

## Police and Crime Panel

20th February (for meeting 3<sup>rd</sup> March) 2015

Revenue & Capital Budgets 2015/16

Report of PCC Chief Finance Officer and Chief of Staff



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### Introduction

1. The purpose of this report is to enable the Police and Crime Panel to review the proposed revenue and capital budgets for Durham Constabulary for 2015-16.

### Background

2. The provisional financial settlement for 2015/16 (received 17<sup>th</sup> December 2014) announced a reduction in core Government funding to Policing Services of 5.1% when compared to 2014/15. (When comparing total Government funding the reduction was 4.8%).
3. Whilst a balanced budget for the financial year 2015/16 can be achieved there will be a tough challenge for 2016/17 and future years. To balance future years it will be necessary to further reduce officer and staff numbers. Provisional financial settlement figures are not yet available for 2016/17 from Central Government and until those indications are available it is estimated that income from central government will reduce by approximately £3.290m.
4. The Medium Term Financial Plan will be presented to the next meeting of the Police and Crime Panel.

### Report

5. The report is set out in four sections:
  - I. Overall budget
  - II. Income
  - III. Capital
  - IV. Reserves

**Section I: Overall Budget 2015/16****Expenditure**

6. The key expenditure related planning assumptions are below:

	<b>Estimate 2015/16</b>
Officer Pay Inflation (from September each year)	1% (from 01/09/15)
Staff Pay Inflation	2.2%(from 01/03/15)
Police Officer Vacancy Factor	0%
Police Staff Vacancy Factor	3%
Energy & Fuel Inflation	1%
Other Non-Pay Inflation	0%
Council Tax Increase	1.98%
Other Income Inflation	0%

7. This table considers the impact of all the income and revenue assumptions and sets out the planned 2015-16 budget:

<b>Budget Heading</b>	<b>Outturn 2014/15</b>	<b>Estimate 2015/16</b>
	<b>£'000</b>	<b>£'000</b>
<b>Employees</b>		
Police Officer Pay	64,582	63,852
Police Overtime	1,953	2,177
Police Staff Pay	27,446	29,147
Police Pensions	2,457	1,730
Other Employee Expenses	751	1,167
<b>Total Employees</b>	<b>97,189</b>	<b>98,073</b>
<b>Premises</b>	<b>4,262</b>	<b>4,411</b>
<b>Transport Expenses</b>	<b>2,455</b>	<b>2,201</b>
<b>Supplies &amp; Services</b>		
Equipment	896	478
Stationery	340	272
Uniform	257	224
Doctors	1,377	1,440
Communications	2,163	1,951
Computing	2,016	1,588
Other Supplies	1,486	1,139

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Budget Heading	Outturn 2014/15	Estimate 2015/16
	£'000	£'000
<b>Total Supplies &amp; Services</b>	<b>8,535</b>	<b>7,092</b>
Air Support	529	529
Joint & Other Authorities	2,629	608
Police National Computer	577	556
Forensic Science Services	875	900
Support Service Charges	23	20
<b><u>less</u></b>		
<b>Income</b>		
Customer & Client Receipts	(1,502)	(1,754)
Collaboration Income	0	(1,384)
Secondment Income	(735)	(503)
Interest	(18)	(25)
Special Grants	(1,108)	(850)
<b><u>plus</u></b>		
Capital Financing Costs	523	1,053
<b>Police Constabulary</b>	<b>114,234</b>	<b>110,927</b>
Victims Commissioning Grant	(474)	(550)
Restorative Justice Grant	(111)	(140)
PCC Commissioning	585	690
Community Safety Fund	752	735
PCC Costs	998	968
<b>Net Expenditure</b>	<b>115,984</b>	<b>112,630</b>
<b>Funded by</b>		
DCLG Grant	(38,690)	(37,176)
Police Grant	(45,754)	(42,954)
Council Tax Support Grant	(6,110)	(6,110)
Council Tax	(25,430)	(26,390)
	<b>(115,984)</b>	<b>(112,630)</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>0</b>

8. Comment:

- The budget is balanced for 2015/16 subject to the anticipated retirement of police officers and loss of police staff posts. The police officer posts vacated by the retirements will be filled via recruitment and transferees.
- Work has already commenced to address the projected deficit for 2016/17 and beyond. These years and beyond will be more challenging to address and will involve careful planning for the future deployment of police officer and

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police staff going forwards. The Medium Term Financial Plan will be presented at the next meeting of the Police and Crime Panel.

- There is a continuous process reviewing (in detail) all aspects of service delivery across all commands, as well as working with partners. Investment in ICT is expected to release cash backed efficiencies. Collaboration is expected to generate significant savings which will assist in the reduction of officer and staff numbers.
- The latest HMIC Value for Money Profiles has been used to identify areas for potential efficiency savings.
- A detailed workforce plan has been produced which complements this plan.

**Section II: Income****1. Local Authority Finance Settlement - £86.2m**

9. Central funding for 2015/16 has been set at £86.24m, a decrease of £4.314m (4.8%) compared with the 2014/15 figures. The table shows the anticipated fall in central government funding in future years as follows:

	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Police Grant	45,754	42,954	41,580	40,250	38,962
DCLG General Grant	38,690	37,176	35,987	34,836	33,722
Legacy Council Tax Freeze Grants	6,110	6,110	5,383	5,383	5,383
<b>Central Gov't Funding</b>	<b>90,554</b>	<b>86,240</b>	<b>82,950</b>	<b>80,469</b>	<b>78,067</b>
<b>Reduction in Funding</b>	<b>4,207</b>	<b>4,314</b>	<b>3,290</b>	<b>2,481</b>	<b>2,402</b>

10. Funding has been allocated nationally to other specific areas where there is a national policing interest such as to the Independent Police Complaints Commission (to deal with serious and sensitive cases involving the police) and the HMIC to fund a new annual programme of all force inspections. This effectively means that less grant is available to each Force. It is estimated that the Force has lost approximately £1.8m grant in 2015/16 as a result of top slicing.

**2. 2015/16 Council Tax Income - £26.3m**

11. The PCC has proposed a 1.98% increase in Council Tax, which is the maximum increase recommended to avoid a referendum, and will result in an increase to the base budget of £0.51m for every year in the future.
12. The 'council tax bases' of Durham County Council and Darlington Borough Council are used to calculate the proportion of the PCC's total precept levied on each Council. The tax base is the estimated full year equivalent number of chargeable Band D dwellings with two or more liable adults and in respect of which tax will be received.

<b>Council</b>	<b>Council Tax Base</b>	<b>Precept (£)</b>
Durham County	130,493.00	21,235,126
Darlington	31,101.00	5,061,066
<b>TOTAL</b>	<b>161,594.00</b>	<b>26,296,192</b>

**Total funding in 2015-16 = £86.2m + £26.3m = £112.5m**

**Section III: Capital Expenditure**

13. The enclosed capital summary sets out proposed expenditure for capital projects for 2014/15 to 2015/16 and the associated funding options. The PCC received £1,182,284 in 2014/15 and expects to receive £1.1m in 2015/16. In future years it is estimated that between £0.95m and £1.05m per annum will be received.
14. The impact of any capital receipts generated from the sale of land owned by the PCC for development of commercial or housing purposes has been included in the funding at this stage. The first capital receipts from the sale of the old HQ site are expected in 2015/16 and will continue over a number of years.

**Revenue Impact of the Capital Programme**

15. The following table contains a summary of capital expenditure by asset category.

	<b>Outturn 2014/15 £'000</b>	<b>Estimate 2015/16 £'000</b>
<b>Expenditure</b>		
Buildings: Major works	5,600	500
Buildings: Minor Works	382	1,270
Vehicles	886	950
ICT	2,225	3,825
Equipment	541	250
<b>Total</b>	<b>9,634</b>	<b>6,795</b>
<b>Funding</b>		
Capital Grant	3,033	2,031
Special Grant	519	0
Capital Receipts	100	2,994
Revenue Contribution	0	0
Strategic Reserve	0	0
Unsupported Borrowing	5,982	1,770
<b>Total</b>	<b>9,634</b>	<b>6,795</b>
<b>Capital Financing Costs</b>		
Minimum Revenue Provision	520	839
Revenue Contribution	0	0
Contribution from Reserves	0	0
Interest Charges	18	214
<b>Total</b>	<b>538</b>	<b>1,053</b>

16. The most significant capital expenditure is explained over the next few paragraphs and a table showing detailed planned expenditure in 2014/15 and 2015/16 follows. Detailed planned expenditure to 2018/19 will be presented as part of the Medium Term Financial Plan.

**Estates**

17. The primary focus for the Estates programme will be the removal of asbestos from the old HQ site and the subsequent sale of that site, the re-siting of the radio mast and the demolition of the old Newton Aycliffe building.

18. There will still be a regular buildings improvement and maintenance programme undertaken for the rest of the Estate.

### Fleet

19. The fleet replacement programme is kept under constant review and it is planned to spend a relatively consistent figure each year on vehicles.

### ICT

20. The ICT Strategy outlines the capital schemes to be delivered over the period covered by the plan. A large proportion of the ICT expenditure in the capital programme relates to the facilitation of Mobile data. Other key schemes are as follows:

- ICT Infrastructure: There is a business need to refresh and extend some components of the ICT infrastructure. This includes improving the WAN.
- Business Applications: The primary costs over the next three years will be the continued consolidation of our business applications through the Red Sigma programme; implementation of a new Case & Custody system; and the development of electronic records management.

### Detailed Capital Expenditure

21. The following table includes details of new capital expenditure by asset category. NB some lines show zero because expenditure in these areas will begin in 2016/17 and beyond.

<b>Planned Capital Expenditure from 2014/15 to 2015/16</b>		
	<b>Outturn 2014/15 £'000</b>	<b>Estimate 2015/16 £'000</b>
HQ Redevelopment	4,300	500
Unit 1, Whitehouse Way	1,300	
<b>Sub total</b>	<b>5,600</b>	<b>500</b>
<b>Minor Works Projects</b>		
Newton Aycliffe Demolition	120	
PSU Classroom Extension	22	
Darlington improvements	90	
Accommodation Improvements	100	50
Custody Improvements	50	
Legislative Compliance	0	100
<b>Sub total</b>	<b>382</b>	<b>1,270</b>
<b>Motor Vehicles</b>	<b>886</b>	<b>950</b>
<b>ICT Projects</b>		

<b>Planned Capital Expenditure from 2014/15 to 2015/16</b>		
	<b>Outturn 2014/15 £'000</b>	<b>Estimate 2015/16 £'000</b>
Capital carry forward		300
<b>Infrastructure Development</b>		
Identity Access Management	69	
<b>Infrastructure Technology Refresh</b>		
Desktop Virtualisation		
Desktop security		50
CDS	333	
Server & Storage Replacement	50	75
Airwave Radios		50
Bodycamera replacement		
Web E-mail Security Improvements		
ANPR infrastructure		110
ANPR BOF		
ESMCP		
LAN Core Switch Refresh		130
WAN Hardware		550
Review Storage Solution		300
Review Fibre Switch Infrastructure		120
Review Fibre Tape Libraries		150
Schengan PNC interface	21	
PSN	87	200
Projector Review/Replace		40
CAID		25
<b>Digital Evidence</b>		
Central 999 Recorders		
Custody DVR Replacement		120
<b>Mobile Working</b>		
Mobile Data (Grant Funded)	120	400
Mobile data carry forward		700
Expand Video Conferencing Lync - External Conference - Virtual Courts		30
<b>Buildings ICT Infrastructure</b>		
New HQ ICT Infrastructure	538	
Telephone System	362	
Darlington Custody	20	
Peterlee	11	
<b>Business Applications</b>		
Red Sigma/ Blue Delta Development	407	100
Microsoft Licence Arrangements	28	
Case & Custody	55	50
GIS Replacement		150
COMPASS Migration	25	



<b>Planned Capital Expenditure from 2014/15 to 2015/16</b>		
	<b>Outturn 2014/15 £'000</b>	<b>Estimate 2015/16 £'000</b>
Asset Management / Service Desk		
Cyber crime	20	
Tecsos	24	
Holmes Upgrade		25
Pegasus upgrade		10
Agresso		40
Storm		
Electronic Record Data Management System	13	100
EROS Project		
Origin / DMS	42	
<b>Sub total</b>	<b>2,225</b>	<b>3,825</b>
<b>Equipment</b>	<b>541</b>	<b>250</b>
<b>Grand Total</b>	<b>9,634</b>	<b>6,795</b>

**Section IV: Use and Level of Financial Reserves**

22. To ensure ongoing financial viability it is important that the Police & Crime Commissioner continues to maintain a suitable level of reserves. Whilst there is no general guidance on what represents a suitable level of reserves in percentage terms, it is important to take into account the various risks to be faced when coming to a view on reserve levels. Our position is that general reserves should not be used to support day to day expenditure given: the level of funding uncertainty in future years (where more grant reductions are expected but not yet outlined by Central Government); localisation of council tax benefit; rising costs and council tax capping limits. Reserves should only be used to invest in capital expenditure or invest in expenditure which will lead to clear efficiencies.
23. The current policy statement on the level of reserves includes the following:
- I. The Police & Crime Commissioner will set aside sufficient sums in earmarked reserves as it considered prudent to do so. The PCC Chief Finance Officer will be authorised to establish such reserves as are required, will review them for both adequacy and purpose, and report on a regular basis to the Police & Crime Commissioner.
  - II. The Police & Crime Commissioner will aim to maintain, broadly, general reserves of between 4% and 5% of the revenue estimates (currently about £4.533m and £5.666m respectively, based on 2015/16 revenue funding of £113.320m) subject to an annual review by the PCC Chief Finance Officer as part of the budget process.
24. The following tables show the estimated movement in financial reserves over the period to 31<sup>st</sup> March 2016 assuming a 1.98% Council Tax increase for 2015/16. The Capital Modernisation and Capital Grants Unapplied reserves are the specific earmarked reserves used to contribute to the funding of the capital programme in future years. There is a movement from the General Reserve of £260,000 to the Earmarked Reserve (Support Staff Pensions) in 2014/15 and that is to align the General Reserve with the Reserves Policy by keeping the reserve level at the top of the policy limit at 5%.

<b>Financial Reserves</b>	<b>Balance at 31/3/14</b>	<b>Variation 2014/15</b>	<b>Estimated Balance 31/3/15</b>	<b>Variation 2015/16</b>	<b>Estimated Balance 31/3/16</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General	5,926	-260	5,666	-	5,666
Usable Capital Reserve	154	-	154	-	154
Capital Receipt	-	-	-	1,356	1,356
Earmarked	14,966	-1,111	13,855	-931	12,924
<b>Total Reserves</b>	<b>21,046</b>	<b>-1,371</b>	<b>19,675</b>	<b>425</b>	<b>20,100</b>

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	<b>31<sup>st</sup> March 2014 £'000</b>	<b>31<sup>st</sup> March 2015 £'000</b>	<b>31<sup>st</sup> March 2016 £'000</b>
Capital Modernisation	6,984	7,224	7,224
Capital Grants Unapplied	2,782	931	0
Staff Pensions & Severance	1,500	2,000	2,000
Insurance	574	574	574
Police Officer Pensions	676	676	676
Investment in IT	250	250	250
PCC	436	436	436
Community Safety Reserve	268	268	268
Training	150	150	150
Tactical Training Centre	83	83	83
Other	1,263	1,263	1,263
Usable Capital Reserve	154	154	154
Capital Receipt	0	0	1,356
General Reserve	5,926	5,666	5,666
<b>Total</b>	<b>21,046</b>	<b>19,675</b>	<b>20,100</b>

25. The expected use of reserves is as follows:

- £3.033m to fund capital expenditure in 2015/16
- £3.925m to fund capital expenditure in 2016/17
- £3.101m to fund capital expenditure in 2017/18
- £0.480m increase in capital modernisation and staff pensions reserves in 2014/15 due to revenue underspend.
- £6m potential reduction due to repayment of pension deficit, not shown in the above table as this is still subject to PCC and external audit approval.

**Monitoring and Review**

26. This financial plan will be subject to continuous review and forms part of the overall planning processes within the OPCC and Constabulary. This will ensure that an accurate future financial forecast is maintained to give an indication as to the affordability of spending plans which in turn will be fed into the corporate planning process.

**Recommendation**

27. That the Police and Crime Panel provide any questions relating to the proposed 2015-16 budget.

**Gary Ridley**

Chief Finance Officer

**Alan Reiss**

Chief of Staff

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## Appendix 1: Risks and Implications

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### Finance

These are contained in the main body of the report.

### Staffing

The budgetary implications for staffing will be dealt with in the MTFP.

### Equality and Diversity

N/A

### Accommodation

The capital budget has implications for the way in which accommodation will be delivered in the future.

### Crime and Disorder

N/A

### Human Rights

N/A

### Children's Act 2004

N/A

### Stakeholder/Community Engagement

A number of public consultation meetings were held to invite views on budget setting and the level of precept.

### Environment

N/A

### Collaboration

A full and developing programme of collaboration is in place to effectively manage the reducing budget. The Continuous Improvement Board will oversee VFM and productivity in relation to the delivery of the 2015/16 budget.

### Value for Money and Productivity

N/A

### Other risks

N/A

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