

Police and Crime Panel

REVENUE AND CAPITAL BUDGET 2017/18

Report of the Police and Crime Commissioner

1. Introduction

- 1.1 This report sets out for the Police and Crime Panel (PCP) the final draft revenue and capital budget proposals for 2017/18 for the Police and Crime Commissioner for Staffordshire (PCC), and takes into account the impact of the provisional finance settlement. This includes:
- The overall funding position and draft revenue budget for 2017/18;
 - Spending and saving proposals for the revenue budget 2017/18;
 - Capital Budget for 2017/18 and capital programme to 2019/20;
 - Medium Term Financial Strategy (MTFS) and savings projections.
- 1.2 The report details the budget required for 2017/18 to support operational policing requirements, investment in renewal and transformation of technological capability in Staffordshire Police. It is vital that additional operational resources are available to meet the current threat environment as well as the vision for transforming policing in Staffordshire by 2020. In order to maintain funding at current levels the PCC proposes a 1.99% increase in Precept.
- 1.3 The PCC has since 2013 consistently made a case that: -
- The level of financial reserves should be appropriate and in particular not be higher than necessary;
 - That value for money in policing should ensure that before any proposal for increased funding is made, he was comfortable that what was currently spent was spent effectively.
- 1.4 As a result of the current financial and operational position, as referred to in 1.2 and 1.3, the PCC now proposes a 1.99% increase in the Precept for 2017/18

- 1.5 This report aims to inform the Panel of the background to the budget and the main drivers addressed in setting it, including planned savings achieved through the transformation programme to manage funding reductions.
- 1.6 It describes how the budget will support the PCC's strategic objectives and the Chief Constable's operational requirements by investing in transformation and policing capability whilst seeking to increase front line officer visibility. The report also identifies the main risks in setting the budget and plans to mitigate them.
- 2. Provisional Grant Settlement and Council Tax Funding**
- 2.1 The provisional grant settlement was announced on 15 December 2016 by The Minister of State for Policing, Crime and Criminal Justice. This represents, for Staffordshire, a reduction in funding for policing of 1.4% and is significantly reduced from that reported to the panel in November 2016. The Medium Term Financial Strategy (MTFS) predicted a 0.6% most likely reduction in 2017/18 which would have amounted to £0.692m; the provisional grant reduction of 1.4% equates to £1.488m, a reduction on the forecast by £0.796m. The final funding settlement will not be published until February 2017.
- 2.2 Legacy Council Tax Freeze Grant relating Local Council Tax Support, will in 2017/18 also be paid to local policing bodies by the Home Secretary. The allocation is listed in the table below.
- 2.3 Specific funding will continue to be allocated for counter-terrorism policing over the course of the Spending Review period ensuring the police have the capabilities to deal with terrorist threats. The provisional settlement did not set out the detailed funding allocation for counter terrorism.
- 2.4 The settlement also announced increased funding to incentivise and facilitate transformation in policing to invest in cross-force specialist capabilities, to exploit new technology and to improve the response to changing threats. Further details are expected in the near future.
- 2.5 A summary of the provisional grant settlement is set out below in Table 1.

Table 1 Provisional Grant Settlement 2017/18

	2016/17	2017/18	Difference	
	£000	£000	£000	%
Police Main Grant	66,487	65,558	-929	-1.40%
DCLG Formula Funding	39,937	39,378	-559	-1.40%
Total Core Grant	106,424	104,936	-1,488	-1.40%
Legacy Council Tax Grants	11,964	11,964	0	0.00%
Total Revenue Funding	118,389	116,900	-1,488	-1.26%

The settlement reduces the core revenue grant funding for Staffordshire by £1,488k (1.40%) on a like for like basis compared to 2016/17.

- 2.6 Funding for the PCC is derived from government grant which makes up about two thirds of income, council tax making up the other third, with small sums from local service generated income.
- 2.7 Council Tax Funding is set out in Table 2 below. This is based upon the latest available collection data. It should be noted that the 2017/18 settlement did not provide for any additional Council Tax Freeze grant. The Minister announced in the settlement that to protect funding, all PCCs could increase council tax by 1.99% if considered necessary. The PCC for Staffordshire is proposing to increase in the council tax charge by 1.99% for 2017/18. This is also currently the assumption throughout the MTFs up to 2019/20.

Table 2 Council Tax Funding

Detail	£000
Council Tax @ Band D (£181.16)	60,837
Local Council Tax Support Grant	8,423
Council Tax Freeze Grant	3,541
Surplus on collection	855
Total Funding	73,656

3. Safer, Fairer, United Communities Strategy for Staffordshire

- 3.1 The PCC was working towards a grant reduction of 0.6% for 2017/18 which would have been challenging to achieve at the same time as maintaining service delivery. The grant reduction of 1.4% increases the challenge to continue to change and focus on the operating principles as set out in the PCC's strategic plan "Safer, Fairer, United Communities Strategy for Staffordshire" (SFU). This new 2016 – 2020 strategy focuses on five priorities: -
- Modern and Transformative Policing
 - Early Intervention
 - Supporting Victims and Witnesses
 - Managing Offenders
 - Public Confidence
- 3.2 In order to deliver the service improvement and efficiencies sought across these priority areas and to meet Staffordshire Police's operational requirements, the PCC has worked closely with the Chief Constable to establish the Transformational Change Programme. This programme has a clearly defined objective - to provide an organisation wide operating model that delivers both

the Commissioner's Safer, Fairer, United Communities strategy and the Chief Constable's Policing Plan.

3.3 Designed to deliver the changes required that will allow the Force to meet current and future changes in the nature of crime and society, the organisation has structured itself around eight work streams, each with a remit to deliver a prospectus detailing the outline operating models, thoughts on future service delivery and a roadmap that defines the route to success. Anchored around the core principle of local and neighbourhood policing, this work informs the design of the overall organisation and provides an outline business case for transforming that organisation. The eight work streams are as follows:

- Demand, information and insight
- Community engagement
- Deployment, response and investigation
- Prevention, early intervention and vulnerability
- Modernising justice services
- Specialist capabilities
- Transforming business services
- Police / Fire integration (links to the other seven work streams)

3.4 A Design Authority has been set up to ensure that these plans for change provide a coherent overall model, applying standards and managing interdependencies. The outputs from the work streams are aligned along the following themes: reducing demand, increasing insight and increasing the efficiency with which demand is addressed.

3.5 Realisable benefits are now being quantified and specific details of financial savings challenged, confirmed and evaluated. These savings will then be moved from medium term / high level, thematic savings, as included within the current MTFs, to the relevant operational areas where relevant managers can be held accountable for their delivery. Certain activities have already completed this process and provide good examples of the success of this approach. They include:

- The implementation of new processes in the Justice Services Department, which will deliver full year savings of over £1 million and improved service outcomes.
- The integrated transport service that services, maintains and repairs the fleet of both the Police and Fire services will deliver savings to Staffordshire Police of approximately £500,000 in a full year.

4. Draft Revenue Budget 2017/18

4.1 The 2017/18 budget has been updated based on the provisional settlement, the latest council tax base and collection fund estimates and budget pressures and commitments identified through the budget setting process.

- 4.2 Based on returns from billing authorities there is an increase in the tax base of the authorities of between 0.6% and 2.4% 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 1.1% on 2016/17 and set out in the Appendix 3.
- 4.3 Table 3 below sets out the Draft Revenue Budget 2017/18 and compares this with the budget for the previous year.

Table 3 – Draft Revenue Budget 2017/18 (Summary)

Delegated to the Chief Constable	Budget 2016/17 £000	Budget 2017/18 £000
Staff Costs	146,282	144,287
Operating Costs	29,670	31,139
Income	(5,381)	(4,394)
Net Budget	170,571	171,032
Less Transformation Savings Target	(1,099)	0
Total Operational Delivery Budget	169,472	171,032
Total OPCC Budget	10,285	10,624
Total Police Fund Expenditure	179,757	181,656
Financed by		
Police Grant	106,424	104,936
Council Tax Funding	71,967	73,656
Reserves	1,366	3,064
Total Funding	179,757	181,656

- 4.4 The overall budget for 2017/18 sees an increase net expenditure of £1,924k (1.07%), which is primarily due to reduction in income following the reduction in grants and third party contributions and the removal of a non-specific savings target for 2017/18.
- 4.5 As outlined in the Medium Term Financial Strategy, this organisation will seek to actively use the financial reserves set aside to fund transformation. That plan is clear in identifying the need for the application of reserves in the early stages of transformation in order that the changes sought can be delivered. This 'invest to save' activity will not only facilitate the improvements now sought but through generating efficiencies, allow these reserves to be replenished. An appropriation of £1.85m to fund the resources required by the Transformation Programme was already planned for 2017/18 and this will now be augmented by a further £0.8m which is effectively pulled forward from later years of the MTFS. This will provide additional impetus for the changes sought.

- 4.6 The 2016/17 year-end financial position on 31st March 2017 is expected to show a breakeven position. Whilst there has been additional investment in 2016/17 to deliver the force's transformation programme, this has mainly been financed through earmarked reserves established for this purpose.

5. Budget Bridge from 2016/17 to 2017/18

- 5.1 When comparing the budget for 2016/17 with that proposed for 2017/18 there are a number of changes that reflect cost increases or decreases, investment plans and savings plans for the period. These movements have been reflected and the analysis by cost type is given in Appendix 1 and detail of the assumptions made is provided in Appendix 2.
- 5.2 Within Staffordshire Police, employee costs make up approximately 85% of the operational budget expenditure. Between 2016/17 and 2017/18 total staff costs are expected to fall by £2.0 million after making allowance for a 1% pay award, incremental increases and increased National Insurance contributions. This reduction in cost occurs as a result of: -
- i) a better management and deployment of the overall staffing resource, vacancies that occur and interim / agency costs that arise;
 - ii) continued refinement of officer / staff mix so that the Force has the right people with the right skills in the right roles.
- 5.3 Staffordshire Police has in the past had a large number of officers in non-frontline roles, which do not require police powers, skills and experience. There are now a significant range of examples where officers have moved to the frontline and where the role undertaken has been replaced with a police staff member at approximately two thirds of the cost. This efficient approach has had no adverse impact on frontline policing and helped to ensure that the frontline has been protected from the need to deliver major budget savings.
- 5.4 The budget includes the recruitment of 80 Officers during the year to replace retiring officers and maintain the operating model. The numbers of local and neighbourhood officers and PCSO's will remain the same as 2016/17, with no reduction in this frontline resource.
- 5.5 Non-pay costs are the second largest part of the budget; for 2017/18 no uplifts for general inflation have been allocated reflecting the current low inflation environment. A review of all budgets was carried out as part of the budget setting process, budgets reflect contractual arrangements in place and relevant areas have been adjusted to reflect changes in activity levels and prevailing prices to support the achievement of a balanced budget. The transport savings realised in 2016/17 have now been reflected in the base budget for 2017/18.

- 5.6 As reported previously to the panel the Force has an ambitious transformation programme and the PCC has committed investment from reserves to fund this transformational change. Further details can be found in section 7 of this report.
- 5.7 The total budget for the Office of the PCC has increased from £10.285 million to £10.624 million, an increase of £0.339 million. This arises mainly from an increased capital financing costs to support Staffordshire Police deliver the IT improvement and investment required. Technically, the costs of borrowing are always shown within this budget rather than the force budget as the PCC owns all assets.
- 5.8 The PCC's Innovation Fund will continue to support new ways of working that deliver transformational change and cost reductions, whilst maintaining or improving outcomes across all organisations that support safer communities.
- 5.9 The Commissioner's Locality Deal and People Power funding is to support the objective of tackling the root causes of crime through early intervention, prevention of offending, supporting victims and making communities feel safe and assured. The funding of £2.5m will be maintained for 2017/18 to continue to support these objectives.

6. Capital Budget

- 6.1 The PCC is transforming the operation of the Authority through the adoption of a new Target Operating Model (TOM). The TOM will cover all aspects of the force. It will enable us to better adapt to the changing demand on our service, the IT revolution that is transforming the way we work, and our aspirations to work more closely with other public bodies across Staffordshire and the West Midlands.
- 6.2 This makes investment in information technology to enable and support the transformation of policing of vital importance; in particular the use of mobile devices and applications and digital recording and cloud based technology. The implementation of this new technology will free up officers time to work more hours on the street with the public, and spend less time working in police stations. The new technology will enable new ways of working for both front line and support staff, help address risks such as the rise of cyber crime, improve information and intelligence handling, as well as enabling greater collaboration or integrated working across agencies.
- 6.2 In addition the existing IT infrastructure is in need of updating, and requires significant investment to provide hardware infrastructure, software operating systems, devices and equipment to enable the service to meet the challenges of 21st century policing. A total investment of £26 million is planned in the ICT Transformation project up until 2019/20. Some of this investment will be funded from capital receipts arising from the down-sizing and disposal of police assets, as the new technology enables a reduced requirement for building based

working. In addition there will be a requirement for additional borrowing to support this, which will be funded from savings made through the transformation of services.

- 6.3 The summary capital plan is shown on Table 4. The total planned expenditure in 2017/18 is £27.097m, with allocations to Property and Estates £4.254m, Transport £1.418m and Information Technology and Equipment £21.425m. This is funded through a number of sources including capital grants, revenue contributions, capital receipts and borrowing.
- 6.4 For 2017/18 there is an external borrowing requirement of £9.785m identified, as not all funding can be met from grant, receipts and internal borrowing. The Government has noted its intention to reduce the capital grant funding which will be detailed in the final settlement in February.

Table 4 - Capital Programme 2016/17 to 2019/20

Detail	2016/17	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	£m
Total Expenditure	13.718	27.097	10.176	11.750	62.741
Total Financing (from grants, revenue and sales receipts)	1.345	17.312	2.110	1.675	22.442
Use of reserves	0.480				0.480
Borrowing requirement	11.893	9.785	8.066	10.075	39.819
Total Financing	13.718	27.097	10.176	11.750	62.741

NB. Assumes expected capital receipts of £18.097m over the course of the programme from 2016/17 to 2019/20

- 6.5 Appendix 5 sets out in more detail the scheme expenditure and financing plans, including sales receipts. This detailed capital plan will be monitored on a scheme by scheme basis over the financial year and updated as required to support the delivery of the Safer, Fairer, United Communities Strategy.

7. Funding and Financial Outlook

- 7.1 The provisional 2017/18 Police Finance Settlement was announced in a written ministerial statement by the minister for Policing and the Fire Service on 15 December. This announcement is generally consistent with the previous spending review assertions, that police budgets would be maintained at the then current (2015/16) cash levels, assuming that PCCs maximised their potential to raise funding through the precept.
- 7.2 Effectively, this means that the Home Office makes national assumptions regarding PCCs' ability to raise the precept when considering the overall funding levels. In summary, this means that funding is adjusted to account for the ability to both raise the precept by 2% and for a growth in the council tax base of 0.5%
- 7.3 Additionally, the Home Office is using the GDP deflator as their measure of inflation. At the time of the 2016/17 settlement that was forecast to be 1.8% in 2017 although latest forecasts have now been reduced to 1.3%. The Home Office suggests that this is unlikely to result in funding being reduced in cash terms.
- 7.4 The overall impact of these assumptions has been a flat rate decrease in grant funding of 1.4%. As expected, and while the formula review is underway, this settlement covers just one year and confirms the council tax referendum threshold of 2%.
- 7.5 While this approach to funding is welcomed, as it protects the police service from the levels of funding reductions felt elsewhere in the public services, financial pressures do arise because of increases in demand and inflationary cost pressures. As outlined above, and in common with all other Police Forces, we must seek efficiencies in order to protect the level and quality of services provided.
- 7.6 The MTFs is a crucial tool for both planning purposes and in providing the necessary assurances regarding the availability of future funding. This report delivers a detailed annual budget, with the budget and associated council tax precept considered in isolation. However, decisions taken in the course of approving the revenue budget will often have longer term consequences. The MTFs brings together those consequences and allows a more comprehensive view to be taken of the PCC's overall financial position.
- 7.7 In addition to inflationary cost pressures, we are also anticipating a significant increase in demand over the coming years from, for example, continuing increases in reporting of complex crimes such as Child Sexual Exploitation and Domestic Abuse. The quantification of the resourcing impact of this increasing and changing demand is under constant review but is difficult to predict over the medium term.

8. Robustness of the Budget, Adequacy of Reserves and Risk Assessment

- 8.1 The PCC's stated policy is to minimise the level of public money held in reserve whilst underpinning identified and potential risks. Details of reserves held is set out in Appendix 6.
- 8.2 In proposing the budget, however, the Chief Financial Officer (CFO) must consider the robustness of the process undertaken to produce that budget, together with the levels of reserves held by the organisation in the context of the risks faced. The PCC's annual budget is constructed in order to deliver his strategic plans. The Medium Term Financial Strategy is the overarching framework within which the organisation's financial planning and management activity takes place. The annual budget is an integral part of the rolling MTFS and this enables it to support delivery of the key priorities, services and improvements. Therefore, this assessment of the robustness of the budget focusses on the likelihood that actual spending will vary from the budget and the consequent impact on the financial health of the organisation.
- 8.3 Staffordshire Police is a going concern and the budget process is part of a continuous service planning and financial cycle. Therefore, a wealth of knowledge and understanding of the previous and current economic and financial environments is used to make informed assumptions and judgments about the future. This activity seeks to establish a robust budget which is appropriate, realistic and constructed having taken a practical assessment of risk.
- 8.4 Underlying assumptions have been examined and found to be satisfactory, as follows:
- The funding for inflationary pressures is considered to be appropriate, being consistent with known trends and reasonable forecasts.
 - The income included is calculated based on previous and current trends, known influences and identified risks.
 - Other known and potential pressures, including demographic changes, new legislation etc, have been evaluated and adequately provided for.
- 8.5 Other mechanisms have been used in order to confirm the robustness of the budget estimates, which sit within an overarching planning and governance framework. These include:
- The strength and use of current performance and financial management procedures, reporting and forecasting arrangements (including, for example, the Annual Governance Statement, internal and external audit reports, monitoring reports).
 - The degree and quality of engagement from senior colleagues in the budget process.
 - The level of expenditure and income that is one-off in nature

- The process for the identification and evaluation of contingent liabilities.
- 8.6 The assessment of the adequacy of reserves is extremely important in the context of effective reductions in funding and the drive towards transforming services. We must acknowledge that reserves are one-off funds and are, therefore, more suitable for funding one-off or unexpected costs. The use of reserves to fund ongoing expenditure is generally not advised, except in emergencies or, importantly here, to enable the transition to new ways of working.
- 8.7 In recommending an adequate level of reserves, the CFO considers and monitors the opportunity cost of maintaining particular levels of reserves. This opportunity cost may be the lost opportunity of investing those funds in service improvement or spending on alternative activities. There is a balance to be struck between setting prudent levels, delivering an adequate 'safety net', and ensuring that the organisation can operate successfully in a very challenging environment. The levels of reserves recommended within this report are considered to have achieved that balance.
- 8.8 This decision is supported by a comprehensive risk assessment (outlined below) designed to confirm the adequacy of the safety net provided.

9 Risk Assessment

- 9.1 In undertaking this risk assessment, the CFO has consulted with relevant colleagues and stakeholders to ensure that all risks have been identified. The importance of this work, its depth and accuracy, is further enhanced as the organisation moves through the Transformation Programme, where plans will involve significant changes to organisational structures, systems and processes. At the most practical level, those risks begin with the possibility of slippage and disruption during the transition from old to new arrangements.
- 9.2 Good practice highlights the risks relating to setting a budget are considered to be:
- Unidentified liabilities,
 - Failure to understand and control budgets,
 - Incident costs of a significant size,
 - Non-delivery of savings plans,
 - Changes in income due to government or other actions,
 - Economic changes causing an increase in costs or reduction in income.
- 9.3 To manage risk the PCC has a risk register and strategy in place. In particular financial systems and processes are in place to manage financial risks for example:
- the budget process,
 - budget monitoring,

- treasury management,
- financial controls and regulations,
- reserves held,
- change management resources,
- Along with the expertise of the Finance team and its advisors.

9.4 Conclusions:

In conclusion, with reserves at the level set out here, the CFO considers that the proposed budget for 2017/18 is robust and that the level of reserves is adequate because:

- The overall budget process is established good practice and fit for purpose.
- The process is supported by appropriately qualified and experienced professional colleagues
- There has been extensive engagement in the budget process from senior colleagues.
- There have been thorough arrangements in place to challenge proposals
- Known cost pressures have been evaluated and resourced at realistic levels.
- Risks have been identified and, where appropriate, costed.
- There is a wider organisational understanding of the financial position and the need for good financial management.
- Budget monitoring arrangements are in place.
- There is a clear recognition of the need to continually review the levels of reserves held.

10. Recommendations

10.1 The Police and Crime Panel are asked to:

- Note and comment on the PCC budget for 2017/178
- Note and comment on the proposed increase in Council Tax for 2017/18.

Matthew Ellis
Police and Crime Commissioner

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APPENDIX 1 – DETAILED DRAFT REVENUE BUDGET 2017/18

Delegated to the Chief Constable	Budget 2016/17 £000	Budget 2017/18 £000
Police Officer Pay	89,040	88,067
PCSO's	8,571	8,847
Police Staff	42,229	40,776
Total Staff Costs	139,840	137,690
Other Employee Costs	2,742	2,581
Pension - ill-health & injury	3,700	4,016
Total Staff costs	146,282	144,287
Premises	5,367	3,758
Transport	3,947	2,361
Communications & IT	8,010	10,561
Supplies & Services	8,262	10,675
Other Costs	4,084	3,784
Total Operating costs	29,670	31,139
Income	(5,381)	(4,394)
Net Budget	170,571	171,032
Transformation Savings Target	(1,099)	0
Operational Delivery Budget	169,472	171,032
OPCC Budget		
OPCC Office Costs	2,093	1,437
Commissioning Budgets	2,400	3,070
Innovation Fund	1,500	1,500
Capital Financing	4,292	4,617
Total Net Expenditure OPCC	10,285	10,624
Total Police Fund	179,757	181,656
Financed by		
Police Grant	106,424	104,936
Council Tax	58,599	60,837
Council Tax Support Grant	8,424	8,423
Council Tax Freeze Grant	3,541	3,541
Surplus on Collection	1,403	855
From Reserves	1,366	3,064
TOTAL FUNDING	179,757	181,656

APPENDIX 2 – KEY ASSUMPTIONS

In producing this draft budget for 2017/18 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 1% in September 2017. In addition increments are included for staff moving up pay scales
- Unless a service is provided under a contract all budgets are assumed to be cash limited; there is no provision to allow for a general level of inflation. No increase assumed in transport and energy costs.
- Budgets have been reallocated to reflect the IT Boeing contract and the Kier contract for Estates and Facilities Management.
- Budget have been adjusted to reflect the Transport collaboration.
- Government grant has reduced by 1.40% in 2017/18.
- Council Tax revenue is expected to increase by 3.81% in 2017/18 - this is an increase in tax base, and an increase in council tax rate.
- The surplus on collection fund is assumed at £1m as we have not had all responses from Councils at this point.
- Income from football has significantly reduced due to revised methods employed by the clubs for stewarding matches.

APPENDIX 3 - PRECEPT DEMAND SCHEDULE 2017/18

Precept Demand Schedule 2017/18

Precept Authority	Precept Amount £
Cannock Chase	4,994,982
East Staffordshire	6,512,841
Lichfield	6,691,226
Newcastle	6,619,667
South Staffordshire	6,807,465
Stafford	8,225,081
Staffordshire Moorlands	5,931,062
Tamworth	3,821,254
Stoke on Trent	11,230,969
Total	60,836,547

Surplus/(Deficit)

Precept Authority	Surplus/(Deficit) £
Cannock Chase	13,025
East Staffordshire	177,751
Lichfield	36,112
Newcastle	44,070
South Staffordshire	0
Stafford	71,046
Staffordshire Moorlands	63,120
Tamworth	88,903
Stoke on Trent	361,000
Total	855,027

APPENDIX 4 – PCC OFFICE COSTS

Office of Police & Crime Commissioner Costs

	2016/17 Budget	2017/18 Budget
Expenditure Area	£000's	£000's
Staff Costs	1,168	1,214
Other Staff - Inc Agency & Committee Allowances	71	36
Travel Costs	19	19
IT & Communications	58	50
Administration	201	119
Third Party Payments	606	29
Interest on Balances	(30)	(30)
Capital Financing	4,292	4,617
Commissioning	2,400	3,070
Innovation Fund	1,500	1,500
Total	10,285	10,624

Variance Analysis

Staff costs have increased due to National Insurance and Pay Awards. Agency costs have reduced as permanent staff have been appointed.

IT & Communications have reduced to reflect actual levels of activity.

Administration costs have reduced as this previously included funds that form part of the commissioning budget.

The PCC commissions the County Council to deliver a Treasury Management Service and Internal Audit, are included within Third Party Payments. Other participative budgets included Third Party Payments in 2016/17 have been transferred to the Commissioning Fund.

APPENDIX 5 – CAPITAL PROGRAMME

Capital Programme Expenditure	Estimated Outturn 2016/17 As at Feb £000	Estimated Budget 2017/18 £000
Property and Estates	6,321	4,254
Vehicles	2,549	1,418
Equipment	208	210
IT and Transformation	4,160	21,215
TOTAL CAPITAL PROJECTS	13,718	27,097
Funding for Programme	Estimated Funding 2016/17 As at Feb £000	Estimated Funding 2017/18 £000
Central Government Funding Received (net of cont. to NPAS)	804	700
External Grant (Staffordshire County Council) / Innovation	426	-
Revenue Contributions - IT Renewals Fund	15	400
Revenue Contributions - Vehicles	-	-
Funding From Available Receipts	100	16,212
Borrowing Requirement for IT, Equipment & Vehicles	5,572	5,531
Borrowing Requirement for Property and Estates	6,321	4,254
Funding from Reserves	480	
TOTAL FUNDING FOR PROGRAMME	13,718	27,097
Estimated Capital Receipts Available in year (inc. Estates rationalisation)	100	16,212

APPENDIX 6 – USE OF RESERVES

The table below demonstrates the planned use of reserves in 2016-17 and 2017-18. This is in line with the MTFP whereby the target reserve balance of £15.475m will be achieved by 2019-20.

OPCC Reserves	Balance as at 31 March 2016	Movements 2016-17	Balance as at 31 March 2017	Movements 2017-18	Balance as at 31 March 2018
	£000's	£000's	£000's	£000's	£000's
General Fund	6,282	-	6,282	-	6,282
Earmarked Pension Reserve	2,909	-	2,909	- 1,805	1,104
Insurance Reserve	2,108	-	2,108	-	2,108
Reshaping the Future	5,766	- 2,100	3,666	- 2,764	902
POCA	-	300	300	- 300	-
Total	17,065	- 1,800	15,265	- 4,869	10,396

APPENDIX 7 – STATUTORY REPORT

Statutory Report of the Chief Finance Officer – Robustness of the Budget and Level of Reserves

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

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

As detailed above in section 7, the Chief Finance Officer considers the 2017/18 budget proposals to be robust and the level of reserves to be adequate.

Budget Estimates

The Chief Finance Officer considers the 2017/18 budget proposals as set out in the budget report to be robust. The budget has been set following a budget process taking account of the financial settlement, budget pressures and savings identified through the transformation programme boards.

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 2017/18.

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 of £15.475m by 2019/20. These delivery of these savings is being carefully planned in order that they are achieved in the medium term through both the transformation of services and from general efficiencies.

Barry Dryden

Interim Chief Financial Officer (Office of the PCC)

16th March 2017