and the Chief Constables to improve productivity and efficiency within three clear priorities:
- Seek and deliver further cost efficiencies, specifically around procurement.
 - A modern digitally enabled workforce that allows frontline officers to spend less time dealing with bureaucracy and more time preventing and fighting crime and protecting the public.
 - Greater transparency in how public money is used locally. This specifically relates to reserve levels and plans for how these will be used.
- 3.6 Milestones will be agreed against these priorities for 2018/19. If substantial progress against these milestones is achieved in 2018, then the Government intends to maintain the protection of a broadly flat police grant in 2019/20 and repeat the same flexibility of the precept meaning an increase to the Band D precept of up to £12 for 2019/20.
- 3.7 The Home Office have provided a one year settlement for 2018/19 with clear indications of the settlement that can be achieved in 2019/20. This is a welcome development and provides greater certainty for planning purposes.
- 3.8 As in previous years the overall funding available to the Police has been top sliced for central initiatives. However, it needs to be highlighted that the increase in funding to the top slice has been achieved within the new monies of £130m identified as increased investment in national policing priorities, and does not have a negative effect on the amount of core grant allocated to individual PCC's. As stated earlier the overall grant funding to individual PCC's

has remained the same. The effects of reductions through top slicing at a national level are shown in the following table:

Table 1: Overall changes in the national top-slice

Ref	National Top Slice	2017/ 18 £m	2018/ 19 £m	Increase/ (Decrease) £m	% Increase
1.1	PFI	73	73	0	-
1.2	Police Technology Programme	417	495	78	19
1.3	Arm's Length bodies	54	63	9	17
1.4	Response to organised crime	28	42	14	50
1.5	Transformation fund	175	175	0	-
1.6	Special Grant	50	93	43	86
1.7	Pre charge Bail	15	4	(11)	(73)
1.8	Total	812	945	133	16

- 3.9 Although the increase in the top slice has been funded through new monies it is expected that additional costs and charges will arise as a result of these central initiatives. The objective of these central projects is that, if successful, they become business as usual (BAU) in all forces. Changes may also be required to ICT systems in order to ensure these projects can be used locally.
- 3.10 These provisional figures for 2018/19 are subject to Parliamentary approval in February 2018.
- 3.11 There are a number of areas beyond the level of central government grant in this MTFs that are cost sensitive to changes in the wider economy. These are:
- The interest earned on the reserves which is linked to the bank base rate.
 - Employers' police staff pension costs which are reliant upon the performance of pension fund investment and the yields on government gilts.
 - The fall in the value of sterling against the Euro and the dollar has led to some additional inflationary costs. As nearly 80% of the MTFs budget costs are employment related these costs are relatively protected from this variable. The most significant impact is likely to be on fuel and computer products.

4. Local and Regional Context and Funding Levels

- 4.1 The local impact of the funding announcements with the settlement will provide increased funding for Devon and Cornwall. During the planning process for the MTFs, prior to the announcement of the provisional settlement, assumptions on the funding levels had been made. Based on the previous assumed funding levels significant cuts would have been required in order to produce a balanced budget for 2018/19 and future years.
- 4.2 Funding will increase by £1.1m as a result of the core Government grant remaining the same as that received in 2017/18. Previously the grant had been

reduced to take account of an assumption that a proportion of the increase in council tax base would be clawed back by Central Government.

- 4.3 The increased flexibility to increase the Band D precept by up to £12 in 2018/19 equates to an increase of 6.81% for Devon and Cornwall rather than the 1.99% (£3.51) previously assumed. The £12 increase would generate funding of £7.2m which is £5.1m more than previously assumed.
- 4.4 At the time of writing this report the allocations to individual PCC's for the additional £50m funding for counter-terrorism policing have not been announced.
- 4.5 The increased investment in national policing priorities such as police technology and Special Grant of £130m will be subject to a competitive process.
- 4.6 There is no impact on funding within the Capital Grant as this has remained the same (£1.1m) as in 2017/18. However, inflationary price increases will need to be absorbed as standstill funding represents a real terms funding reduction.
- 4.7 The pay award is the most significant inflationary pressure on the budget with the overall pay budgets being 84% of total expenditure. During 2017/18 a pay award of 1% was approved for police officers, with a further non-consolidated 1% payable for one year only. The police staff pay award for 2017/18 has yet to be formally agreed at the time of writing. The non-consolidated element of the police officer pay award indicates the government's move away from their previous 1% cap on public sector pay awards. This increase was approved without extra funding being provided centrally.
- 4.8 The provisional settlement is subject to parliamentary approval in February 2018. Unless significant, any changes to the funding levels within the final settlement, will be dealt with via reserves. This will also apply to any changes to the revenue generated from the council tax surpluses or council tax base changes assumed. Any significant changes will be agreed by the PCC and published as part of the move to increase transparency on our reserves position.
- 4.9 The following tables show the key financial information relating to the four year budget requirement and the precept increase. The level of council tax funding equates to just under 40% of the overall income for 2018/19. As the core grant has remained constant the increased funding of £9.1m equates to an overall increase on the budget requirement of 3.2%.

Table 2: Executive Financial Summary

Ref	Summary	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
2.1	Core Grant	101.3	101.3	101.3	101.3
2.2	DCLG Formula	62.2	62.2	62.2	62.2
2.3	Legacy C/Tax Grants	15.5	15.5	15.5	15.5
2.4	Grant	179.0	179.0	179.0	179.0
2.5	Council Tax	112.3	121.9	126.8	131.9
2.6	Council Tax Surplus	2.2	2.0	2.0	2.0
2.7	Reserves				
2.8	Funding Available	293.5	302.9	307.8	312.9
2.9	Budget Requirement 2017/18 - Base	284.4	284.4	284.4	284.4
2.10	Unavoidable changes in costs (see Appendix 1)	12.9	19.7	27.7	32.6
2.11	Budget Requirement before Police and Crime Plan Priorities	297.3	304.1	312.1	317.0
2.12	Police and Crime Plan Priorities (see Appendix 1)	2.5	2.6	3.6	5.4
2.13	Budget Requirement before Savings	299.8	306.7	315.7	322.4
2.14	Savings	(3.4)	(6.5)	(8.0)	(9.6)
2.15	Total Budget Requirement before use of Reserves	296.4	300.2	307.7	312.8
2.16	Transfer to / (from) Reserves	(2.9)	2.7	0.1	0.1
2.17	Total Budget Requirement	293.5	302.9	307.8	312.9

5. Setting the Council Tax

- 5.1 In line with government guidelines, the maximum amount that the council tax can be increased by without triggering a referendum is £12.
- 5.2 The effect on the council tax of this proposal is set out in full at Appendix 3, the impact on band D council tax is shown in table 3 below. The increase of £12 coupled with increases to the council tax base and surpluses from council tax collection provides additional council tax funding of £9.1m when compared to 2017/18.

Table 3: Council Tax

Ref	Valuation Band	2017/18	2018/19	Increase	Increase per week	Increase per month
3.1	A	117.52	125.52	6.81%	+ 15p	+ 67p
3.2	B	137.11	146.45	6.81%	+ 18p	+ 78p
3.3	C	156.69	167.36	6.81%	+ 20p	+ 89p
3.4	D	176.28	188.28	6.81%	+ 23p	+ £1.00
3.5	E	215.45	230.12	6.81%	+ 28p	+ £1.22
3.6	F	254.63	271.97	6.81%	+ 33p	+ £1.44
3.7	G	293.80	313.81	6.81%	+ 38p	+ £1.67
3.8	H	352.56	376.57	6.81%	+ 46p	+ £2.00

- 5.3 The budget forecasts contained in this report are based on the assumption of a council tax increase of £12 (per band D equivalent) in 2018/19 and 2019/20. The further increase in 2019/20 will be subject to approval in 2019 and will be based on achievement of milestones and performance. The following table shows the funding position if the council tax is increased in line with the ministers proposals. Since 2014/15 the council tax increase has been 1.99% annually in line with maximum government levels. The following table shows the net council tax requirement and the tax revenues based upon the assumption that the increase of £12 per Band D equivalent is applied, the tax base increases by an average of 2% per annum and that the surpluses on collection continue at broadly the current levels for the four year period.

Table 4: The Council Tax Requirement

Ref	Item	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
4.1	Total Budget Requirement from Table 11	293.5	302.9	307.8	312.9
	Less				
4.2	Central funding from Table 8	179.0	179.0	179.0	179.0
4.3	Surplus on the collection fund from Table 8	2.2	2.0	2.0	2.0
4.4	Total net council tax requirement at	112.3	121.9	126.8	131.9

- 5.4 The table below shows the comparative proposed precepts with the regional PCC's. At the time of writing the report the final data on the national comparative precepts is not available. This table shows that, if the proposed precepts are agreed, in 2018/19 Devon and Cornwall will be the second lowest precept in the region.

Table 5: Comparison of Precept with Regional Forces

Ref	Regional Comparison	2017/18 Current £	Proposed Increase £	Expected Comparison 2018/19 £	% Different from Lowest
5.1	Gloucestershire	216.08	12.00	228.08	24.87
5.2	Dorset	194.63	12.00	206.63	13.15
5.3	Avon & Somerset	181.80	12.00	193.80	6.14
5.4	Devon and Cornwall	176.28	12.00	188.28	3.12
5.5	Wiltshire	170.57	12.00	182.57	0

[Not confirmed at time of publication]

6. Detailed Total Budget Requirement

Background to the Budget requirement

- 6.1 The CSR 2010 imposed a 20% reduction in central government funding and between 2010 and 2017 £60.2m of savings were made by Devon and Cornwall Police.
- 6.2 Police Officer numbers have reduced from 3,500 before the CSR to a projected 2,944 at 31 March 2018, a total reduction of 566 officers.
- 6.3 Police Staff numbers have also reduced by 471 since 2009.
- 6.4 There have also been significant reductions in vehicle, ICT, equipment and estates costs over that time.
- 6.5 The overall revenue position for 2017/18 indicates a potential overspend of circa £0.5m in the current year. A review of 2017/18 expenditure has been undertaken in preparing the budget to ensure that any underlying over spend is appropriately reflected in future years budget assumptions.

Financial Planning Assumptions

- 6.6 Budget assumptions have been made in the following areas:
- Inflation.
 - Pay awards.
 - The capital programme and force investment (which affects revenue costs and new borrowing – this is covered in section 7).
 - The Council Tax base.
 - Staff Pension Contributions.

Inflation

- 6.7 The budget requirement assumes that inflation is applied to the base budget expenditure. A 2.0% pay award has been applied for 2018/19 and each

subsequent year. As the pay budgets represent 84% of total expenditure this is the most significant inflationary assumption. All other budgets that are subject to unavoidable inflationary pressures have had a notional rate of 1.0% added, except where individual rates are known or can be separately estimated.

Pay Awards

- 6.8 The pay restraint of 1% for both officers and staff was relaxed in 2017/18 when a pay award of 1% plus an additional, non-consolidated 1%, was agreed for police officers. The police staff pay award for 2017/18 has not been agreed at the time of writing, but a pay award similar to that awarded to police officers has been assumed within in the 2018/19 budget calculations. As part of the 2018/19 provisional settlement the minister stated that the pay award for the year was for police leaders to make proposals and needed to reflect what was affordable and fair to officers and taxpayers.

Council Tax Base

- 6.9 The council tax base which consists of the total value of properties by band continues to increase each year in the South West due to inward investment and a buoyant housing market. This is expected to increase by an average rate of 2% per annum realising an additional £2.2m in 2018/19 followed by an additional £2m in subsequent years.

Staff Pension Contributions

- 6.10 Police pensions contribution rates are set by central government and equate to 24.2% for 2018/19 and subsequent years. The police staff pensions contributions rates are set by the pensions provider (Peninsula Pensions hosted by Devon County Council). A triennial pension review was carried out in 2016 for police staff and this has resulted in increased contribution rates of 14.1% from 2017/18 for future benefits. A further triennial valuation will be due in 2019.

7. The Overall Budget Preparation

- 7.1 The budget process for 2018/19 has been undertaken on a similar basis to that of the previous year. This is shown in Appendix 1 and include the identification of:
- Unavoidable changes in costs arising from the budget assumptions and other factors for example changes to external income and specific grants.
 - Priority spending areas that are essential to delivery of the Police and Crime Plan and to improving the long-term efficiency of the service.
 - Savings required.
- 7.2 Table 2 (section 4) sets out the impact of these changes on the budget requirement.

Savings Plans

- 7.3 Over the next four years it is anticipated that expenditure will still need to reduce by £9.6m (3.4%) as previously agreed. These are significant savings, coming as they do on top of the £60.2m already saved since the start of austerity.
- 7.4 Where possible non-staff savings are maximised in order to protect public services. These include further reductions in Estate costs, transport costs and ICT running costs.
- 7.5 The Strategic Alliance continues to be a driver to identifying the officer and staff efficiencies that need to be made over the next four years. The risks of successful implementation are high and dependent on the agreement between four corporation soles, technical and legal complexity and ambitious timescales. The transformational programme (PRISM), and specifically Project Genesis, have looked to support projects which reduce cost through design rather than crude halts in recruitment. This has been a real strength in the savings programme to date.
- 7.6 The budget assumption previously built into the budget that PCSO numbers fall through natural turnover to a level of 150 by 2021, remains valid. Project Genesis has indicated that key neighbourhood functions can be delivered within that number. However, 20 new joint funded blue light officers will be developed to take forward a new way of delivering neighbourhood functions.
- 7.7 Table 6 sets out the savings plans.

Table 6: Summary of Main Savings Items

Ref	Item	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
6.1	Ongoing Savings Plan				
6.2	Police Staff / PCSO reviews	2.3	3.7	5.1	5.8
6.3	Alliance Savings	0.0	1.8	1.8	2.7
6.4	Budget Challenge	1.0	1.0	1.0	1.0
6.5	Other Savings	0.1	0.1	0.1	0.1
6.6	Total savings from Savings Plan	3.4	6.6	8.0	9.6

The Main Budget Components

- 7.8 The total budget requirement is built up of three main areas:
- The Chief Constables Budget.
 - The OPCC Office Budget and Commissioning Budget.
 - The Capital Budget.

The Chief Constable's Budget

- 7.9 The PCC owns the overall budget and the PCC is responsible for all income and sets the overall expenditure envelope. During the financial year the PCC delegate's financial control of the Chief Constable's Budget to the Chief Constable who monitors and manages its day-to-day spending.

7.10 The Chief Constable is operationally independent under law and is responsible for the deployment of police officers and staff to keep the public safe and deliver policing in Devon and Cornwall.

Table 7: The Chief Constable's Budget

Ref		2017/18 Budget £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
7.1	Chief Constable's Budget	279.2	288.3	297.9	302.8	308.0

7.11 Delivering the Police and Crime Plan and the force mission relies on longer term planning than a single year. As in previous years the Chief Constable's Budget is presented in the context of the future four-year MTFs to ensure that any potential funding risks can be mitigated by operational savings within the timescale required. The respective Chief Finance Officers have worked together and are in agreement on the inflation and other assumptions built into the budget proposals. The proposals are based upon the likely funding over the following three years, annual increases in council tax of £12 for 2018/19 and 2019/20 with all subsequent years at 1.99% and the risk-based reserves position in section 8 of this report.

7.12 Policing requirements have radically changed. The rise of social media and the internet has meant the public, and indeed criminals, communicate and operate in a way that visible policing in itself does not impact. Public and governmental expectations around child sexual exploitation, cybercrime and modern slavery require specialist resources that are not in ready supply; the Peninsula Strategic Assessment highlights these areas along with domestic abuse and alcohol related harm. The savings to date in officer and staff numbers have meant that there have been challenges around the supply of specialist skills to address these issues.

7.13 The following tables summarise the changes in workforce from the 2017/18 MTFs.

Table 8: Proposed People Numbers

Ref	People	2017/18 Forecast	2018/19	2019/20	2020/21	2021/22	Total Change
8.1	Police Officers	2,944	2,990	3,015	3,015	3,015	71
8.2	PCSOs	268	229	190	150	150	(118)
8.3	Police Staff *	1,933	1,920	1,871	1,871	1,844	(89)
8.4	Total	5,145	5,139	5,076	5,036	5,009	(136)

*Police Staff include those who carry out frontline roles such as Police Staff Investigators', Problem Solvers, 101 & 999 Contact Centres, Enhanced Record Takers as well as back office supporting staff such as ICT, Finance, HR, Legal etc.

7.14 This table shows that there are projected to be 71 additional officers than are currently employed by the end of 2019/20. This takes the final number of

officers above the level forecast in last year's MTF5 to provide additional operational capacity. PCSO numbers will continue to reduce in line with current plans, retaining a level sufficient to deliver the local policing requirements of Project Genesis. Police staff numbers will continue to reduce, primarily in non-operational areas, as savings from the Strategic Alliance with Dorset continue to be realised. Staff savings are not due to reduce to the same extent as projected last year, allowing additional support to front line officers.

- 7.15 The change in workforce numbers arises due to:
- Additional investment in operational strength achieved through the increase in precept.
 - Provision of additional support to the front line, releasing operational officer time.
 - Re-profiling of Strategic Alliance savings.
- 7.16 In summary the budget includes as part of the Police and Crime Plan priorities:
- Increasing the number of Police Officers to 3,015 by 2019/20. As well as increasing the overall Officer numbers this also means that the maximum numbers are increased earlier than previously proposed.
 - 20 joint funded blue light officers. This will look to develop a new way of delivering neighbourhood functions in rural areas in collaboration with Fire and other partners.
 - The development of a county police headquarters for Cornwall at Bodmin – delivering a similar function expected of the development currently underway in Exeter.
 - Meet the expectations of an additional 1% in pay award for police officers and police staff from 2018/19, after 5 years of a 1% restriction on pay.
 - Significant increase in technology to drive efficiencies and productivity. This includes investment in a replacement records system, improved automatic number plate recognition (ANPR), digital storage and improved control room technology.
 - The roll out of Body Worn Video (BWV) which will protect officers and victims, catch criminals and provide transparency to the public.
- 7.17 The Chief Constable, having worked closely with the PCC to construct these budget proposals has stated in a letter to the PCC, attached in Appendix 6, “I can meet the proposals in this letter and the requirements of your Police and Crime Plan if you are able to support us with:
- The £1 per month maximum council tax increased as outlined by the minister
 - Significant use of reserves, as detailed in the Treasurer’s draft report to the Police and Crime Panel.
 - Borrowing as outlined in the Treasurer’s draft report”.

OPCC Office Budget and Commissioning Budget

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

- 7.19 The OPCC office costs budget is proposed to be set at £1.5m for 2018/19 and all subsequent years. The forecast outturn for 2017/18 year shows a minor underspend of £44k.
- 7.20 The budgeted OPCC costs have reduced in real terms by £100k between 2013/14, (the first full year of a PCC), and 2017/18. This represents savings of 7%. These changes reflect a reduction in establishment, the move to Middlemoor and the reduced use of consultants doing only specialist work.
- 7.21 The following table shows the total commissioning budget, which includes the allocation of internal funding in addition to specific grants from MOJ and the Home Office.
- 7.22 The commissioning intentions for 2018 to 2020 of the PCC are covered in a separate report to the panel. The proposed areas include:
- Community Safety Partnerships.
 - Sexual violence support services.
 - Mental health frontline support.
 - Youth Offending Services.
 - CCTV investment.
 - Small grants scheme.
- 7.23 The funding provided to the safeguarding boards will pass to the Chief Constable to administer with effect from 2018/19.

Table 9: The OPCC Budget Forecast

Ref		2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
9.1	OPCC office budget	1.5	1.5	1.5	1.5	1.5
9.2	Commissioning base budget	3.7	3.7	3.5	3.5	3.5
9.3	Total OPCC and commissioning budget	5.2	5.2	5.0	5.0	5.0

The Capital Budget

- 7.24 The Joint Management Board have considered the capital programme throughout November and December 2017.
- 7.25 Table 10 provides a summary of the proposed four year capital programme.

Table 10: The Proposed Capital Programme

Ref		2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
	Capital Expenditure					
10.1	ICT	10,739	11,468	12,577	6,481	
10.2	Vehicles	1,936	1,653	2,058	2,058	
10.3	Estates	2,587	5,095	2,830	0	
10.4	Strategic Policing Hub Exeter (Devon HQ)	8,225	13,800	2,000	0	
10.5	Future Custody Provision (Cornwall HQ)		13,000			
10.6	Other Capital	375	230	230	230	
10.7	Total Spending	23,862	45,246	19,695	8,769	97,572
10.8	Capital Financing					
10.9	Long term borrowing	7,852	21,331	0	667	
10.10	Capital Grant	1,076	1,277	1,576	1,468	
10.11	Earmarked Reserves	8,347	9,944	8,145	3,254	
10.12	Capital Receipts	6,587	12,694	9,974	3,380	
10.12	Total Financing	23,862	45,246	19,695	8,769	97,572

7.26 The most significant capital development is the decision to proceed with a new custody and operational hub for Exeter (Devon HQ) and further custody provision (Cornwall HQ). This is expected to be partially funded from the sale of the surplus land at the Middlemoor site. Additional borrowing will be required to complete this and other projects.

7.27 The annual revenue costs associated with this programme are contained within the annual budget base expenditure costs. By 2021/22 this will increase financing costs by £1.2m per annum compared to 2017/18. The level of capital financing costs as a percentage of net revenue expenditure will be 1.24% which compares with the average for all 43 forces. The funding policy of the PCC is to ensure that short life assets are funded by capital grant/receipts or revenue contributions. The financing plan aims to make the maximum use of temporary internal borrowing from revenue reserves until they are used in the budget plan. Movements on reserve are shown at Appendix 2.

8. Review of Reserves & Risk Assumptions

8.1 The main financial risks contained on the joint force/OPCC risk register are shown below and inform the reserves policy:

- Agreed pay awards exceed the budget assumptions.
- Agreed milestones for 2018/19 are not achieved therefore jeopardising the ability to enjoy further council tax flexibilities in 2019/20.
- Insufficient grant and council tax by 2021/22 to fund the Police and Crime plan.
- Alliance savings are not achieved at the levels predicated.
- Demand increases above the levels that are affordable within the set budget.

- The council tax base does not increase as assumed.
- The council tax surplus is not generated to the levels assumed.

- 8.2 In addition to these wider risks the following areas are kept under review:
- Increased funding is required for the Force change programme.
 - Revenue savings are not delivered on time.
 - Increases in long term interest rates.
 - Over reliance on internal borrowing to temporarily fund the capital programme.
 - The review of Home Office formula grant funding introduces annual losses of grant.
 - The top-slice funding in future years depletes resources without reciprocal benefit to the revenue budget.
 - Budget uncertainty through assumption changes.
 - Major incident cost overrun.
 - Further cost transfers from the centre (e.g. Emergency Services Network and IT company costs).
 - Reductions in local authority funding placing pressure on the police service.

8.3 At 31st March 2017, Devon and Cornwall Police held reserves, provisions and balances of £66.9m. These are broken down by type in the table below.

Table 11: Total Reserves and Their Use.

Ref	Reserve Type	31/03/2017 £m	Notes
11.1	Revenue Support Fund	11.2	Specific use identified
11.2	Other Earmarked Reserves	35.7	Specific use identified
11.3	Capital Reserves	6.1	May only be used for capital purposes
11.4	Provisions	2.0	Fully committed
10.5	General Balances	11.9	Used to address specific financial needs
11.6	Total	66.9	

8.4 Earmarked reserves relate to specific projects or liabilities, where the anticipated extent of the liability, and the timescales involved, are estimated. Reserves have been set aside for significant areas and items of expenditure, and will be brought into revenue in the year in which expenditure is incurred.

8.5 The use of capital reserves relates to setting aside unused capital finances that are expected to have been received, but not applied, in any year. It is currently expected that this will relate to unused capital grant and capital receipts. These reserves may only be used for capital purposes.

8.6 Provisions are made for liabilities where there is a reasonable projection of the amount required and the timescale involved. Provisions are accounted for in the year in which the provision is made, and future liabilities funded from this.

8.7 General balances cover the general financial risks faced by the Force. This will include unexpected or unavoidable additional costs, such as a major operations, uninsured liabilities, or treasury management risks. The balance as at 31 March 2017 equates to approximately two weeks of expenditure.

Planned Use of Reserves

8.8 Earmarked reserves, capital reserves and provisions all have a planned use to cover risks or liabilities. General balances provide a source of funding for more general risks facing the organisation.

8.9 The key risks and liabilities covered by reserves and provisions are shown in Table 15. In each case, the timing and amount cannot be exactly predicted, but the figures shown reflect the latest assessment of potential cost.

8.10 The reserves position is shown in Appendix 2 and indicates that overall level of reserves will reduce from £66.9m as at 31/03/17 to £14.3m as at 31/03/22.

Table 12: Projected Reserve Levels to 31/03/2021

Ref	Reserves	% of net expenditure at 31 March 2018	31 March 2019 £m	31 March 2020 £m	31 March 2021 £m	31 March 2022 £m
12.1	General Balances	3.3%	9.4	12.2	12.2	12.3
12.2	Earmarked Reserves: Revenue Support Fund and Other Reserves	7.4%	21.1	10.7	3.0	0.5
12.3	Sub total Revenue Reserves	10.7%	30.5	22.9	15.2	12.8
12.4	Specific capital reserves	0.1%	0.3	0.6	1.6	0.0
12.5	Provisions	0.5%	1.5	1.5	1.5	1.5
12.6	Total	11.4%	32.3	25.0	18.3	14.3

8.11 The provisional settlement specifically mentioned the level of reserves being held by PCC's. Whilst it is understood that financial reserves are necessary for contingency reasons the level of these reserves held nationally is currently £1.6bn (15% of annual police funding) as at 31 March 2017. There are wide variations between different PCC's and range from 42% to 6% and average 15%. Devon and Cornwall levels as at that date were 21%. The minister is proposing greater transparency in how this public money is to be used locally through enhanced guidance and comparable reserve data. Devon and Cornwall already provide a significant amount of data on the reserves held and it is proposed that this be published online to enhance the transparency.

- 8.12 It is proposed that as part of the reserves policy Devon and Cornwall would be looking to maintain general balances at no more than 5% and no less than 3% of overall funding levels each year.

Table 13: Contributions to and From General Balances to Support Revenue

Ref	Summary	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total Net Movement £m
13.3	Contribution to() and From Balances – Table 2 line (2.16)	(2.9)	2.7	0.1	0.1	0.0

Adequacy of Reserves

- 8.13 Table 14 provides a historical perspective of reserve holdings over the last 5 years and the forecast position for the current year.

Table 14: Historical Summary of Revenue Reserve Trends

Ref	Type	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
14.1	Earmarked	32.0	43.8	59.0	50.7	46.9	30.1
14.2	General	6.2	6.2	6.2	6.2	11.9	12.3
14.3	Total	38.2	50.0	65.2	56.9	58.8	42.4

- 8.14 The definition of general reserves changed in 2016/17 resulting in a higher figure for general reserves. This related to the amalgamation of reserves increasing the risk level on the general balances.
- 8.15 Reserves are based upon the risks individual policing organisations face, these do not always correlate to budget size and therefore benchmarking can only be a broad indicator. Nearly £39m of reserves held at 31/03/17 is destined for use on infrastructure improvements to deliver better services over the next four years.

Assessing Adequacy

- 8.16 Appendix 2 shows current expected use of earmarked reserves and shows a significant reduction in the balance available by the end of 2021/22. This assumes that the capital programme is delivered on time and within budget. There are some major projects within the capital programme which are due for completion over the next four years. The new Exeter custody suite on Middlemoor being one of those significant projects.
- 8.17 Full information on Earmarked Reserve and General Balances are provided in Appendix 2.

- 8.18 In addition to the risks covered by earmarked reserves, there are further, unquantified risks and liabilities. The main source of funding for these risks is General Balances.
- 8.19 The key financial risks are summarised below. For each, an assessment of potential risk is shown, but clearly, in each case the actual risk could be significantly different, and an assessment of these risks will need to be reviewed regularly. Full details of each risk are set out at Appendix 4.

Table 15: The Financial Risks

Ref	Identified Risk	£m's
15.1	Non-achievement of milestones in 2018/19 jeopardising the second year council tax flexibility	5.0
15.2	Future capital funding	2.0
15.3	Increased pay award above assumptions	2.3
15.4	Major Operations	2.9
15.5	Uninsured Liabilities and claims	2.0
15.6	Treasury Management	1.5
15.7	Other Unexpected Expenditure / Working Capital	2.0
15.8	Total Financial Liability	17.7

- 8.20 The financial risks shown in the table above would be temporary one off funding. For those items that have an impact annually the funding would be used to allow time to deliver permanent savings.
- 8.21 The actual limit of general risks, such as major operations or uninsured losses, could of course be significantly more than the assessment shown. Risks around significant major operations in particular are increasing, with increased reliance on more costly resourcing options such as overtime or mutual aid.
- 8.22 If such a significant risk were realised, further funding would be sought in the first instance by re-prioritising the use of earmarked reserves.
- 8.23 The above risks can be mitigated by the funding allocation on General Balances. General Balances exists to cover the general financial risks faced by the Force, such as major operations, uninsured liabilities, or treasury management risks.
- 8.24 The total funding available on General Balances does not fully meet the assessed risks and liabilities. The level of General Balances is forecast to be £12.3m as at 31 March 2018. This represents approximately 70% of the overall risk identified in the table above.
- 8.25 On the basis of the above, and given that risk calculation is not an exact science, the reserves and balances generally cover known liabilities and commitments and provide adequate cover for unknown liabilities at the assessed level for 2018/19.

- 8.26 Reserves will continue to be monitored and reviewed regularly throughout the year and, as stated above, will be the subject of more transparency.
- 8.27 The Treasurer as statutory Section 151 officer confirms that these reserves provide an adequate level for 2018/19 given the identified financial risks in the budget.

9. Conclusion and Recommendations to the Police and Crime Panel

- 9.1 In considering the full increase of £12 (per Band D equivalent) in council tax funding, the PCC has taken into account this year's funding settlement and seeks to ensure that funding for the force keeps pace with inflation at current levels. The increase in precept along with continued delivery of financial savings means that the MTFs can allow for some modest growth. The opportunity for growth is being targeted at the areas that the Chief Constable has identified to support delivery of a high quality policing service that meets the changing nature and complexity of demand. The MTFs will deliver a further increase in police officer numbers, above the levels from the 2017/18 budget investment. It also includes funds to deliver 20 new blue light officers and roll out body worn video to protect the public and police officers and to enhance evidence collection to help catch and convict more offenders.
- 9.2 There are new and different demands being placed upon policing and resources need to be freed up to address these. The agreement of a pay award above the previous pay cap outlined in the 2015 spending review has also brought significant pressure on the budgets. The indication from the provisional settlement is that these increased pay awards may be repeated. As the overall pay budget is 84% of the overall budget this is a significant pressure on funding and inevitably will account for a considerable proportion of the additional £1 per month (Band D equivalent). If the Council Tax is not increased as proposed then further annual savings will need to be made in services to finance these pay award costs for the lifetime of this MTFs. Many of the new areas of policing require investment in new technology before any operational savings can be generated. Increases in the council tax now will allow these investments to be made and still provide opportunity for a further increase in police officer numbers and allocate funding for 20 co-funded blue light officers.

These proposals are not without risk

- 9.3 Police funding is assumed to remain constant over this MTFs based upon the Ministers predictions in the provisional settlement being fulfilled. These predictions are far from certain and subject to change due to factors, including the national economic position.
- 9.4 Although it is indicated that the amended funding formula will be deferred until the next CSR, this remains a significant future risk. The new funding formula allocation could remove annual funding. It is planned to use a significant proportion of the current reserves which will restrict any use to support a smooth

transition to new base levels of expenditure. Transition to these new levels will be easier if precept levels have been maximised.

- 9.5 The PCC has also consulted the Chief Constable about her proposal to increase the council tax and the Chief Constable has made the following statement: “I can meet the proposals in this letter and the requirements of your Police and Crime Plan if you are able to support us with the £1 per month maximum council tax increased as outlined by the minister, significant use of reserves, as detailed in the Treasurer’s draft report to the Police and Crime Panel and borrowing as outlined in the Treasurer’s draft report”.

10. Recommendation to the Police and Crime Panel

- 10.1 This report considers the future four year financial position for the PCC and Chief Constable and presents the following council tax recommendation for consideration by the Police and Crime Panel:

- (i) The Police Crime Commissioners (PCC) proposal is for a £12 increase in the Band D equivalent for the police element of the council tax for the 2018/19 financial year.

Alison Hernandez
Police and Crime Commissioner
January 2018

Nicola Allen
Treasurer
January 2018

Appendix 1

BREAKDOWN OF FOUR YEAR BUDGET PROPOSALS 2018/19 – 2021/22

	18/19 £000's	19/20 £000's	20/21 £000's	21/22 £000's
2017/18 Budget	284,442	284,442	284,442	284,442
<u>Plus Unavoidable Cost Increases / (Decreases)</u>				
Provision for Pay Increases	4,689	9,482	14,338	19,268
Increments	1,539	3,172	4,807	6,486
Police Officer Turnover	(215)	(229)	(927)	(1,237)
Increases in Officer Numbers	887	1,713	2,111	2,111
Apprenticeship Levy	400	400	400	400
Enhanced Record Team	349	0	0	0
Changes to Alliance Design	400	400	400	400
Pathfinder Team	544	0	0	0
Police Staff Investigators	0	788	788	788
Increase in LGPS Employer contribution	395	395	395	395
Ill Health Pension Capital Charges	(490)	(503)	(516)	(530)
Provision for Price Increases	918	1,685	2,469	3,255
Increases / decreases in External Income and Specific Grants	433	433	433	433
ICT Charges	1,060	1,081	1,103	1,125
Capital Financing	15	69	317	(2,113)
Use of Reserves	1,097	1,279	2,167	2,493
Other Unavoidable Changes	901	(495)	(587)	(674)
	12,922	19,670	27,697	32,600
<u>Development Opportunities</u>				
Overtime	750	750	750	750
Enable Sustainable Capital Core Programme	0	0	0	1,800
Mobile investment	150	150	0	0
Pay Harmonisation	0	0	1,300	1,300
Cost of National Training Requirements	120	120	120	120
Unifi Input Team	745	0	0	0
PCSOs - to 150 (increase of 5 FTE)	30	92	140	159
Tri- and Bi- Service Posts (Bluelight)	100	204	208	212
Advance and Increase Officer Recruitment - 3,015 by 31/03/20	582	1,245	1,032	1,046
	2,477	2,560	3,550	5,398
<u>Savings</u>				
Alliance Savings	(18)	(1,819)	(1,819)	(2,771)
PCSO Reductions	(2,302)	(3,693)	(5,095)	(5,787)
Budget Challenge	(1,000)	(1,000)	(1,000)	(1,000)
Other savings	(72)	(72)	(72)	(72)
	(3,392)	(6,583)	(7,985)	(9,630)
Use of Balances	(2,919)	2,774	71	74
Total Budget Requirement	293,530	302,864	307,775	312,884

Year Reserves and Provisions EARMARKED RESERVES

Appendix 2

	Programme and Projects Reserve £000	Estates Development Reserve £000	Capital Financing Reserve £000	Strategic Alliance Reserve £000	Workforce Modernisation Reserve £000	Budget Management Fund £000	Police and Crime Plan Reserve £000	Earmarked Revenue Reserves Excluding Revenue Support Fund £000	Revenue Support Fund £000	Earmarked Reserves incl Revenue Support Fund £000's
Closing Balance 31/3/2017	5,605	1,259	14,438	8,774	670	4,432	547	35,725	11,200	46,925
2017/18										
Budgeted contributions			750					750		750
Budgeted applications	(1,749)	(468)		(702)	(228)	(4,432)	(100)	(7,679)		(7,679)
Support to Revenue Budget								0	(400)	(400)
Transfers			10,800					10,800	(10,800)	0
Financing capital programme	(1,261)		(6,163)	(1,607)				(9,031)		(9,031)
Transfers to General Reserves					(442)			(442)		(442)
Closing Balance 31/3/2018	2,595	791	19,825	6,465	0	0	447	30,123	0	30,123
2018/19										
Budgeted contributions			750					750		750
Budgeted applications	(1,166)	(230)						(1,396)		(1,396)
Support to Revenue Budget								0		0
Financing capital programme			(8,147)	(200)				(8,347)		(8,347)
Closing Balance 31/3/2019	1,429	561	12,428	6,265	0	0	447	21,130	0	21,130
2019/20										
Budgeted contributions			750					750		750
Budgeted applications	(979)	(235)						(1,214)		(1,214)
Support to Revenue Budget								0		0
Financing capital programme	(450)		(4,229)	(5,265)				(9,944)		(9,944)
Closing Balance 31/3/2020	0	326	8,949	1,000	0	0	447	10,722	0	10,722
2020/21										
Budgeted contributions			750					750		750
Budgeted applications		(326)						(326)		(326)
Support to Revenue Budget								0		0
Financing capital programme			(7,145)	(1,000)				(8,145)		(8,145)
Closing Balance 31/3/2021	0	0	2,554	0	0	0	447	3,001	0	3,001
2021/22										
Budgeted contributions			750					750		750
Budgeted applications								0		0
Financing capital programme			(3,254)					(3,254)		(3,254)
Closing Balance 31/3/2022	0	0	50	0	0	0	447	497	0	497
2022/23										
Budgeted contributions			750					750		750
Budgeted applications								0		0
Financing capital programme			(800)					(800)		(800)
Closing Balance 31/3/2023	0	0	0	0	0	0	447	447	0	447

RESERVES AND BALANCES (1 of 2)

	Total Earmarked Revenue Reserves	Capital Reserves			Provisions			Total Provisions	General Balances	Total Reserves Balances and Provisions
		Capital Grant	Capital Receipts	Total Capital Reserves	Insurance	Remuneration	Other			
		£000	£000	£000	£000	£000	£000			
Closing Balance 31/3/2017	46,925	1,750	4,367	6,117	1,457	528	0	1,985	11,892	66,919
2017/18										
Budgeted contributions	750									750
Budgeted applications	(7,679)									(7,679)
Support to Revenue Budget	(400)									(400)
Grants and Contributions Received		1,104		1,104						1,104
Capital receipts			1,468	1,468						1,468
Financing capital programme	(9,031)	(2,601)	(4,796)	(7,397)						(16,428)
Transfers	(442)					(528)		(528)	442	(528)
Closing Balance 31/3/2018	30,123	253	1,039	1,292	1,457	0	0	1,457	12,334	45,206
2018/19										
Budgeted contributions	750									750
Budgeted applications	(1,396)									(1,396)
Support to Revenue Budget	0								(2,919)	(2,919)
Grants and Contributions Received		1,104		1,104						1,104
Capital receipts			2,300	2,300						2,300
Financing capital programme	(8,347)	(1,076)	(3,339)	(4,415)						(12,762)
Closing Balance 31/3/2019	21,130	281	0	281	1,457	0	0	1,457	9,415	32,283
2019/20										
Budgeted contributions	750									750
Budgeted applications	(1,214)									(1,214)
Support to Revenue Budget	0								2,774	2,774
Grants and Contributions Received		1,104		1,104						1,104
Capital receipts			9,600	9,600						9,600
Financing capital programme	(9,944)	(1,277)	(9,089)	(10,366)						(20,310)
Closing Balance 31/3/2020	10,722	108	511	619	1,457	0	0	1,457	12,189	24,987

2020/21										
Budgeted contributions	750									750
Budgeted applications	(326)									(326)
Support to Revenue Budget	0								71	71
Grants and Contributions Received		1,468		1,468						1,468
Capital receipts			7,750	7,750						7,750
Financing capital programme	(8,145)	(1,576)	(6,681)	(8,257)						(16,402)
Closing Balance 31/3/2021	3,001	0	1,580	1,580	1,457	0	0	1,457	12,260	18,298
2021/22										
Budgeted contributions	750									750
Budgeted applications	0									0
Support to Revenue Budget	0								74	74
Grants and Contributions Received	0	1,468		1,468						1,468
Capital receipts	0		0	0						0
Financing capital programme	(3,254)	(1,468)	(1,580)	(3,048)						(6,302)
Closing Balance 31/3/2022	497	0	0	0	1,457	0	0	1,457	12,334	14,288
2022/23										
Budgeted contributions	750									750
Budgeted applications	0									0
Support to Revenue Budget	0									0
Grants and Contributions Received	0	1,468		1,468						1,468
Capital receipts	0		1,150	1,150						1,150
Financing capital programme	(800)	(1,273)	0	(1,273)						(2,073)
3Closing Balance 31/3/2022	447	195	1,150	1,345	1,457	0	0	1,457	12,334	15,583

COUNCIL TAX INFORMATION

	2018-19 £	2017-18 £
Police Budget to be met from Council Tax	114,539,641	105,451,792
Less net surplus on council tax collection from previous years	(2,215,036)	(2,401,067)
Total precept payable by Billing Authorities	112,324,605	103,050,724

Tax base, collection variations and precepts					
	Tax Base declared by Councils £	Total Precept payable by Councils £	Surplus (Deficit) on collection £	Amount due from Councils £	% share payable by Councils
East Devon	58,669.00	11,046,199.32	128,493.86	11,174,693.18	9.77%
Exeter	36,547.00	6,881,069.16	170,000.00	7,051,069.16	6.16%
Mid Devon	28,297.74	5,327,898.49	36,706.00	5,364,604.49	4.68%
North Devon	33,436.99	6,295,516.71	70,699.56	6,366,216.27	5.56%
Plymouth	71,932.00	13,543,356.96	77,349.00	13,620,705.96	11.89%
South Hams	37,851.93	7,126,761.38	60,000.00	7,186,761.38	6.27%
Teignbridge	48,577.00	9,146,077.56	100,788.00	9,246,865.56	8.07%
Torbay	44,865.89	8,447,349.77	200,000.00	8,647,349.77	7.55%
Torrige	23,552.45	4,434,455.29	11,000.00	4,445,455.29	3.88%
West Devon	20,117.85	3,787,788.80	60,000.00	3,847,788.80	3.36%
Cornwall	191,398.38	36,036,486.99	1,300,000.00	37,336,486.99	32.60%
Isles of Scilly	1,336.54	251,644.13	0.00	251,644.13	0.22%
	<u>596,582.77</u>	<u>112,324,604.56</u>	<u>2,215,036.42</u>	<u>114,539,640.98</u>	<u>100.0%</u>

Police element of Council Tax due for each Property Valuation Band						
Valuation band	Government multiplier Ratio		Council Tax by band		Increase per week	%
			2018-19	2017-18		
A	6 / 9	0.667	£125.52	£117.52	+ 15.4 p	} 6.81%
B	7 / 9	0.778	£146.44	£137.11	+ 17.9 p	
C	8 / 9	0.889	£167.36	£156.69	+ 20.5 p	
D	1	1.000	£188.28	£176.28	+ 23.1 p	
E	11 / 9	1.222	£230.12	£215.45	+ 28.2 p	
F	13 / 9	1.444	£271.96	£254.63	+ 33.3 p	
G	15 / 9	1.667	£313.80	£293.80	+ 38.5 p	
H	18 / 9	2.000	£376.56	£352.56	+ 46.2 p	

ANALYSIS OF RISKS AND LIABILITIES

Risk	Notional Liability	Detail	Mitigation	Reserve
Non-achievement of milestones in 2018/19 jeopardising the second year of council tax flexibility	£5.0m	The Home Office has set out expectations of Forces, which they expect to be achieved if PCCs are to be eligible to raise Council Tax precept by up to £12 for a Band D property in 2019/20, and to receive a flat cash grant settlement. These expectations relate to the following priority areas: <ul style="list-style-type: none"> Seek and deliver further cost efficiencies A modern digitally enabled workforce Greater transparency in how public money is used locally. 	The Force has a significant saving plan in place which will be monitored against a programme of work to ensure delivery. The PCC has agreed significant investment into continuing to develop a digitally enabled workforce. The PCC will continue to seek and ensure transparency in use of funds, including reserves. Short	General Balances
Future Capital funding	£2.0m	The overall level of grant for capital schemes is insufficient to cover the basic expenditure required for ICT, Estates and Equipment. Once the ability to generate capital receipts reduces this will mean insufficient funds are available.	A proactive development approach to the disposal of assets to maximise capital receipts. Lobbying of central government around the level of capital grant available.	General Balances
Increase in pay award above assumptions	£2.3m	As experienced in 2017/18, the approved pay award cannot be guaranteed. With the relaxation of the pay cap this is an area of concern due to the fact that 84% of the overall budget relates to staffing.	The agreed pay award comes into effect part way through a financial year. Therefore the immediate effect is reduced and provides time to build in the permanent increase into the MTFS.	General Balances
Major operations	£2.9m	An annual allocation is included in revenue for the cost of major operations, and it is expected that in most years that would be sufficient. However, in the event of a particularly significant, high profile operation costs could easily exceed the revenue allocation.	Revenue funding. Potential access to Government grant for expenditure in excess of 1% of force budgets, although this cannot be guaranteed.	General Balances
Uninsured Liabilities and claims	£2.0m	The key uninsured liabilities would be those resulting from employment tribunals or judicial reviews. While often low level, these can have the potential to be significant.	Proactive assessment of risk, legal/HR involvement at an early stage.	General Balances
Treasury Management	£1.5m	Devon and Cornwall Police routinely invest funds to maximise return. Such investments will always carry a degree of risk, which is expected to be manageable within the parameters of the Treasury Management Policy. However, the Icelandic banking crisis of 2008 was one example where many investor, including police forces, lost significant amounts of money.	Adherence to, and regular review of the Treasury Management Policy.	General Balances
Other unexpected expenditure/ Working Capital	£2.0m	Throughout the year it is usual for expenditure plans to be revised and change, which is all manageable through the usual budget monitoring process. It is equally possible for unplanned requirement to surface outside those already covered e.g. a higher than anticipated number of officers could retire on ill health grounds with associated costs.	Close, accurate budget monitoring throughout the year. Highlighting potential variances as soon as possible.	General Balances
	£17.7m	This represents 8% of the annual revenue budget		

CAPITAL PROGRAMME

Programme	17/18 (inc carry forwards)	18/19	19/20	20/21	21/22	22/23
	£000's	£000's	£000's	£000's	£000's	£000's
Vehicles Replacements	2,856	1,936	1,653	2,058	2,058	2,058
ICT	10,356	10,739	11,468	12,577	6,481	2,018
Estates	5,457	2,587	5,095	2,830	0	0
Criminal Justice Centre and Strategic Policing Hub	606	8,225	13,800	2,000	0	0
Future Custody Provision	0	0	13,000	0	0	0
Other Capital	1,198	375	230	230	230	230
Total Capital Programme	20,473	23,862	45,246	19,695	8,769	4,306

Funding	17/18 (inc carry forwards)	18/19	19/20	20/21	21/22	22/23
	£000's	£000's	£000's	£000's	£000's	£000's
Grant	2,601	1,076	1,277	1,576	1,468	1,273
Earmarked Reserves	8,809	5,363	9,614	2,385	1,750	800
Revenue Support Fund	222	2,984	330	5,760	1,504	
Revenue Contribution to Capital	3,109	3,248	3,605	3,293	1,800	2,900
Capital Receipts	4,796	3,339	9,089	6,681	1,580	0
Borrowing	936	7,852	21,331	0	667	(667)
Total Capital Funding	20,473	23,862	45,246	19,695	8,769	4,306