



Office of the Police and  
Crime Commissioner  
**STAFFORDSHIRE**

**PROPOSED 2018/19 PRECEPT FOR THE  
POLICING ELEMENT OF THE COUNCIL TAX BILL  
AND MEDIUM TERM FINANCIAL STRATEGY**

**Bipon Bhakri  
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**Report to the Police and Crime Panel – 29<sup>th</sup> January 2018**  
**Proposed Precept 2018/19 and Medium Term Financial Strategy (MTFS)**

Report of the Police and Crime Commissioner

**1. Purpose of the Report**

1.1 The purpose of this report is to set out the proposed budget and precept proposals for 2018/19. It is the second budget report for the Police and Crime Commissioner (PCC) for Staffordshire in his second term in office, since May 2016. It will deliver one of the PCC's key responsibilities under the Police Reform and Social Responsibility Act 2011.

1.2 The report sets out the following:

- Net budget requirement for 2018/19
- Proposed precept for the policing element of the council tax 2018/19
- Proposed Medium Term Financial Strategy (MTFS) 2018/19 – 2020/21
- Outline capital budget 2018/19 – 2020/21
- Reserves strategy 2018/19 – 2020/21

**2. Recommendations**

2.1 The Police and Crime Panel is asked to:

- a) Examine the information presented in this report, including:
  - The Total 2018/19 net budget requirement of £183.449m, including
  - A council tax requirement for 2018/19 of £65.757m before collection fund surplus/deficits are taken into account.
- b) Support the proposal to increase the 2018/19 precept for the policing element of the council tax bill by 6.29% (£11.40 per annum, 95 pence per month), increasing this to £192.56 for a Band D Property.
- c) Support the Police and Crime Commissioner's (PCC's) use of additional funds to provide investment for the Chief Constable (CC) to deliver on key priorities, including local and neighbourhood policing.
- d) Support the proposed Capital Investment Programme to deliver improved productivity and efficiencies to enhance policing, community safety and services to victims.
- e) Note the future uncertainties and opportunities included in the precept proposal together with the proposed investments.
- f) Note that any changes required by a government grant alteration as notified through the final settlement or through amended council tax base and / surplus/deficit notifications received from the collecting authorities may be balanced either through further efficiency savings or through a transfer from the appropriate earmarked reserve.

- g) Note the current MTFs (Appendix 3), the anticipated investments and plans to identify further Transformation savings opportunities alongside the requirements of the Police and Crime Plan.
- h) Note the Reserve strategy that will support the MTFs, as detailed in a separate paper. (Appendix 8)

**Matthew Ellis**  
**Police and Crime Commissioner**

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### **3. Executive Summary**

- 3.1 This report, and the Council Tax precept proposal within it, is the result of considerable work by the Office of the Police and Crime Commissioner (OPCC), supported by Force colleagues and taking into account public and stakeholder consultation and key government announcements.
- 3.2 Following the announcement of the provisional Police Grant settlement by Government, the PCC has considered current and future funding requirements, together with the factors included within his Police and Crime Plan, the results of the survey with local residents, as well as actual and expected cost pressures and expected efficiency savings through the Police Transformation programme.
- 3.3 The PCC has reviewed the budget and precept requirements in light of all of the above and has also scrutinised in detail the budget proposals from the Force.
- 3.4 The PCC has understood the current and emerging operational challenges, both nationally, regionally and locally, with particular reference to those areas included within the Force's Strategic Assessment.
- 3.5 The PCC was the first to call on Government for the flexibility to be provided to increase the policing element of the Council Tax bill. He strongly believes that this brings more transparency and accountability on the need for any additional funding and how that will be used.
- 3.6 The proposed precept, together with current budget efficiency plans, enable the PCC to provide additional funding equal to the sum of £1.9m in 2018/19, with the opportunity of rising by £3m in 2019/20. In considering the need to do so, the PCC has tasked the CC with delivering costed investment plans to explain the benefits that such an increase in the precept will bring and will hold him to account in delivering these. The investment plans are detailed in Section 7.4 of this report, but at a high level they will achieve:
- An additional 44 Police Officers to be added to the current establishment by the end of 2018/19, rising to 69 additional officers by the end of 2019/20.
  - Creation of a county wide resolution service to speed up public access to the force around non-emergency/non-urgent incidents using a mix of telephone and online contact engagement.
  - Improved digital investigations capability of the force through enhanced CCTV and digital data handling.
  - Investment in mobile/speed enforcement technology and focussed patrol resources to improve road safety and disrupt criminal use of roads network.
- 3.7 The benefits of this investment is intended to result in:

- increased visibility in neighbourhood policing;
- reduced repeat offending and victimisation;
- greater public satisfaction;
- increased resilience towards the crime and terror threats;
- reduction in those serious killed or injured on our roads network;
- enhanced use of digital technology in policing so there is reduction in administrative processing by officers;

- 3.8 In responding to the challenges of greater demand, the PCC has set out in his Safer, Fairer, United Communities strategy the need for robust and effective multi-agency interventions across many work areas; he has said very clearly that policing alone cannot solve many of the problems faced, for example in responding to aspects of societal change, domestic abuse, or addressing the impact caused by some who abuse drugs, or alcohol. Through joint funding, governance arrangements and initiatives led through his office, the PCC has in place arrangements that support the management of demand across his key community safety priorities. From a budgetary perspective, the PCC has ensured that key investments that are not into policing, but broader community safety can be maintained from within the settlement.
- 3.9 Furthermore, whilst the PCC welcomed the anticipated Government settlement for 2018/19 (and 2019/20), he also recognises that there are still financial challenges faced over the coming 3 years in order to meet the increasing demand for police services.
- 3.10 The PCC will support the CC to develop the Staffordshire Police Transformation programme (SP25) and has committed to ensuring that the pace of the capital programme and achievement of capital receipts will support this, through new IT platforms and Estate. These include the implementation of a Core Policing IT Platform, with rollout starting on new modules within the coming financial year.
- 3.11 The PCC recognises that excellent governance is key to enabling good outcomes to be delivered and also providing assurance on progress, so the redesigned governance framework and risk management strategy implemented in 2017/18 will aid partnership and stakeholder engagement and ensure cognisance with the PCCs Strategy.
- 3.12 The PCC has taken into account the adequacy and level of reserves and the impact of future financial challenges and opportunities in the MTFs. Since coming into office he has maintained a position to keep reserves at a minimum safe level.
- 3.13 After careful consideration of all aspects and the consultation on precept, the PCC is proposing a precept increase of £11.40 for the 2018/19 financial year in order to build a sustainable base budget not only to maintain and safeguard policing and community safety services across Staffordshire and Stoke on Trent, but also to make additional investment support more policing visibility, better outcomes and helping people feel more reassured in their communities.

#### **4. Precept Strategy and 2018/19 Proposal**

- 4.1 The 2018/19 precept increase is only the second proposed by the Police and Crime Commissioner since 2013/14. For the period 2013/14 to 2016/17, the PCC maintained council tax levels at the same level as in 2012/13. His view had been that efficiencies should be delivered within policing and community safety before he would consider asking council taxpayers for more. Staffordshire Police has coped well and because money has been spent more effectively over recent years, local and neighbourhood policing numbers have remained broadly the same since 2013.
- 4.2 In 2017/18, the PCC implemented a 1.99% increase in council tax because of the substantial challenges facing policing in particular and because he was satisfied that the service had delivered efficiencies over the previous 4 years.
- 4.3 The PCC regularly engages with local residents and stakeholders on a wide range of matters. In relation to the precept, the recent consultation, undertaken between 16 December 2017 and 16 January in 2018 showed that 65% of those who responded would support an increase in the precept.
- 4.4 The PCC has listened to this feedback and has outlined his intention to increase funding in the coming year at £11.40, which will provide additional investment to the Chief Constable, subject to satisfactory delivery. Over the six years, including 2018/19, that the PCC has been responsible for proposing the policing precept, the average increase per year equates to 1.4%.
- 4.5 The draft Council Tax Referendum Principles for 2018/19<sup>1</sup> confirm that PCCs can increase the policing element of Council Tax by what they consider necessary, but that the maximum increase before a referendum is required is now £12.
- 4.6 In making his proposal, the PCC is satisfied that in doing so he is maximising the resources available to Staffordshire Police and into community safety, to deliver the priorities outlined in his Safer, Fairer, United Communities Strategy.

#### **5. Grant Settlement and Funding**

- 5.1 On the 19<sup>th</sup> December 2017, the Government announced the outcome of the Provisional 2018/19 Police Finance Settlement.
- 5.2 The significant element of this announcement was that for 2018/19 and 2019/20 financial years, there would be precept flexibility of up to £12 for all PCCs.
- 5.3 The Minister's letter and statement has confirmed that to assist PCCs plan more effectively, the Home Office intention for 2019/20 is to maintain the cash flat settlement for the main Policing Grant with the same precept flexibility, subject to progress against agreed efficiency milestones (to be agreed in early 2018).
- 5.4 The impact of the change in precept flexibility over the next 2 financial years will enable the PCC to plan with Staffordshire Police over a longer time frame and removes the previous threshold limits of having to be under 2% on precept.

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<sup>1</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/670392/Draft\\_2018-19\\_principles\\_report\\_for\\_provisional\\_settlement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/670392/Draft_2018-19_principles_report_for_provisional_settlement.pdf)

- 5.5 For Staffordshire, the PCCs proposal to increase precept by £11.40, will mean a maximum increase of 6.29% in Council Tax Band rates. In financial terms, this provides just under £5 million to the PCC that he can allocate to Staffordshire Police, or to community safety priorities.
- 5.6 The table below illustrates the financial impact of the policing element of the precept changes on the Council Band D rate and increase in funding for Staffordshire Police.

<b>Council Tax (Police Element)</b>	<b>2017/18</b>	<b>2018/19</b>
Band D Rate Council Tax Proposed	£181.16	£192.56
Increase on Prior Year	£3.55	£11.40
Percentage Increase on prior year	1.99%	6.29%
Council Tax Increase	£1,192,064	£3,893,079
<b>Total Precept Levied</b>	<b>£60,832,222</b>	<b>£65,756,587</b>

- 5.7 The increase in Council Tax funding also takes into account the actual tax base increases for 2018/19 (1.7% for Staffordshire) when calculating the financial impact of the precept flexibility, rather than the 1.34% assumed within the 2018/19 Grant Settlement.
- 5.8 The Home Office has also referenced the precept flexibility to help meet additional funding for any Police Officer and Staff pay settlements. Alongside the expected opportunities for increased efficiencies the belief is that there would be sufficient funding for PCCs to make appropriate provisions for likely cost increases over the next year and future years in their financial plans.
- 5.9 In relation to the Police funding formula, which had been due to be communicated in 2017/18, then the Minister has stated that any review of the Formula will not be revisited until the next spending review.
- 5.10 In addition to the change in precept principles, the Minister also confirmed the continuation of flat cash grant funding for the main Police Grant (i.e. the same allocations as in 2017/18 for the Home Office Core Police Settlement, and Legacy Council Tax).
- 5.11 Since 2014/15, PCCs have received their core policing funding from the Home Office which subsumed the former DCLG grants (including previous funding from Business Rates).
- 5.12 The table below confirms for Staffordshire, the Home Office funding arrangements for 2018/19, to be held at exactly the same level as 2017/18.

<b>Funding Source</b>	<b>2017/18</b>	<b>2018/19</b>
Home Office Police Grant	£104,936	£104,936
Revenue Support Grant	£8,423	£8,423
Council Tax Freeze Grant	£3,541	£3,541
<b>Home Office Funding for Staffordshire Police</b>	<b>£116,900</b>	<b>£116,900</b>

5.13 The Police and Crime Commissioners Treasurers Society (PACCTS) have advised that reallocations (top slicing) have been simplified to enable easier year on year comparisons. In 2018/19 reallocations total £945m, 16% than the 2017/18 equivalent. However this has had no effect on the core policing grant for the years up to 2019/20, as the Home Office has reallocated its overall budget to enable this increase.

5.14 The national reallocations elements are detailed further as follows:

<b>Top Slice</b>	<b>2017/18 £(m)</b>	<b>2018/19 £(m)</b>
<b>Total</b>	<b>812</b>	<b>945</b>
PFI	73	73
Police Technology Programmes	417	495
Arm's Length Bodies	54	63
Strengthening the response to Organised Crime	28	42
Police Transformation Fund	175	175
Special Grant	50	93
Pre-charge Bail	15	4

5.15 The key issues in relation to the settlement and top slice elements include the following:

- Counter terrorism (CT) funding is negotiated separately to the police settlement, therefore, increases should not impact on the rest of the Police settlement. In 2018/19, the funding for CT has increased to £757m, which is a 7% increase on 2017/18 funding. The 2018/19 budget also includes £29m for armed policing.
- The Police Transformation Fund (PTF) for 2018/19 has remained the same, in cash terms, as 2017/18 at £175m. PACCTS have advised that future allocations from the PTF will be for commissioned work rather than bids.
- The Police Technology Programme has a budget for 2018/19 of £495m, which is an increase of £78m on 2017/18 funding. PACCTS have scrutinised this budget and have advised that £75m (or 96%) of the additional funding to this reallocation relates to Emergency Services Network (ESN) costs. This programme relates to the planned replacement for Airwave. Since 2016/17, approximately £180m has been top sliced to fund the ESN programme costs. At this stage, however, there is still uncertainty about total ESN costs which will impact on the PCC and national timescales continue to slip.



- Arms-Length Bodies include Her Majesty’s Inspectorate (HMI), Gangmasters and the Independent Office for Police Conduct, which replaces the Independent Police Complaints Commission (IPCC).
- Police Technology Programmes include ESN, existing Airwave System, Home Office Biometrics and the National Law Enforcement Database.

5.16 Whilst the total value of the national reallocations for 2018/19 is known, there does remain a level of uncertainty about the impact on the Police Grant of top slices (which are anticipated to increase). Therefore the long term impact on the MTFs must be considered alongside the precept options presented in this report.

5.17 A summary of the provisional settlement (based on the proposed £11.40 precept increase) is shown in the table below:

<b>Funding Source</b>	<b>2017/18</b>	<b>2018/19</b>
Home Office Police Grant	£104,936	£104,936
Revenue Support Grant	£8,423	£8,423
Council Tax Freeze Grant	£3,541	£3,541
<b>Home Office Funding for Staffordshire Police</b>	<b>£116,900</b>	<b>£116,900</b>
Precept (proposed £11.40 increase in 2018/19)	60,832	65,757
Council Tax Collection Fund Surplus	855	792
<b>Total</b>	<b>178,587</b>	<b>183,449</b>

## 6. Change Programme

6.1 The underlying funding gap before delivering the Transformation savings illustrates clearly the importance of the force delivering the SP25 transformation programme.

6.2 The programme over the next three years will deliver a more effective police service, at a lower cost. The savings are set out in the Outline Business Case.

6.3 Delivering these savings, along with the funding generated by the additional precept set out in this report, provides an investment fund for the PCC to commission outputs from the force to address key priorities in his Safer, Fairer and United Communities of Staffordshire strategy.

6.4 The SP25 programme began in August 2017, with 42 work packages to be delivered over three years. The work packages identify a series of quantifiable savings and service improvements, and are included in the 2018/19 budget and for future years in the MTFs.

6.5 For 2018/19, the Chief Constable is committed to delivering £2m of savings during the reporting year. The majority of the savings will be realised by the implementation of the Core Policing Platform. These savings will be realised from reducing processing inefficiencies. With IT systems being integrated there is significantly reduced administration time in both front line input and support services. There will also be enhanced benefits in data analytics which will allow

more robust data connections leading to more informed and quicker decisions reducing analysis time and providing a timely response to the public, improving public confidence and credibility in policing, with reductions in non-police pay and associated efficiencies.

- 6.6 For 2019/20, it is expected that there will be an additional £4.4m of savings off the base budget as the change programme is implemented during the year.
- 6.7 The work packages delivering these changes are set out in Appendix 4 with expected timelines for delivery supporting the financial expectations for 2018/19 and 2019/20.
- 6.8 The majority of these efficiency savings are supported by the PCC's ongoing capital investment in IT. There is an assumption built into the plans that planning, approval and delivery of this investment will be swift. There will need to be joined-up working across all agencies to deliver on these plans.
- 6.9 The confidence around the force's capability to deliver these financial commitments in both 2018/19 and future years is underpinned by the new governance framework in place. This is made up of the force's Strategy Board, which provides assurance on progress with the SP25 programme, as well as other Force operational and strategic areas.
- 6.10 OPCC management representatives also attend these meetings and provide 'check and challenge' on progress and report back to the PCC.
- 6.11 The recent internal audit on the Change Programme controls and governance arrangements reported "Satisfactory Assurance", which provides for confidence in the controls in place and ability to deliver the necessary changes.

## **7 PCC Additional Investment**

- 7.1 Since taking office, the PCC has set out his vision for a Safer, Fairer and United Staffordshire and Stoke on Trent, which will deliver:
- Better Early Intervention
  - Timely and Effective support to Victims and Witnesses
  - Improved Public Confidence in the Police
  - Multi Agency Offender Management
  - A Modern and Transformed Policing Service
- 7.2 To achieve these objectives more swiftly, taking into account the financial pressures, the PCC will require an increase in the policing element of the council tax precept, and provide some additional investment from reserves. This, alongside the Chief's Constable's commitment of £750k per annum to reduce the force's overtime budget provides:

- £1.932m additional investment in 2018/19
- £3.003m additional investment in 2019/20

With this being built into the base budget there will need to be savings or income generated in 2020/21 of £3.403m to maintain the investment made in 2018/19 and 2019/20.

7.3 The key priority areas for investment across the Force are:

- Local Neighbourhood Policing
- Investigations
- Roads Policing

7.4 The table below identifies the level of investment in each area and the outcomes through which the PCC will assess the Chief Constable's performance:

Area	Local Neighbourhood Policing	Investigations	Roads Policing
Total Investment £4,935k	£3,290k	£855k	£790k
Investment Outcomes	Expansion of neighbourhood policing capacity to increase visibility, increase public satisfaction, reduce repeat victimisation and offending.	Improve our digital investigation capability to reduce harm, increase prevention and safeguarding and improve early evidence case management.	Investment in technology to disrupt criminal use of roads that increases visibility of patrols and reduces those killed or seriously injured (KSI) on our road network
	Create a county-wide resolution service that reduces contact and resolution time, and increases victim and public satisfaction.	Improve investigative impact to increase victim satisfaction, improve outcomes for serious and complex crimes.	Educating and informing vulnerable communities to minimise those killed or seriously injured on our road network.
	Consistent and more efficient 24/7 response service that increases visibility, increases public satisfaction, and reduces repeat victimisation.		

## 8 The Financial Challenge – Future Risks, Uncertainties and Opportunities

8.2 The Panel were advised in October 2017, of the latest MTFs position that identified a potential shortfall of £11.4m by 2020/21. The intention of the PCC

is to use the flexibility to increase the precept, which together with the efficiencies from the current force change programme, will instead provide funding for investment and greater stability.

- 8.3 The PCC and his office will continue to work with the Force to ensure that their existing proposals to achieve value for money and deliver the ambitious SP25 change programme will ensure that the effectiveness of every pound spent continues to be the goal.
- 8.4 The affordability of the capital programme, which is fundamental to the delivery of SP25, and at the core of the Policing Plan, is dependent on achieving funding through the release of capital receipts. However the PCC will encourage the use of alternative sources of funding such as external grants to ensure that Staffordshire money is used only where other alternatives have been thoroughly researched.
- 8.5 Some further financial and operational risks and challenges are as follows:
- The Home Office has committed to increased Precept Flexibility for PCCs, up to a period of 2 years (2018/19 and 2019/20), there is uncertainty on the years thereafter, what the financial arrangements would be.
  - The Full impact of costs and funding arrangements for the new National Emergency Services Network (ESN) are still unknown. The project, which sits with the Home Office has slipped by an estimated 15 months behind schedule. This delay means that forces may need to extend their Airwave contracts, which is likely to have associated costs in addition to the delayed savings expected from ESN.
  - In 2017/18, in response to the national terror threats, Staffordshire Police, like other Forces needed to provide local residents the necessary assurance of visible policing at major events; this cost around £0.3m which was funded from reserves. The MTFs will should take into account the potential for future terror threats and their impact on funding.
  - The Force also faces increased staff pension costs, relating to meeting past service deficit costs. This cost arose following the triannual actuarial assessment of the Staffordshire Local Government Pension Fund, of which the Police Force is a participating employer. It was identified for all 12 employers in the scheme, that there are requirements for additional advanced contribution rates for the period 2017/18 – 2019/20, which for the police service total £5.6m over 3 years. This was recognised in the previous MTFs, but from a prudent perspective the likelihood of continuation of this cost into the future should be considered. The triennial assessment takes into account market rates, longevity, and current staff base to provide contribution for retirees and other elements. In discussion with Treasury colleagues from Staffordshire County Council the view is that none of these elements will improve to the point that additional contributions can be avoided. Therefore it is likely that there will be a need to provide for the future years and the MTFs has been updated to include this additional year's cost.

- The operational and financial impact of the new, emerging and increasing areas of threat, including the locally reflected national concern and increasing demands of Child Sexual Exploitation, Adult and Child Sexual and Violent crimes and increasing cybercrime and Extremism. It is clear that these areas will need more targeted investment and resources – some are one offs and some ongoing requirements.
- The risks on inflation and upward pressures on price inflation for goods and services. The MTFS has assumed 2% inflation for future years, which reflects the Chancellor's estimates in the Autumn Statement in 2017.

8.6 These risks, challenges and uncertainties are under regular review and steps are already in place to mitigate these including:

- OPCC oversight to ensure continued rigour and commitment takes place in meeting and identifying savings and efficiencies, at a regional and local level. This oversight includes attendance by the OPCC at the Force Strategy Board to ensure scrutiny, challenge and full consideration of change and savings proposals.
- Regular review and scrutiny of the Capital Programme and the Treasury Management Strategy.
- Reviewing potential opportunities for collaboration with other PCCs and Chief Constables in the regional network, which the Staffordshire PCC chairs. The governance framework has been strengthened so that key decisions around budgeting and operational requirements are aligned to agreed priorities and objectives and have been costed appropriately in tandem with PCC budgets.
- Regular monitoring to ensure that budgets are being used in accordance with agreed activities, with slippages monitored and challenged, so that the Force operates within the funding provided by the PCC.

## **9 Base Budget Preparation, approach and scrutiny**

9.2 The 2018/19 budgeting round continues to use a risk-based approach to budget setting which has sought to align the budget process with identified strategic operational priorities and risks.

9.3 The OPCC and the Force continues to consider key corporate risks when setting the budget. Essentially these risks are operational and organisational around managing people, infrastructure assets, information, commissioning etc.

9.4 The Force continues to identify its Strategic Operational Risks as part of the National Intelligence Model (NIM). This has been used to inform resourcing strategies at both Directorate and Departmental Level.

9.5 Each year, the Force undertakes a major exercise to review its operational risks which are set out within the "Force Strategic Policing Assessment". The purpose of this work is to identify those areas of greatest risk. Essentially a high

risk area is where only limited resources had been allocated to address a substantial risk, i.e. this creates a significant risk gap.

- 9.6 The latest MTFS and, in particular, the 2018/19 budget contained within this report aligns the Force and PCC's financial resources to risk and therefore is fundamental to the performance management of Staffordshire Police.
- 9.7 The PCC's Chief Financial Officer (CFO) has worked closely with the Force finance team throughout the year during the budget monitoring process and in preparation of the budget for 2018/19. In respect of the budget, this has included (but was not limited to), the identification and agreement of assumptions and methodology and challenge and scrutiny of the budget workings. In addition, where the CFO has sought clarification, or changes, these have been discussed and amendments made where appropriate.
- 9.8 The PCC, together with his CFO and the OPCC management team have held regular discussions with the Chief Constable and his Chief Officers throughout the year and during the budget preparation process and the announcement and interpretation of the settlement.
- 9.9 These discussions have culminated in a number of full and robust discussions of the budget requirement, the national and local operational and financial challenges, the precept options available to the PCC and a review of the MTFS and associated risks.
- 9.10 Furthermore, there has been a significant degree of scrutiny and challenge undertaken by the PCC and his team, prior to, during and post the Strategic Governance Board on the 17<sup>th</sup> January 2018, culminating in final discussions on the policing budget and decision on precept by the PCC.

## **10 2018/19 Revenue Budget**

- 10.2 The base budget for 2018/19 has been built based upon a combination of the latest inflationary information for pay awards, price and fuel/energy expenditure. It also uses a risk based approach as outlined earlier in the report.
- 10.3 Based on returns from billing authorities there is an increase in the tax base of the authorities of between 0.5% and 3% and the authorities are reporting no deficit on the collection fund. This provisional information has been reflected in the budget and is an estimated increase of 1.7% on 2017/18 and set out in the Appendix 3.
- 10.4 The table below sets out the Proposed Revenue Budget for 2018/19 and compares with the budget for the previous year.

<b>Revenue Budget Bridge</b>	<b>Revised Budget 2017/18 £000</b>	<b>Original Budget 2018/19 £000</b>
Staff Costs	144,425	147,297
Operating Costs	28,516	30,947
Income	(4,795)	(8,912)
<b>Force Budget</b>	<b>168,146</b>	<b>169,333</b>
<b>OPCC Budget</b>	<b>13,620</b>	<b>14,718</b>
<b>Additional Investment</b>		<b>1,932</b>
<b>Use of Earmarked Reserves</b>	<b>(3,179)</b>	<b>(831)</b>
<b>Capitalisation /Capital Receipts</b>		<b>(1,703)</b>
<b>Total Police Fund Expenditure</b>	<b>178,587</b>	<b>183,449</b>
<b>Financed by</b>		
Police Grant	104,936	104,936
Council Tax Funding	73,651	78,513
<b>Total Funding</b>	<b>178,587</b>	<b>183,449</b>

- 10.5 The Panel is advised that the total net budget requirement in 2018/19 is £183.449M, equating to an increase of £4.862m (2.7 % increase) from the 2017/18 net budget requirement level of £178,587m. The budget requirement is detailed in Appendix 1.
- 10.6 The Staffordshire Police budget is mainly made up of employee costs, which make up approximately 85% of the operational budget expenditure. The remainder of the budget relates to non-pay costs, which relate to activities in relation to Infrastructure, IT, Fleet, Estates, Commissioning and Capital Financing costs.
- 10.7 There are a number of areas where it may be helpful to highlight significant aspects of the budget in line with the Police and Crime Plan priorities as follows.
- **Police Officers** – The budgeted headcount for Officers will increase by 44 in 2018/19.
  - **Pay Award** – The 2018/19 budget includes an assumption that the Pay award will be 2% for both Officers and Staff, this follows on from the 2017/18 position. It is expected that this will cost £0.6m in 2018/19.
  - **New Apprenticeship Levy** – this has been built into the costs and equates to over £0.5m per annum.
  - **Police Community Support Officers (PCSOs)** – These have been based at a level of 240.

- **Support Staff** – The 2018/19 budget is based on 1,238 FTE, which have been budgeted to include a reasonable vacancy rate. Also included is the impact of the triennial actuarial review of the Local Government Pension Scheme which has resulted in an increase of £1,823m for 2018/19.
- **Premises** – it has now been confirmed that premises costs have increased by £90,000 per annum due to business rates revaluations undertaken by the Valuation Agency on the estate owned by the PCC and a change in the expected use of Hanley Police Station.
- **Regional Collaboration** – Regional budgets are based on operational priorities recommended by the Regional Chief Constables and the budget relates to Staffordshire’s share of collaborative arrangements including a share of 70.5 FTE Police Officer posts for the Regional Organised Crime Unit (ROCU) at a cost of £3.9m.
- **Borrowing Costs** - The investment in the Force’ Change programme has also meant an increase in borrowing costs, which are expected to increase by £0.818M as a direct result.

## 11 Capital Programme 2018/19 to 2020/21

- 11.1 The Capital Programme is set out in Appendix 6. The revenue consequences of the proposed programme have been taken into account in the development of the revenue budget and the required prudential indicators are set out in Appendix 7.
- 11.2 The core Capital Programme was considered by both the OPCC and the Force at the Strategic Governance Board meeting in December 2017. The Programme includes investment on operational areas of premises, IT and vehicle fleet, together with assumptions for Capital Receipts and timings of work. The OPCC provided scrutiny and oversight given the size of the expected spend.
- 11.3 The Capital Programme also includes the strategic investment requirements arising out of the Transformation Programme activity, which the OPCC has worked extensively with the Force on together with the resultant benefits to be realised through improved productivity and also to generate cashable benefits.
- 11.4 Over the MTFS period of 2017/18 to 2020/21, the Capital Expenditure will be £56.073m. The majority of the expenditure will be on the Transformation Programme activity and ICT Investment, which constitutes £35.743m over the MTFS period.



11.5 The table below details the Capital Programme Projects and spend over the MTFS period.

Capital Investment Area	2017/18 £'000 (Out turn)	2018/19 £'000 (Proposed)	2019/20 £'000 (Estimate)	2020/21 £'000 (Estimate)	Total £'000
Estates	6,671	2,767	2,000	2,000	13,438
ICT & Transformation	8,516	19,940	5,596	1,691	35,743
OPCC & Partnerships	309	0	0	0	309
Equipment	81	525	300	300	1,206
Vehicles	1,627	1,250	1,250	1,250	5,377
<b>Total</b>	<b>17,204</b>	<b>24,482</b>	<b>9,146</b>	<b>5,241</b>	<b>56,073</b>

11.6 The expected funding of the programme is outlined below. In order to reduce reliance on borrowing and impact on the revenue budget arising from capital interest charges, the Commissioner is proposing to fund a significant part of this capital investment from proceeds generated by the sale of the Estate as per his capital strategy.

Funding	2017/18 £m (Outturn)	2018/19 £m (Est)	2019/20 £m (Est)	2020/21 £m (Est)	Total £m
Capital Receipts	115	7,880	5,493	0	13,488
Capital Grants	1,014	683	883	683	3,263
Borrowing	15,407	3,292	13,174	9,047	40,920
<b>Total</b>	<b>16,536</b>	<b>11,855</b>	<b>18,184</b>	<b>11,121</b>	<b>57,671</b>

11.7 The funding of the Capital Programme over the MTFS period, takes into account the Prudential Code, which applies to all local authorities, including PCCs.

11.8 The main objectives of the Prudential Code are that capital investment plans are affordable, prudent and sustainable.

11.9 The programme is dependent on the planned sale of assets: without realising these sales the burden of funding will fall more heavily on the revenue budget through the minimum revenue provision which will have to be increased to allow for the repayment of loans.

11.10 There are detailed plans to realise £17,776M check this from capital receipts over the course of the MTFS period.

11.11 As the code of practice dictates, the first call on capital receipts is to fund their replacement or other capital investment. In the ordinary course of events, spend on business change and transformation support cannot be capitalised. The Secretary of State's capitalisation directive does not of course change this, however, the OPCC intends to use the facility allowed to apply capital receipts to pay for Transformation spend. In doing so, this protects revenue reserves from the uneven impact of spend created by a transformation

programme and uses the flexibility available to the full to relieve this and future years' revenue budgets.

11.12 The table below illustrates how the PCC will use Capital Receipts to support the investment in Staffordshire Police across the Medium Term.

Capital Receipts	2017/18 £m (Out turn)	2018/19 £m (Proposed)	2019/20 £m (Estimate)	2020/21 £m (Estimate)	Total £m
Received:					
Estates	1,800	13,776	2,085	0	17,661
Other e.g. vehicles	115	0	0	0	115
<b>Total</b>	<b>1,915</b>	<b>13,776</b>	<b>2,085</b>	<b>0</b>	<b>17,776</b>
Applied to:					
Capital	115	7,880	5,493	0	13,488
Transformation	1,800	1,556	932	0	4,288
Carried Forward	0	4,340	0	0	

11.13 The PCC seeks to meet these Prudential Code objectives as follows:

- **Affordability & Sustainability** – the OPCC takes into account all of the resources currently available to the organisation and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the coming year and the following two years.
- **Prudent** – over the MTFS period, then any net borrowing (that is after any capital receipts, grants, sale of assets) will only be used for capital purposes. CIPFA also require that limits are set in place for fixed and variable interest rates exposures and on the maturity structure of borrowing.

11.14 The Prudential Code key indicators are set out in Appendix 7.

## 12 Medium Term Financial Strategy (MTFS)

12.1 The MTFS is an important document in the overall financial framework of the PCC. It builds on the budget proposed for 2018/19 and incorporates plans to meet changes in available financing with the need to meet current and future commitments.

12.2 It is a requirement that the Police and Crime Plan must cover the period until the end of the financial year of the next PCC election in May 2020. Thus the relevant date is 31<sup>st</sup> March 2021 and the MTFS covers the period to this date.

12.3 The MTFS presented to the Police and Crime Panel in October 2017 identified a funding gap of £11.4m over the MTFS period.

12.4 The latest MTFS position for the period to 2020/21 indicates that this funding gap has been resolved, with the expectation of balanced budgets for the

remaining term of the PCC's office. The main drivers of this is the combination of the increased precept opportunity and work to ensure that the Change Programme will deliver the required savings.

12.5 The recent internal audit on the Change Programme controls and governance arrangements provided a 'positive assurance', along with strong focus in both the OPCC and Force senior management team to ensure timely delivery. Appendix 3 provides a full reconciliation of the movement between the October 2017 and the latest MTFS position.

12.6 The recent announcement by the Home Office provided precept flexibility of up to £12 for all PCCs. The PCC has compared the options for precept setting across the period and used sensitivity analysis to assess the changes in funding that would occur at different precept levels.

<b>Precept Options in 2019/20</b>	<b>If £11.40 Increase from 2018/19</b>	<b>If no Increase in Precept from 2018/19</b>	<b>If Precept Increase by £6 from 2018/19</b>	<b>If Precept Increased to £12 from 2018/19</b>
Net Budget Requirement	£188,336	£183,449	£186,620	£188,703
Band D rate	£203.96	£192.56	£198.56	£204.56
Precept Increase in %	5.92%	0.00%	3.12%	6.23%
Additional Precept Funding	£5,046	£0	£3,172	£5,254
Total Funding	£188,336	£183,449	£186,620	£188,703
Gap		-\$1,692		
Available Investment	£3,195		£1,479	£3,562

12.7 The table above indicates that a rise of £6 in the precept in year 2 would reduce the investment opportunity in the Force's proposed business development areas.

<b>2020/21 Impact</b>	<b>£11.40 Increase</b>	<b>No Increase</b>	<b>£6 Increase</b>	<b>£12 Increase</b>
Band D rate 2019/2020	£203.96	£192.56	£198.56	£204.56
Band D after 1.99% Increase in 2020/21	£208.02	£196.39	£202.51	£208.63
Council Tax base increase (£'000)	£1,046	£1,046	£1,046	£1,046
Additional Precept Funding (£'000)	£1,433	£1,351	£1,394	£1,436
Total Funding (£'000)	£190,814	£185,846	£189,060	£191,185
Gap (£000)		(£4,176)	(£962)	
Available Investment (£'000)	£792			£1,163

12.8 The above table shows that a 1.99% rise after any of the options chosen in Year 2 of the plan has a range of impact on planned investment levels or resulting in a funding gap in Year 3, which will require further efficiency savings/additional

income generation. **(the above assumption is for modelling purposes only)**

12.9 The move towards relying on Council Tax to support Police Funding will, we anticipate, result in Council Tax providing 41% of funding by the end of 2022/23, a rise from 35% at the start of the period.

12.10 The updated MTFS includes a number of key assumptions covering likely funding levels, inflationary increases and expenditure items. These include the following:

- The announcement in December 2017 by the Home Office provided for all PCCs to have precept flexibility to increase up to £12 on Band D rates for the next two financial years.
- If Staffordshire PCC increased precept by £11.40 for the next year, this would generate an additional £5m.
- The future years (2019/20 and 2020/21) budget will be balanced due to improved financial benefits from efficiencies, collaboration, precept increases, or a combination of all three.
- That the core policing grant would stay cash flat for the next three years.
- That the council tax base (and therefore, the precept) grows at 1.66% per annum (source: prudent estimate based on the local position over the last five years). This is in excess of the 1.34% assumed by the Home Office nationally.
- Pay Increases are assumed at 2% until 2020/21, based on the advice of PACCTS, following the funding settlement announcement.
- Non staff inflation are based upon the rates for the Consumer Price Index (CPI), as projected by the Office for Budget Responsibility (OBR).

12.11 The MTFS highlights that whilst 2017/18 to 2018/19 will be balanced due to the certainty provided by the Home Office around the precept flexibility, the continuation of flat cash funding.

12.12 However for 2019/20 to 2020/21, there will be a balanced budget for each of the years, due to efficiencies, collaborations, precept increase or a combination of all three.

12.13 It is expected that there will be more clarity provided by the Home Office for the years after 2019/20 in terms of funding arrangements.

### **13 Use of Reserves & Balances**

13.1 In considering the budget, the MTFS and precept, it is important to review the size, level and type of reserves held by the PCC to ensure that they are adequate to cover the purposes for which they are held and to provide some safeguards against the future risk identified in the budget.

13.2 The PCC's full Reserve strategy is laid out in the separate paper.

13.3 In summary, four types of Reserve are held and these are explained further below:

## **1 General Reserve**

There is a General Reserve held at £5.5m. This represents 3% of the net budget requirement for 2018/19 – 2020/21 and is within the recommended external audit and CIPFA levels of 3-5%. In a recent PACCTS survey in mid-2017, 60% of Police Services held around 3-4% of General Reserves. It is prudent to have such a reserve at this level to enable the organisation to withstand unexpected events which may have financial implications. There is no planned use of this reserve in during 2018/19.

## **2 Earmarked Reserves**

The PCC currently holds five Earmarked Reserves, which at 31/3/2017 amounted to £2.9m. They are defined as Earmarked Reserves, as they are restricted to being used for the purposes for which they were set up for. These purposes cover areas such as budgetary risks, to support the MTFS budget and reserves held on behalf of others. The reserves to note are as follows:

- **Insurance Reserve £0.8m** – the reserve has been set at this amount, based on the advice of the Insurers and provides for the excess cost element relating to insurance claims made against the Force. It is expected that the reserve will remain at this amount during the MTFS period.
- **Pension Employer Contribution £1.6m** – the reserve level has been set based on the agreement contribution toward the Police Staff scheme past service costs shortfall, as agreed across the local authorities in Staffordshire in 2016.

## **3 Capital Receipts Reserve £1.8m (in year expected addition)**

This reserve will hold any receipts arising out of sale of the PCC Estate. With usage to be applied to both capital and where applicable to revenue expenditure, which relates to the Change Programme, as per the directive in 2016 by the Secretary of State for Local Government, as ordinarily, revenue expenditure cannot be funded by Capital Receipts.

## **4 Unrestricted Funds Reserve**

There is an Unrestricted Fund Reserve, which at 31/3/2017 amounted to £4.8m. They are defined as Unrestricted Reserves, as they can be used for any purpose deemed fit by the OPCC. The key reserves in this area are:

- **Transformation Reserve £4.2m** – this reserve was created to help fund the transformation currently taking place in order to achieve the required savings to balance future budgets.
- **Proceeds from Organised Crime Act £0.4m** – held by the PCC, this reserve relates to the Police Forces being able to recover 50% of cash

seized and assets confiscated in relation to the conditions laid out in the Act from 2002.

Furthermore as highlighted earlier in this paper, the PCC will draw from reserves £1m which will be used to fund the Force to invest in key areas which will facilitate increased visibility and support the PCC priorities and early and integrated response to demand, as detailed earlier in Section 6.

- 13.4 The OPCC receives regular updates on the level and use of Reserves, together with the Capital Programme and Treasury Management Strategy as part of the budget monitoring process during the year.
- 13.5 ETAP and the sub Audit group also receive regular updates on the level and use of Reserves, together with the Capital Programme and Treasury Management Strategy as part of the budget monitoring process during the year.

## **14 Policing Precept Proposal**

- 14.1 After careful consideration of all of the factors highlighted in this report, the PCC is proposing a £11.40 increase in precept to maximise resources for operational policing, provide for additional policing which will deliver tangible outcomes and seek to mitigate some of the impact of the forecasted cost pressures.
- 14.2 In making this proposal, the PCC is extremely grateful to those who took part in the Precept survey which showed the willingness of the public in Staffordshire and Stoke on Trent to pay more in order to safeguard and develop policing in their neighbourhoods.
- 14.3 Additionally, in making this proposal, the PCC is satisfied that in doing so, he is maximising the resources available to Staffordshire Police to deliver the priorities outlined in his Police and Crime Plan.

## **15 Statement of the Chief Constable**

*“The financial settlement facing policing remains extremely challenging, and we continue to experience pressure on police budgets at a time when demand on our service is both rising and becoming increasingly complex.*

*“It is within this context that I acknowledge the Police and Crime Commissioner’s decision to increase the precept. This increase will support the major change programme I have implemented to transform the way the force operates over the next three years.*

*“Central to my plans is a continuing commitment to neighbourhood policing and improving our investigative capabilities. These will only be achieved, however, through better management of demand for our service, underpinned by a transformation in our use of technology.*

*“The steps the force is taking to better grip demand will enable investment in neighbourhood officers undertaking more preventative, proactive work and increasing our visibility in our communities. Alongside this, investment in new digital forensic tools will improve our ability to tackle both traditional crimes and new, online, crimes – specifically those relating to online child sexual*

exploitation.

*“Likewise, investment in new roads policing technology will enable us to disrupt criminals who use our road network, and reduce the number of road users killed or seriously injured through increased education and enforcement.*

*“But continuing this investment is only feasible if policing budgets are sufficiently protected – not just this year but next year as well. Without this commitment, the ongoing resilience of the force will be tested, and our ability to achieve the outcomes outlined above much more challenged.”*

## **16 Statement of the PCC CFO on the robustness of the Budget and adequacy of the proposed financial reserves**

16.1 The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2013, requires the PCC’s CFO to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The PCC is required to have regard to the report of the CFO and the report must be given to the Police and Crime Panel. The CFO statement is as follows:

16.2 *“At the OPCC/Force Strategic Governance Board meeting on the 17<sup>th</sup> January 2018, both the Force CFO and I attended to provide assurance to the Group that these factors have been considered, in building the budget so that there was sufficient dialogue, scrutiny and challenge to enable new factors or information to have been highlighted and discussed.*

*In the sections above, titled “2018/19 – Base Budget – preparation, approach and scrutiny” and “2018/19 Base Revenue Budget”, a description of the development of this budget is given. During the preparation of the budget I have been given full access to the budget model and have been consulted on the assumptions being made in order to develop the model. I have received timely and detailed responses to queries and/or points of clarification. In the majority of cases I have agreed with the assumptions being made and where I have sought changes then they have been incorporated.*

*Furthermore, I have worked with the Force CFO to agree consistent assumptions and methodologies and where possible with CFO colleagues in West Midlands and West Mercia/Warwickshire and the wider PACCTS network which has assured that these have been benchmarked with peers.*

*Together with the Force CFO, the Chief Officer Team, OPCC Chief Executive and the PCC, I have reviewed, scrutinised and challenged the Force’ funding requirements and for Precept additional investment business cases. This has included reviewing the operational and financial risks of the investment and highlighting the impact on the MTFs.*

*I am assured that there is ongoing work to continue the Change Programme (SP25) and savings plan which will assist in confirming the savings to meet 2018/19 efficiencies and future years shortfalls in the MTFs.*

*There is confidence that the budget monitoring process in place during 2017/18 has continued to identify any variations of expenditure or income from that budgeted so that early action can be taken and this is regularly reviewed, discussed and scrutinised at both the Strategic Governance Board (SGB) and also at the monthly ETAP sub Audit Group.*

*I have also reviewed the detailed calculations in arriving at the budget requirement and council tax precept and options and find these to be robust. I also have, together with other precepting partners, sought authorisations from billing authorities in relation to tax base and council tax surplus/deficits.*

*The Chief Constable has discussed the revenue and capital requirements, operational and Police and Crime Plan requirements for 2018/19 and future years and together we have been able to develop a budget that supports the delivery of the priorities set out in the Police and Crime Plan.*

*The PCC's stated policy to minimise the level of public money held in reserves has been taken into account and there are sufficient general reserves available should operational demands require access to these. Earmarked reserves are also in place for specific requirements such as insurance and pension liabilities.*

*In coming to my conclusion on the robustness of the budget I have also reviewed the separate papers on Capital Expenditure and the Reserve Strategy.*

*The sections in this report on "Future Risks, Challenges, Uncertainties and Opportunities" and the "MTFS" has highlighted the key concerns both known and unknown issues, as the PCC and Force move forward in the medium terms for operational and financial areas.*

*Whilst this report does reveal that 2018/19 shows a balanced budget with an achievable Force savings requirement, the MTFS, however, reflects that after 2019/20, there are still significant uncertainties as the Home Office have only committed to precept flexibility and maintaining cash flat core grant arrangements to 2019/20, so any return to the current financing arrangements will mean significant financial pressures which need to be managed effectively.*

*However there is a high degree of confidence, that the precept flexibility along with the continuation of the 'flat cash' funding for the core policing grant, as well as the expected savings resulting from the Change Programme will mean a significant restructuring of the finances, so that the MTFS for the period up to 2020/21 will show a balanced budget, with no funding gap arising, due to increased efficiencies, collaboration, precept increases or a combination of all three.*

*There is increased assurance in meeting the financial challenge, with the PCC having tasked the Chief Constable with providing regular updates on the Change Programme progress, strong controls implemented to ensure delivery of the benefits, so that he is assured of the robustness of the work being undertaken to deliver these required savings in order to help balance the budget in future years.*



*I conclude that the budget for 2018/19 has been prepared on a robust basis and that although the financial position in the longer term is challenging, the Force have put in place arrangements to deliver activities and outcomes to address these shortfalls.*

*Beyond 2018/19, there is reduced uncertainty as to how finance settlement and the formula might look. Following the headlines identified in the Home Office December statement, then there is a better than anticipated settlement for the Police, both at a national and local level. However, it is reasonable to assume that the operational and financial challenges will continue and these are reflected as best estimates in the MTFS to 2020/21.*

*I conclude, therefore, that the budget for 2018/19:*

- *Has been prepared on a robust basis, and*
- *Includes investment into visibility in line with the PCC's Police and Crime Plan priority.*
- *In the short term, the budget is stable and reserves are sufficient.*
- *However, the financial landscape is still challenging and the MTFS identifies savings which need to be found. The uncertainty and challenges have been identified within this report and the MTFS will be under regular review as savings plans progress."*

## Appendix 1 – DETAILED PROPOSED REVENUE BUDGET 2018/19 (COMPARED TO 2017/18)

2017/18 BUDGET £,000		2018/19 Budget £,000
84,649	Officer Pay & Allowances	86,438
8,793	PCSO Pay & Allowances	8,859
40,110	Police Staff Pay & Allowances	41,221
3,755	Overtime	2,371
7,118	Other Employee Costs	8,408
-	<u>Non Pay Costs</u>	
4,008	Premises	4,072
1,956	Transport	2,111
4,021	Operational Supplies	4,130
7,389	Other Supplies and Services	6,171
11,142	Third Party Payments	14,463
(4,795)	Other Income	(8,912)
<b>168,146</b>	<b>Force Budget Requirement</b>	<b>169,333</b>
1,349	OPCC	1,464
9,599	Commissioning	9,703
4,617	Capital Financing	5,435
(1,945)	Income	(1,885)
<b>13,620</b>	<b>PCC Budget Requirement</b>	<b>14,718</b>
	Capitalisation / use of capital receipts	(1,703)
(3,179)	Transfers to / (from) earmarked reserves	(831)
	Additional investment	1,182
	Additional investment from reducing overtime	750
<b>0</b>	<b>Surplus/(Gap) after investments</b>	<b>0</b>
<b>(178,587)</b>	<b>Net Revenue Budget</b>	<b>(183,449)</b>
	Funded By:	
(104,936)	Home Office Police Grant	(104,936)
(3,541)	Council Tax Freeze Grant	(3,541)
(8,423)	Revenue Support Grant	(8,423)
(855)	Collection Fund Surplus	(792)
(60,832)	Council Tax Precept	(65,757)
<b>(178,587)</b>	<b>Funding</b>	<b>(183,449)</b>

## APPENDIX 2 – KEY ASSUMPTIONS

In producing this draft budget for 2018/19 the following assumptions have been made:

- Staffing budgets reflect resourcing plans and in order to assist flexibility a budget for agency staffing has been maintained.
- 90% of officers eligible will leave at 30 years' service and the remaining 10% of eligible officers will leave two years later.
- Police staff numbers vary in accordance with plans to modernise workforce practices, whereby some positions are transferred from officers to staff to enable officers to take up a frontline role
- Pay rates will increase by 2% in September 2018. In addition increments are included for staff moving up pay scales
- Budgets have been reallocated to reflect the IT Boeing contract and the Kier contract for Estates and Facilities Management.
- Government grant has maintained at the same levels as 2017/18.
- Income from football has significantly reduced due to revised methods employed by the clubs for stewarding matches.

**Table 4 Key Assumptions**

Description	2018/19 Proposed	2019/20 Estimate	2020/21 Estimate
<b><u>Police Officers</u></b>			
Pay Awards Additional	2.00%	2.00%	2.00%
Pension Contribution	24.20%	24.20%	24.20%
<b><u>Police Staff</u></b>			
Pay Awards Additional	2.00%	2.00%	2.00%
Pension Contribution	15.50%	15.50%	15.50%
<b><u>Indirect Staff Costs</u></b>	2.00%	2.00%	2.00%
<b><u>Non Staff Inflation</u></b>			
General (Including Rates)	2.00%	2.00%	2.00%
Utilities - Gas/Electric	5.00%	5.00%	5.00%
Utilities - Water	5.00%	5.00%	5.00%
Fuel	5.00%	5.00%	5.00%
Insurances	2.00%	2.00%	2.00%
<b><u>Funding</u></b>			
Police Funding	0.00%	0.00%	0.00%
Council Tax Base			
Increase	1.66%	1.66%	1.66%
Council Tax Precept			
Increase	6.29%	5.92%	1.99%
Collection Fund Surplus	792,000	633,000	507,000

## APPENDIX 3 - MTFS

### Police and Crime Commissioner for Staffordshire Police Medium Term Financial Projections 2018/19 to 2020/21 Detailed Projections

Precept Increase		£11.40		
2017/18 BUDGET £,000		2018/19 Budget £,000	2019/20 Plan £,000	2020/21 Plan £,000
84,649	Officer Pay & Allowances	86,438	86,360	88,538
8,793	PCSO Pay & Allowances	8,859	8,971	9,086
40,110	Police Staff Pay & Allowances	41,221	40,111	41,458
3,755	Overtime	2,371	2,371	2,371
7,118	Other Employee Costs	8,408	8,641	8,652
-	<u>Non Pay Costs</u>			-
4,008	Premises	4,072	4,150	4,231
1,956	Transport	2,111	2,170	2,232
4,021	Operational Supplies	4,130	4,252	4,300
7,389	Other Supplies and Services	6,171	6,278	6,387
11,142	Third Party Payments	14,463	14,741	15,575
(4,795)	Other Income	(8,912)	(8,912)	(8,912)
<b>168,146</b>	<b>Force Budget Requirement</b>	<b>169,333</b>	<b>169,134</b>	<b>173,918</b>
1,349	OPCC	1,464	1,493	1,523
9,599	Commissioning	9,703	9,453	9,453
4,617	Capital Financing	5,435	5,377	6,263
(1,945)	Income	(1,885)	(1,885)	(1,885)
<b>13,620</b>	<b>PCC Budget Requirement</b>	<b>14,718</b>	<b>14,438</b>	<b>15,354</b>
(3,179)	Capitalisation / use of capital receipts	(1,703)	(932)	0
	Transfers to / (from) earmarked reserves	(831)	1,750	0
	Additional investment	1,182	3,195	792
	Additional investment from reducing overtime	750	750	750
<b>0</b>	<b>Surplus/(Gap) after investments</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>
<b>(178,587)</b>	<b>Net Revenue Budget</b>	<b>(183,449)</b>	<b>(188,336)</b>	<b>(190,814)</b>
	Funded By:			
(104,936)	Home Office Police Grant	(104,936)	(104,936)	(104,936)
(3,541)	Council Tax Freeze Grant	(3,541)	(3,541)	(3,541)
(8,423)	Revenue Support Grant	(8,423)	(8,423)	(8,423)
(855)	Collection Fund Surplus	(792)	(633)	(507)
(60,832)	Council Tax Precept	(65,757)	(65,757)	(65,757)
<b>(178,587)</b>	<b>Funding</b>	<b>(183,449)</b>	<b>(183,290)</b>	<b>(183,164)</b>
	<b>Funding Gap ***</b>	<b>0</b>	<b>(5,046)</b>	<b>(7,650)</b>

\*\*\* The funding gap for 2019/20 and 2020/21 will be met through efficiencies, collaborations, precept increase or a combination of all three.

<b>Precept by Billing Authority</b>		
4,995	Cannock Chase	5,468
6,513	East Staffordshire	7,074
6,691	Lichfield	7,194
6,620	Newcastle	7,089
6,807	South Staffordshire	7,276
8,225	Stafford	8,972
5,929	Staffordshire Moorlands	6,333
3,821	Tamworth	4,128
11,231	Stoke City Council	12,223
<b>60,832</b>		<b>65,757</b>

<b>Precept by Band Apportionment</b>			
120.77	Band A	6/9	128.37
140.90	Band B	7/9	149.77
161.03	Band C	8/9	171.16
181.16	Band D	9/9	192.56
221.42	Band E	11/9	235.35
261.68	Band F	13/9	278.14
301.93	Band G	15/9	320.93
362.32	Band H	18/9	385.12

<b>Band D Council Tax</b>		
1.99%	% Increase	6.29%
3.55	£ Increase	11.40
6.8p	Increase per week in pence	21.9p

## APPENDIX 3-MTFS

### Police and Crime Commissioner for Staffordshire Police Medium Term Financial Projections 2018/19 to 2020/21 Changes in the MTFS from previous presentation

Overall comparison	2018/19	2019/20	2020/21
<b>Previous MTFS Position</b>			
Net budget requirement	184,105	187,338	190,520
Funding	(178,447)	(178,767)	(179,105)
Gap	5,658	8,571	11,415
<b>Current MTFS Position</b>			
Net budget requirement	183,449	188,336	190,814
Funding	(183,449)	(188,336)	(190,814)
Gap	0	0	0

Detailed changes	2018/19	2019/20	2020/21
<b>Changes in Net budget requirement</b>			
	(656)	998	295
Payroll	74	2,518	1,307
Overtime	(750)	(750)	(750)
Contracts	210	(124)	656
Inflation	52	(90)	(222)
Capital Financing	881	568	197
Income	(1,135)	(1,135)	(1,135)
Efficiency Savings	(2,051)	(2,051)	(2,051)
LGPS	1,611	1,611	1,611
Demand	96	96	327
Estates rationalisation	208	208	208
Base adjustments	147	147	147

Comments
Net of transformation
Further opportunities
Further opportunities
Recognised in base

Funding changes	2018/19	2019/20	2020/21
<b>Changes in funding</b>			
	(5,002)	(9,569)	(11,709)
Government Grant	(1,458)	(2,915)	(4,342)
Council Tax	(3,544)	(6,654)	(7,367)

Comments
Standstill funding
Base 0.8% to 1.7% and £11.40

OVERALL	2018/19	2019/20	2020/21
<b>Change in gap</b>	<b>(5,658)</b>	<b>(8,571)</b>	<b>(11,415)</b>
<b>Change in budget req't</b>	<b>(656)</b>	<b>998</b>	<b>295</b>
<b>Change in funding</b>	<b>(5,002)</b>	<b>(9,569)</b>	<b>(11,709)</b>

## APPENDIX 4 – CHANGE PROGRAMME WORK PACKAGES

<b>Workstream / Work Package</b>	<b>OBC BC Workpackage</b>
<b>EV1 Well Led &amp; Resilient</b>	
Leadership & Accountability	OBC WP 41
Strategic Planning Process	OBC WP 40
People culture, wellbeing and agile working	New work package
<b>EV2 Professional Emergency Response</b>	
Design and Implement Response Hubs	OBC WP 12 and 13
Review Response Workforce Mix	OBC WP 17
<b>EV3 Bringing Offenders to Justice</b>	
Review Custody	OBC WP 21
CPP Exploitation	OBC WP 32 and 36
Review investigations Workforce Mix	OBC WP 11
Investigations Hubs	OBC WP 10
Justice Process Improvements	OBC WP 15 and 16
<b>EV4 Informed Control Room</b>	
Crime Allocation Policy	Tranche 1 IN01
Reduced Dispatch Function	OBC WP 1,6 and 7
Control Room Improvements	OBC WP 8 and 14
<b>EV5 Multi-channel and customer centric</b>	
Design & Implement Resolution Centre	OBC WP 3
Customer Excellence	OBC WP 4 and 5
Channel Shift	OBC WP 2
<b>EV6 Community based problem solving</b>	
Knowledge Products	Tranche 1 NC01 - Paul
Design and Implement NPT's	OBC WP18 and 26
Expand NPTs into full multi partner working	OBC WP 19 and 20
Consistent Approach to Vulnerability	Tranche 1 NC02 Paul
<b>EV7 Management of threat, harm and risk</b>	
ANPR Review	Tranche 1 OP12 Derek
Review COEs (Centre of Excellence)	OBC WP 22 and 39
Specialist Capability / Regional Collaboration	OBC WP 23
<b>EV8 Data at the heart of everything</b>	
Information Management	OBC WP 24
Knowledge Hubs	OBC WP 25, 27, 28 and 29
Digital Forensics	Not in OBC
<b>EV9 Efficient strategic core</b>	
Enabling Service Improvements	OBC WP 30, 31, 35 and 37
Asset & Resource Improvements	OBC WP 33 and 38
Future of Enabling Services (Shared Service)	Not in OBC

## APPENDIX 5– USE OF RESERVES

The table below demonstrates the planned use of reserves in 2017-18 to 2020-21. This is in line with the MTFS whereby the target reserve balance of £8,971m will be achieved by 2020-21.

	2017/18 Opening Balance £'000	2018/19 Opening Balance £'000	2019/20 Opening Balance £'000	2020/21 Opening Balance £'000
<b>General Fund</b>	5,536	5,536	5,536	5,536
<b>Unrestricted Funds</b>				
Transformation	4,182	1,045	260	1,010
POCA Fund	373	-	-	-
Seized Vehicle Fund	177	308	308	308
MDA Forfeiture Fund	85	6	6	6
PCC Development Fund			-	1,000
Subtotal	4,817	1,359	574	2,324
<b>Earmarked Funds</b>				
Insurance	839	839	839	839
Pension Employer Contribution	1,611	-	-	-
Early Adopter Income	190	17	17	17
Crash Course	296	262	217	217
Bikesafe Grant / Admin Reserves	-	38	38	38
Subtotal	2,936	1,156	1,111	1,111
<b>Capital Receipts</b>				
Received		1,800		
Applied to capital		-		
Applied to other purposes		(1,799)		
Subtotal	-	1	4,340	-
<b>TOTAL</b>	<b>13,289</b>	<b>8,052</b>	<b>11,561</b>	<b>8,971</b>

### Level of Reserves

The Chief Finance Officer is required under the Local Government Act to report on:

- the robustness of estimates in the budget; and
- the adequacy of proposed reserves.

As detailed above in table 6, the Chief Finance Officer considers the 2018/19 budget proposals to be robust and the level of reserves to be adequate.



## **Adequacy of Reserves**

The level of general reserves has been reviewed in setting the budget. The current financial position and risks facing the OPCC and the Police Force have also been considered and the general reserves are judged adequate to meet unforeseen costs during 2018/19.

In addition to the general reserve, sufficient reserves have been set aside in the Reshaping the Future Reserve to meet costs associated with transformation of the force. There are also specific reserves to cover pensions and insurance claims that have also been reviewed and confirmed to be adequate.

## **MTFS**

In addition to this, the MTFS reports a requirement to replenish reserves to a level of £8,971m by 2019/20. This includes £5.5m of General Reserves for emergency purposes, the remainder relates to a mix of earmarked and change programme reserves.

## APPENDIX 6 – CAPITAL PROGRAMME

The table below summarises the 4 year Capital Programme.

Capital	2017/18 Forecast	2018/19 Proposed	2019/20 Estimate	2020/21 Estimate
<b>Transformation</b>				
Core Policing Platform (Operation Phoenix)	500	12,306	2,194	-
Contact (CRM)	-	1,000	-	-
Analytics (Data warehouse)	-	500	-	-
Content (Intranet Office 365 and External Goss)	65	127	-	-
Content Citizen Gateway	40	100	-	-
Digital Asset Management FV	-	495	-	-
Digital Case File - TWIF FV	-	240	-	-
SIP and TE Projects	3,742	732	1,464	-
<b>Total Transformation</b>	<b>4,347</b>	<b>15,500</b>	<b>3,658</b>	<b>-</b>
<b>Business As Usual</b>				
Vehicles	1,627	1,250	1,250	1,250
Estates	6,671	2,767	2,000	2,000
IT	4,169	4,440	1,938	1,691
OPCC	309	-	-	-
Equipment	81	525	300	300
<b>Total Business As Usual</b>	<b>12,857</b>	<b>8,982</b>	<b>5,488</b>	<b>5,241</b>
<b>Total Spend</b>	<b>17,204</b>	<b>24,482</b>	<b>9,146</b>	<b>5,241</b>

- 6.1 Over the MTFS period, then Capital Expenditure will be £56.073M. The majority of the expenditure will be on the Transformation Programme activity, which constitutes £24.097M over the MTFS period.
- 6.2 In 2017/18 capital programme investment was originally budgeted at £9.794M, however this was based on significant delivery in 2016/17. Slippage of £21.394M came forward from 2016/17, however again project delays have meant further slippage of £13.811M to 2018/19.
- 6.3 During 2016/17 forecasting and control of capital expenditure has improved however the underlying slippage in the programme remains a concern as it is the foundation of new ways of working which will ensure efficient processes throughout the Force and drive out staff savings.

- 6.4 The capital programme can only be funded by receipts, grants, contributions from the private sector and sales of assets. The planned funding of the programme over the coming 4 years is as follows:

<b>Capital Funding</b>	<b>2017/18 Forecast</b>	<b>2018/19 Proposed</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
Basic Grant funding from government	683	683	683	683
External Grant (ESMCP)	331	-	-	-
External Grant SSRP (PAS)	-	-	200	200
Funding From Expected Estates Receipts	-	7,880	5,493	
Other Receipts (Airframe and vehicles)	115	-	-	-
Borrowing Requirement	15,407	3,292	13,174	9,047
<b>Funded</b>	<b>16,535</b>	<b>11,855</b>	<b>19,550</b>	<b>10,230</b>
Total Capital Programme	17,204	24,482	9,146	5,241
Work in Progress bfwd to be funded	2,097	-	15,393	4,989
Work in Progress cfwd	- 2,766	- 12,627	- 4,989	
<b>Funded</b>	<b>16,535</b>	<b>11,855</b>	<b>19,550</b>	<b>10,230</b>

- 6.5 The programme is highly dependent on the sale of assets: without realising these sales the burden of funding will fall more heavily on the revenue budget through the minimum revenue provision which will have to be increased to allow for the repayment of loans.

- 6.6 There are detailed plans to realise £17,667M from capital receipts over the course of the MTFS period.

Capital Receipts	2017/18 £m (Out turn)	2018/19 £m (Proposed)	2019/20 £m (Estimate)	2020/21 £m (Estimate)	Total £m
Received:					
Estates	1,800	13,776	2,085	0	17,661
Other e.g. vehicles	115	0	0	0	115
<b>Total</b>	<b>1,915</b>	<b>13,776</b>	<b>2,085</b>	<b>0</b>	<b>17,776</b>
Applied to:					
Capital	115	7,880	5,493	0	13,488
Transformation	1,800	1,556	932	0	4,288
Carried Forward	0	4,340	0	0	

- 6.7 As the code of practice dictates, the first call on capital receipts is to fund their replacement or other capital investment. In the ordinary course of events, spend on business change and transformation support cannot be capitalised. The Secretary of State's capitalisation directive does not of course change this, however, the OPCC intends to use the facility allowed to apply capital receipts to pay for Transformation spend. In doing so, this protects revenue reserves from the uneven impact of spend created by a transformation programme and uses the flexibility available to the full to relieve this and future years' revenue budgets.

## APPENDIX 7 – PRUDENTIAL INDICATORS

- 7.1 Staffordshire OPCC and Staffordshire Police have been following a policy of holding funds in reserves to use as internal borrowing – using available cash instead of seeking external borrowing to support the capital programme. This does not mean that reserves are used to fund capital, rather that because we hold reserves, notionally that cash is available as a balance and can be used to avoid external borrowing.
- 7.2 External borrowing was £55.187m as at 31 March 2017, of which long term Borrowing was £41.3m.
- 7.3 During the period of the MTFs, given current capital forecasts and plans, the authorised limit within the prudential indicators will come close to being breached.
- 7.4 The current prudential indicators set the limits as follows:

External Debt	As at 31/3/2017	Borrowing Limits
Authorised Limit	£41.300m	£73.500m
Operational Boundary	£41.300m	£72.200m
PWLB Debt	£41.300m	£36.300m

- 7.5 Current capital plans will put pressure on the limits as follows:

	2017/18	2018/19	2019/20	2020/21
Debt Outstanding - 1 April	55,187,385	68,361,087	68,544,219	78,836,556
add				
New Borrowing	15,406,546	3,292,000	13,174,000	9,347,000
IT	5-10	6,583,501	0	10,874,000
Estates	40	7,912,695	2,767,000	2,000,000
Equipment	10	81,000	525,000	300,000
Vehicles	4	829,352		567,000
	70,593,930	71,653,087	81,718,219	88,183,556
less				
MRP on Debt Outstanding 1 April	2,232,843	3,108,868	2,881,663	3,777,874
	68,361,087	68,544,219	78,836,556	84,405,682
less				
Capital Receipts Set Aside Used to Repay Debt				
<b>DEBT OUTSTANDING 31 March</b>	<b>68,361,087</b>	<b>68,544,219</b>	<b>78,836,556</b>	<b>84,405,682</b>
In year funding	18,121,000	2,815,000	10,305,000	6,838,000
In year repayments	1,750,000	1,250,000	2,000,000	1,000,000
<b>LONG TERM FUNDED LOANS</b>	<b>57,671,000</b>	<b>59,236,000</b>	<b>67,541,000</b>	<b>73,379,000</b>

INTERNAL FUNDING	10,690,087	9,308,219	11,295,556	11,026,682
Internal Funding Marginal Increase / (Decrease)	-3,197,297	-1,381,868	1,987,337	-268,874

<b>Capital Receipts Received in year</b>	135,584			
<b>Capital Receipts Estimated</b>	1,800,000	13,776,000	2,085,000	300,000
<b>Capital Spend for MRP purposes</b>	16,535,196	11,855,275	19,550,000	10,230,000
<b>Current Prudential indicators</b>	73,500,000	73,500,000	73,500,000	73,500,000
<b>Within or (outside) prudential indicators</b>	15,829,000	14,264,000	5,959,000	121,000

#### Affordability Indicators for Treasury Management

	<b>2017/18 Forecast Outturn</b>	<b>2018/19 Budget</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
Planned Capital Expenditure	17,204	24,482	9,146	5,241
Ratio of financing costs to net revenue streams	2.5%	3.0%	2.9%	3.3%
In year borrowing requirement	15,407	3,292	13,174	9,047
In year capital financing requirement	12,902	-88	10,021	5,569
Closing capital financing requirement	68,086	67,998	78,019	83,589

