

MEETING: JOINT EXECUTIVE BOARD DATE: 25 January 2016	AGENDA ITEM NUMBER:
TITLE OF PAPER: POLICE BUDGET REQUIREMENT 2016/17	

PREPARED BY: NEAL BUTTERWORTH, HEAD OF FINANCE CONTACT INFORMATION: 700 3932		
OTHER BOARDS WHICH HAVE CONSIDERED THIS PAPER? NONE		
FOR DECISION	FOR INFORMATION	APPENDICES ATTACHED (how many?)
Yes	-	3

RECOMMENDATIONS FOR DECISION

It is recommended that the final budget proposal for 2016/17 be agreed by the Police & Crime Commissioner, including the assumed 1.97% precept increase.

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PURPOSE OF REPORT

To present the 2016/17 budget to the Joint Executive Board. To seek approval for the assumptions used within the budget projections.

1. INTRODUCTION

- 1.1 In next year's budget we have many ongoing challenges. We are faced with increasing demand for our services, new challenges from emerging threats and continued pressure on our limited financial resources.
- 1.2 This report sets out both the financial and operational challenges that have been contained within an overall budget requirement of £121m. This budget, if approved, represents an increase of £2.3m (just less than 2%) over the previous year.
- 1.3 This increase, however, masks the financial pressure we are under, changes in specific grants, National Insurance and ongoing inflationary pressures have added over £7m of costs to our budget, it is only through our continued internal change programme and work with our Strategic Alliance partner (Devon & Cornwall Police) that I have been able to mitigate this.
- 1.4 Central Government funding has been much less damaging than predicted earlier in the year. The well-publicised settlement and 'protection' from further cuts still represents a cash reduction of 0.6% from our revenue budget and 41% less in capital grant. Whilst you have to dig deep into Treasury figures, there is a further claw back of police funding through a 10% reduction in the employer's cost of police pensions. This saving has not been passed on to the Force as it is being retained by the Treasury. In cash terms this represents a further £2m.
- 1.5 There has been some positive news in relation to the council tax base and an increase in the collection fund surplus which, when combined with a precept increase, has met the increased funding requirement.

Priorities for Action

- 1.6 Despite the continued pressure on resources, there are three specific areas in which I intend to increase both the operational emphasis and dedicated resources; this ability being predicated on the product of an increase in the precept.

(i) Protecting Vulnerable People

- 1.7 Threat Risk and Harm is the basis on which we assess our priorities. Whilst any one can be a victim of crime, and the Service rightly responds to them, there are significant groups who are both vulnerable and at increasing risk:

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- Child Sexual Exploitation
- Domestic Abuse
- Fraud Against the Vulnerable
- Missing Persons
- Mental Health
- Adults at Risk and Wider PVP Strands, ie Human Trafficking, Harassment and Stalking

1.8 In many cases the individuals do not recognise their own vulnerability and in some instances would not accept that they are victims. It is our responsibility to ensure we do everything we can to minimise their risk. There is no single answer or organisation that can achieve this. Working with partners, investing in training of front line staff, enhanced investigative capability and investment in technology are all required in order to provide a comprehensive response to this threat.

1.9 Very specifically I intend to increase the number of dedicated detectives and civilian investigators to work within our Public Protection Department and with our local partners to create a Multi-Agency Safeguarding Hub and further invest in training and technology, disseminating best practice and rolling out national capability such as access to the Child Abuse Image Database. There is clear evidence of increased reporting nationally and locally of child sexual assaults. Another area where there is less awareness but is equally damaging is the increase in child exploitation in drugs supply and their manipulation through dangerous drugs networks. Further investment, both direct and with regional and national agencies in both intelligence and disruptive tactics, is essential.

(ii) Emerging Threats

1.10 Of increasing concern to the public and increasing demand within the Force is the impact of cybercrime. In practice cybercrime encompasses the entirety of issues that the police face on a daily basis and as such the response and development of capability is by necessity a multi-targeted approach requiring increased resources.

1.11 The majority of crimes and incidents investigated will involve some form of analysis of computer equipment. As the market and storage expands, the complexity of investigation expands. This ranges from analysing smart phones, tablets and laptops through to an understanding of social media and cloud based services. It is often critical to rapidly triage and analyse data across a range of incidents from protecting vulnerable (missing persons) to detecting and disrupting serious and organised crime. This requires an expanded knowledge base across the Force supported by a central team of specialists. This also needs support of the latest equipment for both storage and analysis.

1.12 Increasingly criminals are utilising the Internet to commit crime. This encompasses fraudulent transactions, disposal of stolen and counterfeit goods through to identity theft and banking fraud. Significant resource is required in both the investigation process but also, and arguably more significantly, public and business education and information to increase their awareness and security.

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- 1.13 Cybercrime also impacts on our most vulnerable (children) through online sexual exploitation and increasingly extortions where offenders have used the Internet to blackmail adults and children; these types of crime have resulted in individuals causing themselves significant harm.
- 1.14 Our response to this area (supported by the precept increase) includes:
- Increase training and investment in tools to improve intelligence gathering.
 - Partnership with Bournemouth University.
 - Develop cyber security information sharing protocol.
 - Embedding nationally accredited digital media investigators in the Force.

(iii) Making Contact

- 1.15 It is absolutely critical that our systems and processes enable the public not just to contact us but that we have the resources, risk management and expertise to deliver the appropriate response. By continuing to develop our web based services we are able to provide an efficient 24/7 means of contact and provide a means for the public to obtain advice. This will, over time, enable the resources within the Control Room to be better focused and more responsive to manage both the emergency and non-emergency calls that are received.
- 1.16 The Police Service is increasingly becoming the service of last resort for many of the most vulnerable individuals. As other areas of public services contract, we are seeing demand increase. We have to have call handlers who understand and appropriately respond to the diversity of calls they receive on a daily basis.
- 1.17 Our contact management is not limited to the web and control room level. We continue to interact at every level and need to invest to ensure that officers and staff have the right training, support and technology to meet the public needs. This will include the development of Apps to equip officers with mobile data functionality, development of protocols to facilitate estate sharing with partners and the continuous commitment to tailor training and briefings to address the public's expectations.

Financial Implications

- 1.18 If supported, an increase in the precept will result in just over £1m in the revenue budget. This is absolutely not growth but more appropriately should be seen as a reduction in our savings requirement from £6m down to £5m. The funding will however be a significant contribution to our work in the above areas.
- 1.19 Specifically, the funding will enable our police officer establishment to increase by 23 officers and seven police staff investigators and analysts and provide them with equipment and vehicles to fully perform their role. Further investments in technology will include enhancements to our telephony system, increasingly flexibility for staff deployment, investment in web development for public interaction and continued investment in training and continuous development of our workforce.

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1.20 The remainder of this report sets out the technical detail of our financial position, underlying assumptions and future years' financial challenges.

2. FINANCIAL SUMMARY

2.1. The 2016/17 budget has been prepared, and is shown below including a full reconciliation to the previous year budget:

	Grand Total
2015/16 Original Budget	110.9
Council Tax Benefits Limitation Grant Treated as Funding	6.0
Prior Year Council Tax Freeze Grants Treated as Funding	1.9
2015/16 Revised Budget	118.8
Pay Awards	0.9
Annual Increments	1.2
Holiday Pay	0.3
National Insurance changes	2.1
Collaboration (Zephyr / Forensics)	0.4
Full Year Effect of Prior Years Commitments	0.2
Changes in Fees and Charges	0.1
Reallocated Budgets	0.3
Anticipated Specific Grant Changes	1.7
Non Pay Inflation	0.3
Other Minor Changes	0.0
16/17 Budget Requirement Pre Savings	126.3
Workforce Reductions / Changes	(2.0)
Strategic Alliance	(2.2)
Savings Removed During Budget Setting	(0.9)
Remove Revenue Contribution to Capital	(1.2)
16/17 Budget Requirement Post Savings	120.0
Precept increase	1.0
16/17 Budget Requirement	121.0

2.2. The budget above shows the base requirement of £126.3m, to which has been applied further reductions and savings of £6.3m to achieve a base budget requirement of £121.0.

2.3. A 1.97% precept increase has then been applied, which will be directed towards the critical investment requirements set out within this paper:

- Protecting vulnerable people
- Emerging threats
- Making contact

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- 2.4. This precept increase takes the budget requirement for the year to £121,048,600.
- 2.5. Significant cost increases have been absorbed within the base budget requirement set out above, including most significantly a £2.1m increase in the cost of National Insurance following the move to a single tier state pension from April 2016.
- 2.6. This paper sets out the key information and assumptions used in arriving at the above budget. It also updates the Medium Term Financial Strategy (MTFS).

3. FUNDING

- 3.1. Dorset Police receives funding primarily from central government grant ('Police Grant') and Council Tax, which are used to fund the net budget requirement. The net budget requirement consists of gross expenditure netted off by income and specific government grants.
- 3.2. The net budget requirement for 2016/17 shown at paragraph 1.1 matches the anticipated available funding of £121.0m, which is shown below along with a reconciliation to the 2015/16 funding:

	Police Revenue Grant £m's	Legacy Council Tax Grants £m's	Council Tax £m's	Council Tax Collection Fund Surplus £m's	Total £m's
Actual Funding 2015/16	58.9	7.9	51.6	0.4	118.8
Police Grant Changes	(0.3)				(0.3)
Changes in Taxbase			0.5		0.5
Changes in Collection Fund Surplus				1.0	1.0
Increase in precept @ 1.97%			1.0		1.0
Actual Funding 2016/17	58.6	7.9	53.1	1.4	121.0

Police Grant

- 3.3. The 2016/17 Provisional Police Finance Settlement, including the Police Grant report was announced on 17 December 2015, with funding information covering only one year. The Final Police Grant Report is due to be published in early February 2015.
- 3.4. As shown in the table at paragraph 2.2, police grant has reduced in cash terms by £0.3m (0.6%) from 2015/16. This reduction includes the effect of increased reallocations (previously referred to as 'top slicing') of police budgets to fund national projects.
- 3.5. The cash reduction in police grant is significantly below the assumed reduction in the MTFS of 3.5%.

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Precept

- 3.6. The Police and Crime Commissioner has stated his intention to increase the level of Council Tax in 2016/17 by 1.97%. This will allow critical investment in support to front line policing, and is consistent with the results of the recent survey of the local population. This final budget proposal has been prepared on this basis.
- 3.7. For information, precept increases over the last five years are shown below:

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Band D Council Tax	£180.00	£180.00	£180.00	£183.51	£187.11	£187.11
% Annual Increase	-	0.00%	0.00%	1.95%	1.96%	0.00%
<i>NB: Cumulative increase (ie increase on 2010/11)</i>	-	0.00%	0.00%	1.95%	3.95%	3.95%

- 3.8. The MTFs assumed a 1.0% increase in taxbase, based on increases over the last two years which were 1.08% and 1.51% respectively. The year's prior to this had averaged in the region of 0.75%.
- 3.9. The actual taxbase increase was 1.02%, with the larger increases being in Bournemouth (2.1%) and Christchurch (1.4%). The taxbase in North Dorset decreased by 1.7%
- 3.10. This increase in taxbase provides additional income of £0.5m on 2016/17, and is in line with the estimate in the MTFs.
- 3.11. The MTFs assumed a £0.3m surplus on the Council Tax Collection Fund based on the average surplus over the last ten years. The actual surplus was significantly higher than this estimate at just over £1.4m. This surplus is one off funding which will be used to fund operational policing and the Local Innovation Fund in 2016/17.

Funding Forecast 2017/18 – 2019/20

- 3.12. Taking the 2016/17 funding information, and higher level information from the Government's 2015 Autumn Statement and Spending Review, and extrapolating it forward for the following three years gives the following projected funding:

Funding	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Grant Funding	66.5	66.1	65.6	65.1
Precept (including surplus)	54.5	55.0	56.6	58.3
Total Funding	121.0	121.1	122.2	123.4

- 3.13. The forecast assumes a 2% increase in precept in each year from 2017/18, a 1.0% increase in taxbase, and an annual surplus of £0.3m on the Collection Fund.
- 3.14. The forecast also assumes further cash reductions in Police Grant of 0.7% annually from 2017/18.

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4. BUDGET REQUIREMENT

- 4.1. As in previous years, the 2016/17 budget has been drawn up on a line by line basis, with every opportunity to realise savings being considered. The budget has been drawn up to reflect the requirements of the Police and Crime Plan, which is also reflected by the current organisational structure.
- 4.2. The paragraphs below provide further detail on the process taken in drawing together the budget, and detail on the content of this budget requirement.
- 4.3. The 2016/17 budget is shown in the subjective format used in the annual accounts, which is based on the format prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is the format used when assessing virements throughout the year. Significant virements, which are those movements at this subjective level of £100,000 or 10%, whichever is the lesser amount, are reported to Chief Officers and the Police and Crime Commissioner.
- 4.4. A summary of the budget in the 2016/17 budget at subjective level, compared with the 2015/16 budget, is attached at Appendix A.

Pay Budgets

- 4.5. The budget projections assume workforce of 1,200 police officers and 1,083 police staff. These numbers can be reconciled to the numbers in the 2015/16 budget as follows:

	Officers (FTE)	Staff (FTE)
2015/16 Budget	1,221	1,050
Reduction in Dedicated Security Posts	(22)	
Posts funded from Capital / Reserves / Specific Grants		22
Dispatchers		12
Strategic Alliance Savings	(22)	(24)
2016/17 Base Budget	1,177	1,060
Plus Temporary Posts (including Media, IS, FCC, PSD)	0	16
Precept increase	23	7
Total Budgeted FTEs 2016/17	1,200	1,083

- 4.6. The authorised establishment, which forms the basis of these figures, is currently under review to ensure resources are allocated as necessary against operational priorities. The above schedule also makes assumptions in respect of the number of officers and staff that will be reduced due to the Strategic Alliance, and the number that will be reduced due to the proposed reduction in Dedicated Security grant.
- 4.7. The Strategic Alliance savings shown are based on the total number of officer and staff posts expected to be saved under the Alliance in business cases due to be

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implemented before the end of 2016/17 multiplied by the proportion of saving expected to be returned to Dorset (ie 30% in most instances). This is clearly a broad estimate, as some cases will involve much greater reductions in Devon and Cornwall, and therefore non staff savings in Dorset rather than workforce savings. However, until the individual business cases are finalised, this assumption has been made.

- 4.8. A reduction in Dedicated Security Post grant has been indicated, with a reduction of 22 funded posts anticipated in 2016/17. This has also been reflected in force income budgets. Negotiations are currently ongoing with the view to phase this reduction over two, or potentially three years. However, there is no agreement to this effect at present. Any such reduction would increase the income budget and the officer budget. An additional intake, and / or the potential to recruit further transferee officers will be considered in the event that negotiations are successful.
- 4.9. Although overall staff numbers are not expected to drop significantly during 2016/17, a 'turnover factor' of 2.5% has been applied to all police staff pay budgets. This means that there will be an expectation of vacancies being held open for longer during that year to achieve savings in the region of £0.8m. This has been calculated based on historic trends and reflects the combined effect of vacancies and salary reduction as new staff commence at the bottom of the salary grade. In broad terms, it equates to an average length of variance of approximately two months.
- 4.10. Pay awards for police officers and staff are currently assumed to be 1% in each of the next four year.
- 4.11. The employer's contribution to the Local Government Pension Scheme (LGPS) will be 12.4% for the year, and is currently expected to remain stable in each successive year. Police officer pensions are managed nationally. A recent actuarial review identified a reduction in the employer contribution from 24.2% to 21.3%. However the Treasury is continuing to charge forces the higher rate.
- 4.12. As in previous recent years, the key challenge will be to ensure best use is made of the workforce that remains. The current change programme, including the Strategic Alliance, will be two significant methods of ensuring that the remaining workforce is as lean and focussed as possible.

Non Pay Budgets

- 4.13. The non staff budgets have been individually reviewed, challenged, and demand for expenditure assessed. This has resulted in a significant number of savings being removed from the budgets, and in particular reductions in the estimates and assumptions contained within the MTFs.
- 4.14. All budgets have been individually scrutinised, using historic spend information and anticipated future demands to inform future budgets. Budget holders have been involved in determining the level of budget required, and each budget holder has been separately challenged on their budget area at formal 'Cost Challenge' meeting, chaired by the Director of Finance. This process has delivered around £0.5m in additional savings, with further savings identified during the budget setting process of £0.4m.

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- 4.15. Inflation has been applied only to budgets that are subject to inflationary pressures, such as contractual increases. A notional rate of 1.0% has been used, except where individual rates are known, or can be separately estimated due to particular inflationary pressures, such as on utility contracts.
- 4.16. In addition to the savings identified during the budget process, a formal 'risk line', roughly equivalent to a 1% increase in Council Tax, has again been applied. This is a 'negative' budget that must be met each year through in year savings, and creates the basis for continual challenge. In 2016/17 this risk line will be £0.5m.
- 4.17. In respect of income budgets, opportunities have been considered for income generation, and, where identified, have been included in the budget. HMIC's Value for Money Profiles 2015 show that Dorset Police benchmark as significantly above average on sales, fees, charges and rent, which includes income from the Driver Awareness Scheme (DAS). However, this position changes to below average when reimbursed income, including special police services, is included. This income is usually dependent on specific opportunities, such as income from sporting events, and linked to additional expenditure.
- 4.18. Income from DAS is used to offset the costs of road safety. In recent years Council contributions have reduced by £1.4m. The direct costs (excluding police officers) of the Road Safety and Education Team are now £1.8m. This rises to approximately £2.1m when the costs of police officers are included.
- 4.19. A full schedule of the 2016/17 income budgets is shown at Appendix B.
- 4.20. The majority of non staff budgets relate to actual anticipated purchases or income. However, there are a couple of specific non staff budgets that relate to the long term financing of Dorset Police. There are the revenue contribution made to fund the long term capital programme, and transfers to the insurance reserve to fund potential expenditure over several years. Both of these areas have been examined, and minimised.
- 4.21. The planned contribution to capital in 2016/17 of £1.2m has been removed entirely. The capital programme, which is financed from a combination of grant, receipts and revenue, is considered in more detail at paragraph 5, including further information about this reduced contribution from revenue. It is currently proposed that this revenue contribution be partly reinstated in 2017/18, before being fully reinstated in 2018/19.
- 4.22. The level of insurance funding is subject to actuarial review every three years. Dorset Police is largely self insured and carries a reserve to provide for potential claims up to a certain limit. The current revenue contribution is deemed sufficient to meet to ongoing liabilities.

Budget Requirement Forecast 2017/18 – 2019/20

- 4.23. Future year budget estimates have been updated as part of the budget process. The majority of changes reflect amendments to current year budgets that have resulted in

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changes to future years. They also include future savings, for example from expected future premises sales.

- 4.24. The future budgets are initially calculated on the basis of maintaining workforce numbers at the level budgeted in 2016/17. This gives an indication of the expected funding gap before making any necessary changes to the workforce. Updated future year budget requirements on this basis are shown below.

	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Employees	103.9	103.5	104.0	104.7
Premises Related Expenses	4.7	4.6	4.4	4.5
Transport Related Expenses	2.0	2.1	2.1	2.2
Supplies And Services	6.7	6.8	7.1	7.3
PFI Unitary Charge	7.9	8.1	8.2	8.4
Third Party Payments	6.4	6.5	6.5	6.6
Office of the Police & Crime Commissioner	2.0	2.1	2.1	2.1
Revenue Contribution To Capital	0.0	0.6	1.2	1.2
Other Capital Charges	0.1	0.1	0.1	0.1
Contributions To Reserves	(0.3)	(0.3)	(0.3)	(0.3)
Total Expenditure	133.4	134.1	135.4	136.8
Government Grant	(1.3)	(1.3)	(1.3)	(1.3)
Other Grants, Reimbursements & Contributions	(2.7)	(2.7)	(2.8)	(2.8)
Customer & Client Receipts	(4.1)	(4.1)	(4.1)	(4.1)
PFI Credits	(5.2)	(5.2)	(5.2)	(5.2)
Interest On Balances	(0.1)	(0.1)	(0.1)	(0.1)
Total Income	(13.4)	(13.4)	(13.5)	(13.5)
2016/17 Precept Increase	1.0	1.0	1.0	1.0
Net Budget Requirement	121.0	121.7	122.9	124.3

- 4.25. When compared with the projected funding, the annual shortfalls are shown below:

	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Projected Budget Requirement	121.0	121.7	122.9	124.3
Projected Funding	121.0	121.1	122.2	123.4
Projected Shortfall	0.0	0.6	0.7	0.9

5. MEETING THE FUTURE SHORTFALL

- 5.1. The above financial projections show that a financial deficit is expected to remain in future years. This projected deficit will be the focus of further work under the Strategic Alliance, savings from which will be utilised firstly to meet the projects short fall and then to ensure continued investment in meeting priorities and increased demand. The Strategic Alliance will also enhance operational resilience required to address the unknown variances in demand faced by both Forces.

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- 5.2. The Strategic Alliance and Regional collaboration will potentially lead to significant changes in both staff and officer numbers together with variances in non-staff payments and income. This will reflect services being delivered to or by another force with corresponding payments and income.
- 5.3. Further budget savings will continue to be sought throughout 2016/17 in preparation for the likely 2016/17 position, and to meet the in year non staff savings target ('risk line') and staff vacancy factor. Where appropriate, efficiency savings may also be reinvested into critical operational priority areas. Such savings will include continued renegotiation of contracts, and seeking more efficient methods of providing services. It could also include further reductions in workforce numbers.
- 5.4. The most significant resourcing issue for the Force in the coming years will be providing an appropriate service with the available workforce. The work currently being undertaken on the Strategic Alliance is expected to be a key mechanism for enabling the planned reductions in workforce by reducing the staffing requirement through collaboration.
- 5.5. The challenge will continue to be achieving a workable and efficient structure that incorporates the reductions forecast. This work will progress over the course of 2016/17

6. CAPITAL

- 6.1. The capital programme sets out anticipated capital investment that will be required over the next five years on an annual rolling basis. The programme identifies the key areas where some investment is likely, and estimates potential budgetary requirements. These estimates are subject to considerable change, due to price variations and changes in need. However, the purpose of a five year capital programme is to provide an indication of likely requirements and funding in order to assist long term planning.
- 6.2. The proposed capital programme for the next five years is shown below, and in more detail at Appendix C.

	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Major Capital Programme	0	0	1,000	2,000	0
<u>Ongoing Minor Capital Programme</u>					
Vehicles Replacement Programme	1,167	1,260	1,131	1,161	1,191
Minor Building Works	730	340	350	360	370
Information Systems	2,400	1,420	1,440	1,460	1,470
Equipment	200	200	200	200	200
Total Minor Capital	4,497	3,220	3,121	3,181	3,231
Total Capital Programme	4,497	3,220	4,121	5,181	3,231

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- 6.3. This capital programme assumes funding from a combination of capital grants, capital receipts and a contribution from revenue. As mentioned at paragraph 3.20, capital grant and the contribution from revenue will fund the 'core' capital programme of around £3.1m per annum. This is primarily vehicle replacements and maintenance of the technology infrastructure, but also assumes a small amount of ongoing capital building work and equipment.
- 6.4. The funding for this programme is shown below. It should be noted that the capital programme as set out above, and the current projected available financing is expected to result in a deficit in excess of £4m at the end of 5 years.
- 6.5. The Force is currently debt free. Whilst it would be possible to move to a position of debt to finance future capital programme requirements, this is not currently within the Medium Term Financial Strategy. Once greater clarity on the proceeds of disposals together with the costs related to estate rationalisation and the major ICT programme are known, a further review of capital funding will be undertaken.

	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Home Office Capital Grant	474	474	474	474	474
Sale of Surplus Premises	4,505	3,850	350	350	350
Contribution From Revenue to Capital	0	600	1,200	1,200	1,200
Transfer from / (to) Reserve	(520)	(1,440)	2,104	3,148	1,200
Slippage in Cash Flow	38	(264)	(7)	9	7
Total Funding	4,497	3,220	4,121	5,181	3,231

	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
<u>NB: Capital Reserve Balances</u>					
Opening Balance	477	997	2,437	1,333	(2,815)
Transfers (to) / From reserve	520	1,440	(2,104)	(3,148)	(1,200)
Closing Balance / (Deficit)	997	2,437	333	(2,815)	(4,015)

- 6.6. The key areas of future capital investment are as follows:

Major Capital Programme

- 6.7. The major capital schemes include indicative costs associated with the Winfrith A10 building (£2m), and future estates provision (£1m). The latter figure is included to give an indication of likely requirements, although as yet the figure is an estimate as the need is unquantified. There is, however, an ongoing need for significant works at the Winfrith A10 site, which has already been deferred for a number of years. Work in respect of evaluating options has commenced.

Vehicle Replacement Programme

- 6.8. Dorset Police maintains a comprehensive five year replacement programme for vehicles, ensuring that the current force structure can be appropriately equipped.

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Future changes to the structure of the Force, for example through the Strategic Alliance, or with changes in operating bases will adjust this programme as necessary

Minor Building Works

- 6.9. A small allocation exists for minor building works, such as adaptations and refurbishments as necessary. This will include the provision of smaller, more flexible estate, and continued evaluation of shared accommodation opportunities with partners.

Information Systems

- 6.10. It is currently expected that significant spend will be required if real operational benefit is to be delivered through Information Systems that will be a key enabler for the reduced workforce to deliver maximum performance.
- 6.11. Significant systems to be delivered over the next five years include replacement Command and Control and ICCS systems, a new Duties Management System. These have all been budgeted in the current financial year, and are progressing, with spend likely in 2016/17.
- 6.12. In addition, the Force will be required to adopt the national Emergency Services Mobile Communication Project (ESMCP) system, which will replace and enhance the current Airwave system. The costs of this systems are currently unknown, but expected to be in excess of £2m for Dorset.

Equipment

- 6.13. Provision has been made for replacement and upgrades of tasers, technical support unit equipment, and other minor capital equipment. This will help ensure officers and staff have access to the most appropriate tools to carry out their responsibilities.
- 6.14. The capital programme currently includes no specific allocation for costs arising from Strategic Alliance, such as additional costs of IS convergence, or estates rationalisation.

Funding

- 6.15. The capital programme as it stands results in a projected negative balance on the capital reserve in the region of £4m at 31 March 2021. The requirement for significant capital investment will continue beyond this point, and the potential for income, particularly from capital receipts, is expected to reduce further.
- 6.16. It should be noted that financing of the capital programme is dependent on the sale of existing property, including Bournemouth, Ferndown and Christchurch police stations, which between them have an estimated sale value of £7m, and other receipts such as from sales of houses of around £2.5m. Any increase on this overall level of projected sales will help reduce the projected deficit, but any reduction will clearly increase the shortfall.

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- 6.17. Final capital grant allocations have not yet been announced. However, indicative figures from the national settlement indicate a 41% reduction in grant in 2016/17. This reduction has been applied to the estimated grant funding in 2016/17, and no further reduction is assumed in subsequent years.

7. RESERVES

- 7.1. The level of earmarked reserves, excluding balances arising from capital cash flow, that is predicted over the next five years is shown overleaf:

	31/03/16	31/03/17	31/03/18	31/03/19	31/03/20
	£m's	£m's	£m's	£m's	£m's
Insurance Reserve	1.8	1.8	1.8	1.8	1.8
PFI Reserve	1.0	1.0	0.9	0.9	0.8
Pensions Reserve	0.0	0.0	0.0	0.0	0.0
Major Operations Reserve	1.0	1.0	1.0	1.0	1.0
Workforce Change Reserve	3.6	2.2	0.8	0.0	0.0
	7.4	6.0	4.5	3.7	3.6

- 7.2. It is anticipated the workforce change reserve will be required over the next two to three years to part fund the significant change programme in the Force, including Strategic Alliance.
- 7.3. General balances are expected to be in the region of £3.5m throughout the period of the Medium Term Financial Strategy, and the capital reserve, as set out in paragraph 5.4 is expected to be exhausted, and into a deficit, by 2019/20.
- 7.4. General balances have been risk assessed against future potential demands. This process has been reviewed by the External Auditor. Whilst balances are amongst the lowest in the Police Service, they are commensurate with the level of risk and further mitigation exists through the absence of significant external liabilities, ie nil debt, negligible deficit on Local Government Pension Fund.

8. USE OF PRIOR YEAR PRECEPT INCREASE

- 8.1. As set out in paragraph 2.7, the Police and Crime Commissioner agreed to raise the police precept in 2013/14 and 2014/15. This has enabled Dorset Police to address significant areas of demand, including emerging threats, and deliver on the Commissioner's manifesto pledges. The precept increases directly contributed towards meeting the requirements of the Police and Crime Plan.
- 8.2. Areas of investment from these precept increase include:
- Recruiting additional officers to partly mitigate the overall reductions in officer numbers that were necessary due to cuts in grant funding (12 officers in 13/14, 16 officers in 14/15)
 - Increased recruitment of Special Constables and volunteers (309 at 31/03/13, 437 at 31/03/15)
 - Mobile data provision to support front line policing

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- Roll-out of PCC forums
- Additional support to victims, including the new Victims Bureau
- Support to the Integrated Offender Management
- Investment in body worn camera technology
- Investment in Cyber Crime, including an awareness campaign
- Funding additional community / rural vehicles.

9. CONCLUSION

- 9.1. A balanced budget can be presented for 2016/17, based on numerous assumptions, including assumptions on the anticipated level of funding. It is possible within this budget to maintain police officers, police staff, and PCSO numbers at the level required to service the authorised establishment.
- 9.2. Projections for 2017/18 and beyond remain challenging, and are reliant on the achievement of further savings, such as through the Strategic Alliance programme.

10. RECOMMENDATIONS FOR DECISION

- 10.1. It is recommended that the final budget proposal for 2016/17 be agreed by the Police & Crime Commissioner, including the assumed 1.97% precept increase.

11. RISKS/RESOURCE REQUIREMENTS

Financial/Resource/Value for Money Implications

- 11.1. The 2016/17 budget by its nature has implications for resourcing Dorset Police. However, the level of savings achieved within the draft budget should enable an improved value for money position, while having minimal impact on resource availability.
- 11.2. The significant risk in the 2016/17 budget proposals is the risk of overspend. Having removed £6.3m in savings to achieve a balanced budget, on top of a yet to be identified risk line of £0.5m, suggests there will be little room to accommodate new or unexpected liabilities during the year.

Legal Implications

- 11.3. None.

Implications for Policing Outcomes

- 11.4. The budget for 2016/17 allows a balanced budget while continuing to achieve a workforce at the level required to service the authorised establishment. Although this budget will be very lean, there are no implicit adverse effects on policing outcomes.

Equality

- 11.5. None.

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APPENDIX A

2016/17 REVENUE BUDGET IN SUBJECTIVE FORMAT

	<i>Budget 2015/16 £m's</i>	<i>Budget 2016/17 £m's</i>
Employees	102.9	103.9
Premises Related Expenses	4.7	4.7
Transport Related Expenses	2.2	2.0
Supplies And Services	6.0	6.7
PFI Unitary Charge	7.8	7.9
Partnership Contributions	5.7	6.4
Office of the Police and Crime Commissioner (OPCC)	2.0	2.0
Revenue Contribution To Capital	1.2	0.0
Other Capital Charges	0.1	0.1
Contributions To Reserves	0.5	(0.3)
Increase Precept	0.0	1.0
Expenditure	133.1	134.4
Government Grant	(2.5)	(1.3)
Other Grants, Reimbursements & Contributions	(2.4)	(2.7)
Customer & Client Receipts	(4.2)	(4.1)
PFI Credits	(5.2)	(5.2)
Interest On Balances	(0.0)	(0.1)
Income	(14.3)	(13.3)
Net Budget Requirement	118.8	121.0
Funded By		
Home Office Grant	66.8	66.5
Precept	52.0	54.5
Total Funding	118.8	121.0

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APPENDIX B

INCOME BUDGETS 2016/17

	2016/17 Budget £000's
PFI Credits	(5,238)
Specific Grants	
Victims Fund	(637)
Dedicated Security Grant	(360)
PCC Specific Grants - Restorative Justice	(170)
Dedicated Security Grant (Regional)	(77)
Loan Charges Grant	(65)
PCC Specific Grants - SV/DV	(18)
PCC Specific Grants - Prisoners' Earnings Act	<u>(13)</u> (1,340)
Other Grants, Reimbursements and Contributions	
Income from Seconded Officers	(1,514)
Income from Disclosure & Barring Service	(202)
Court Income	(162)
POCA Incentivisation	(125)
Local Partnership Funding (including income for Coroner's Officers, SSCT)	(308)
Vehicle Recovery	(77)
SARC	(36)
Immigration Income	(35)
Alarm System Charges	(26)
Other Grants, Reimbursements and Contributions	<u>(12)</u> (2,496)
Customer and Client Receipts	
Driver Education Courses (DAS/NDIS)	(3,000)
Sales, including training, information, certificates	(352)
Provision of Special Policing Services	(185)
Foreign Nationals Registration	<u>(46)</u> (3,583)
Income from premises (rental, aerial hire)	(149)
Investment Interest	(130)
Total Income Budgets 2016/17	(12,936)

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APPENDIX C

PROPOSED CAPITAL PROGRAMME 2016/17 TO 2020/21

	2016/17 (£000's)	2017/18 (£000's)	2018/19 (£000's)	2019/20 (£000's)	2020/21 (£000's)
<u>Vehicles</u>					
Vehicle Replacement Programme	1,167	1,060	1,131	1,161	1,191
VIDR Replacement	0	200	0	0	0
Vehicles Total	1,167	1,260	1,131	1,161	1,191
<u>Minor Building Works</u>					
General Building Adaptations	230	240	250	260	270
Physical Security	100	0	0	0	0
Plant & Equipment	100	100	100	100	100
Costs of Ferndown Disposal	300	0	0	0	0
Minor Building Works	730	340	350	360	370
<u>Major Building Works</u>					
Future Estates Provision	0	0	1,000	2,000	0
Major Building Works Total	0	0	1,000	2,000	0
<u>Information Systems</u>					
IS Peripheral Replacement	250	260	270	280	290
Server Replacements	100	100	100	100	100
Networks (routers, switches recabling, IP Telephony)	100	100	100	100	100
Broadband Expansion	30	30	30	30	30
CCTV	250	0	0	0	0
Data Storage	40	40	40	40	40
Command & Control	750	0	0	0	0
Tablet Computers	160	160	160	160	160
Further Mobile Data	220	230	240	250	250
Future IS Capital Development	500	500	500	500	500
Information Systems Total	2,400	1,420	1,440	1,460	1,470
<u>Equipment</u>					
General equipment	50	50	50	50	50
TSU Equipment	50	50	50	50	50
Taser replacement Programme	100	100	100	100	100
Equipment Total	200	200	200	200	200
Total Capital Programme	4,497	3,220	4,121	5,181	3,231