

STRATEGIC GOVERNANCE BOARD
FRIDAY, 14TH DECEMBER 2012
REPORT OF THE CHIEF CONSTABLE

8A REVISED BUDGET, FINANCIAL PROJECTIONS UPDATE AND FEES AND CHARGES

1. PURPOSE OF THE REPORT

1.1 To present the: -

- Revised Budget position for 2012/13.
- An update for the financial projections for 2013/16.
- Review of the Budget and Reserves Strategy for 2013/16.
- Approve the fees and charges for 2013/14

2. INFORMATION AND ANALYSIS

Revised Budget Position 2012/13

2.1 The proposed revised budget for 2012/13 set out in **Appendix A** to this report is the outcome of a comprehensive assessment of the expected financial position for the year to 31 March 2013.

2.2 During the course of the financial year several adjustments have been made to the original approved budget including:

- Technical adjustments of £6.8m to reflect the budgets now managed as part of the regional collaborative unit
- A review of carry forwards to best reflect the need to spend on core and partnership budgets
- An allocation from reserves of £0.32m to address anticipated in year costs on supplies and services
- Part year inflation of £0.121m to reflect the need to spend on service budgets, funded from pay and price contingencies

The original net budget for the year remains at £165,740,309

2.3 The overall projected position is that the Derbyshire Police budget will achieve a total underspending of £2.218m for the year, this amount being able to be added to reserves. Details of how the underspend is made up is contained in paragraphs 2.3 to 2.17 below. Whilst it is not possible at this stage to give an accurate figure for this, the current budget monitoring would indicate that a carry-forward figure of approximately £0.400m can be expected. However this figure could increase depending on when specific expenditure is incurred.

2.4 During this year, a number of new collaborations have commenced, which has resulted in considerable adjustments to the base budget to reflect the fact that in some cases staff are no longer employed directly by the constabulary, which is instead recharged. A separate collaboration budget has therefore been created, which will help to track collaboration costs in the future.

Details of significant variances across all budgets are outlined below.

2.5 Police Officer Pay and Oncosts – £0.764m overspend

Within this figure is the cost of the new 10% shift allowance brought about by the Winsor report (£1.097m)

2.6 Police Staff Pay and Oncosts – £1.473m underspend

This includes savings from the Enquiry Office review (£0.4m), savings from restructures and vacancies within Crime Support (£0.3m), removal of the provisions for pay awards and recruitment (£0.523m). These provisions are no longer required because the cost has either been met from existing budgets or due to timing the resources will not be needed in this financial year.

2.7 Police Officer Pensions – £0.32m overspend

This budget has been increased to reflect that an additional 5 officers are due to be retired on the grounds of ill health. This figure can fluctuate from year to year depending on the number of applications that are made and more importantly whether they meet the strict criteria.

2.8 Premises – £0.152m overspend

The budget has been increased to reflect the additional cost of the drainage work to the HQ site in the earlier part of the year

2.9 Supplies and Services – £1.31m underspend

The reductions worthy of note are; the provision for recruitment is no longer needed (£0.4m), additional Moving Forward savings have been realised (£0.147m), provision for the migration of NPIA costs has been removed (£0.084m), savings have been realised from the Forensics collaboration (£0.098m), provision for the purchase of carbon credits has been removed (£0.092m) and the provision for SARC has also been removed (£0.05m).

2.10 Agency – £0.3m underspend

The majority of this reduction is due to the Forensic Science cost reductions from the revised policies for submitting samples and the operation of the new contracts.

2.11 Price Contingency – £0.7m underspend

All other additional inflationary pressures have been absorbed within existing budgets without the need to allocate this contingency further.

2.12 Contributions to Regional Policing – £1.183m overspend

This reflects the Constabulary's estimated contribution to regional collaborations for the remainder of the financial year.

2.13 Contributions to National Policing - £0.764m underspend

This reflects the grant received by the Constabulary for the officers that it contributed towards the policing of the Olympics and Paralympics.

Update for the Financial Projections for 2013/16

2.14 In the current and unsettled financial environment it is essential to keep up to date with the developments that may impact on the future financial position of both the Constabulary and the Commissioner.

2.15 A great deal of uncertainty exists around the extent of any further austerity measures and for how long austerity is likely to last. The contents of the Chancellor's Autumn Statement, published on 5 December, gave some indication, but specific details will not be available until 19 December.

2.16 The Chancellor has already announced an intention to offer a further council tax freeze grant for the next two years 2013/15. This allows for: -

- A freeze in council tax/police precept in 2013/14 – the Government will pay a grant equivalent to a 1% council tax increase, in each of 2013/14 and 2014/15.
- Where the freeze grant is not taken a maximum council tax/precept increase will be allowed, an increase over this threshold triggers a local referendum. This level has been modelled at 2%, but will be confirmed on 19 December.

2.17 It is worthy of note that both increases above are below the 2.5% increase in council tax that the Office for Budget Responsibility factored into the Government spending plans when the Austerity measures were first introduced in the autumn of 2010.

2.18 The table below shows the impact on the projected overall deficit of either taking the Council Tax Freeze Grant or increasing the precept by 2%. The

freeze grant effectively reduces funding by some £2.2m over the next three years compared to the option of setting a 2% precept increase, which is below the original financial projections of 2.5%. This impact would be even greater for 2015/16 and beyond as the funding loss would be £1m.

Projected Deficit	2013/14 £000's	2014/15 £000's	2015/16 £000's	Total Deficit £000's
Council Tax Freeze Grant	789	3,542	5,958	10,289
Police Precept Increase (2%)	249	2,954	4,795	8,008
Reduction in Precept Income	540	588	1163	2,281

2.19 The latest three year budget projections are set out in **Appendix B** to this report, which are based on the existing plans approved by the Police Authority in February 2012. This annex highlights the significant range of factors that have affected the financial position since the budget was set, which include:

- **Auto-enrolment in pensions** – from 1 April next year all police officers and staff will ultimately be automatically enrolled in a pension scheme. There are transitional arrangements, which mean that this change may not come into effect until October 2017.
- **Winsor Review** – there is concern that there will be delays at a national level in negotiating changes to police staff terms and conditions. This will impact on our savings plans for 2013/14 and beyond. At this stage these savings have been removed from the financial projections because they are so uncertain.
- **Pension Commutation Factors** – the Pensions Ombudsman is facing a challenge regarding the lack of a review by the Government Actuary of the Police Pension Scheme 1987 commutation factors between 1998 and 2006. If this challenge is upheld this could lead to backdated pension payments being made.
- **Localisation of Council Tax Benefit** – means that the Police will potentially pick up some of the cost of paying council tax benefit. Current estimates are that this could cost up to £0.5m per annum.

- 2.20 Overall the Projections indicate that Derbyshire Police has plans to balance its budget over the next three years supported by the temporary use of reserves.
- 2.21 This will enable the Commissioner to consider the continuation of existing plans to maintain police officer levels up to 2015/16, provided that the final grant settlement is in line with existing projections. This remains a clear risk at this stage.

Budget and Reserves Strategy for 2013/16

- 2.22 The proposed budget strategy for 2013/16 set out at **Appendix C** is an important document that provides a framework for addressing the ongoing financial challenge faced by the Constabulary and the Commissioner.
- 2.23 The key aim of the strategy is to enable the Constabulary and the Commissioner to achieve stable and sustainable finances that are directed at meeting the policing risks within the county as set out within the Police & Crime Plan. This aim is made all the more difficult because of the current economic climate. Over the past three years the long term view has been to focus on building up reserves to cushion the effects of the reductions in grant funding and the freeze on Council Tax increases.
- 2.24 The responsible use of reserves now plays a key role within this strategy to ensure that we are able to manage through a period of unprecedented austerity and considerable uncertainty.
- 2.25 There may well be a need to adjust the budget strategy following the Autumn Statement and Funding Announcement in December, in particular relating to the Chancellor's indication of an extended period of austerity.

Fees and Charges for 2012/13

- 2.26 In accordance with ACPO/APA guidance the charge rates for Fees for Common Items for 2012/13 have been updated. It is proposed that with effect from 1 November 2012 the updated charges are applied. The current and proposed charges are set out in **Appendix D**.
- 2.27 Special Services charges were updated in October 2010 using the costing methodology provided in the ACPO/ACA Guidance. **Appendix D** shows these charges updated for 2012/13.

3. **RECOMMENDATIONS**

- 3.1 The previous changes made to the budget are noted (paragraph 2.2)
- 3.2 An in principle decision is taken to transfer the forecast balance of the 2012/13 revenue budget to reserves at the year end. The final outturn yet to be determined (paragraph 2.3)
- 3.3 The forecast outturn position and variances are noted and any relevant actions are taken. (paragraphs 2.5 to 2.13)
- 3.4 The latest financial projection for 2013/16 is considered, with further updates to follow the financial settlement announced on 19 December.
- 3.5 The Budget and Reserves Strategy for 2013/16 is approved in principle, subject to any changes required post 19 December.
- 3.6 Changes to Fees and Charges for 2012/13 onwards are approved.

4. **IMPLICATIONS**

	LOW	MEDIUM	HIGH
Crime & Disorder			x
Environmental	x		
Equality & Diversity	x		
Financial			x
Health & Safety	x		
Human Rights	x		
Legal	x		
Personnel		x	
Risk			x

The main risk within this report stem from the uncertainty around the funding settlement. The grant allocation for Derbyshire Police will not be known until December 19th 2012.

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ATTACHMENTS

- A Revised Budget position for 2012/13.
- B Financial projections for 2013/16.
- C Budget and Reserves Strategy for 2013/16.
- D Fees and charges for 2012/13.

Revised Estimates by Major Budget Heading

Budget Heading	2012/13 Approved Estimate	Other Changes	Adjusted Base	Allocation From C.Fwds	Allocation From Reserves	Budgets including Reserves	Part Year Inflation	Revised Budget Adjustment	2012/13 Revised Budget
Police Authority / PCC	1,071,300	0	1,071,300	0	0	1,071,300	0	0	1,071,300
Police Officer Pay & On Costs	97,838,100	(3,181,100)	94,657,000	0	0	94,657,000	0	764,100	95,421,100
Police Staff Pay & On Costs	38,229,100	(1,588,700)	36,640,400	5,000	0	36,645,400	0	(1,473,100)	35,172,300
Other Employee Expenses	602,900	0	602,900	1,800	2,300	607,000	0	(69,200)	537,800
Police Pensions	2,090,000	0	2,090,000	0	0	2,090,000	77,500	320,200	2,487,700
Premises	8,506,400	(9,600)	8,496,800	0	0	8,496,800	16,300	151,700	8,664,800
Transport	3,824,800	(31,900)	3,792,900	0	0	3,792,900	5,000	(28,300)	3,769,600
Supplies & Services	14,880,100	(1,874,400)	13,005,700	169,900	129,500	13,305,100	22,100	(1,309,800)	12,017,400
Agency	1,303,300	(63,000)	1,240,300	0	0	1,240,300	0	(296,700)	943,600
Pay & Price Contingency	822,000	0	822,000	0	0	822,000	(120,900)	(701,100)	0
Debt Charges	1,003,000	0	1,003,000	0	0	1,003,000	0	(1,500)	1,001,500
Revenue Contribution to Capital	0	0	0	116,000	0	116,000	0	0	116,000
Government Grants	(6,414,900)	0	(6,414,900)	0	0	(6,414,900)	0	0	(6,414,900)
General Income	(2,937,900)	0	(2,937,900)	0	0	(2,937,900)	0	50,100	(2,887,800)
Interest Receipts	(410,000)	0	(410,000)	0	0	(410,000)	0	0	(410,000)
Contribution from Reserves	2,053,009	0	2,053,009	(598,620)	(131,800)	1,322,589	0	19,700	1,342,289
Core Budgets	162,461,209	(6,748,700)	155,712,509	(305,920)	0	155,406,589	0	(2,573,900)	152,832,689
BCU Funding	615,100	0	615,100	0	0	615,100	0	0	615,100
Contributions to E Mids Collaboration	2,011,700	6,761,200	8,772,900	0	0	8,772,900	0	1,182,600	9,955,500
Contributions to National Policing	27,700	0	27,700	0	0	27,700	0	(763,500)	(735,800)
Other Grants	0	0	0	68,600	0	68,600	0	0	68,600
Partnerships	624,600	(12,500)	612,100	237,320	0	849,420	0	(63,000)	786,420
Total Before Contribution to Op Funding Reserve	165,740,309	0	165,740,309	0	0	165,740,309	0	(2,217,800)	163,522,509
Contribution to Operational Funding Reserve	0	0	0	0	0	0	0	2,217,800	2,217,800
Total Funding	165,740,309	0	165,740,309	0	0	165,740,309	0	0	165,740,309

DERBYSHIRE CONSTABULARY
REVENUE BUDGET FORECAST 2012/13 TO 2015/16 at November 2012

Option 1: PCC accepts offer of a Council Tax Freeze Grant in 2013/14

BUDGET REQUIREMENT		notes	2012/13	2013/14	2014/15	2015/16
			£m	£m	£m	£m
Previous Year's Budget Requirement			171.664	163.495	165.563	167.626
Pay & Price Increases						
1) Full Year Effect of Previous Year's Pay Award:-						
	Police Officers	(1)	0.000	0.000	0.392	0.393
	Police Staff	(1)	0.060	0.000	0.194	0.173
2) Provision for Current Year's Pay Award & Inflation:-						
	Police Officers pay award	(1)	0.000	0.544	0.550	0.554
	Police Staff pay award	(1)	0.060	0.205	0.243	0.248
	Officer & Staff Increments	(2)	1.109	(.083)	1.350	1.400
	General Inflation	(3)	0.601	(.623)	0.705	0.723
Previous Year plus Pay & Price increases			173.494	163.538	168.997	171.116
Other Items within previous MTFP position						
	Police Commissioner		0.150	(.151)		
	2011/12 Moving Forward Savings / Recruitment freeze	(4)	(6.876)	(3.583)	(3.237)	(3.582)
	2011/12 Moving Forward Set-up costs		(2.600)			
	2012/13 Moving Forward 3 savings			(.154)		
	Police Officers - Recruitment recommenced	(4)	1.416	2.156	2.065	2.205
	Police Officers - Winsor costs			1.290		
	Police Officers - Winsor savings			(.159)		
	Police Officers - Number of Bank Holidays		(.123)	(.377)	0.126	0.126
	Police Officers - Rent / Housing Allowance eligibility		(.261)	(.192)	(.244)	(.255)
	Police Officers - Secondments to NPAS			(.103)	(.103)	
	Police Staff - 2012/13 Precept posts (full year effect)		0.572	0.183		
	Police Staff - Crime Support Strategic Business Review			0.145		
	Police Staff - Apprenticeship Scheme			0.058		
	Police Staff - Increased Vacancy Allowance			(.715)		
	Police Staff - Enquiry Office Review			(.453)		
	Police Staff - Contact Management savings			(.210)		
	Officer / Staff reductions - outside other savings		(.178)	0.061		
	Police Officer pensions			0.057		
	Maintenance work at force HQ			0.220		
	Climate Change Levy		0.092			
	Property Rent and Rates			(.102)		
	Cleaning Contract			(.027)		
	CCMC - Temporary Travel Allowances		(.070)			
	Insurance Contract savings		(.267)			
	Contribution to EMSOU / Collaboration		0.213	(.139)		
	NPIA - migration of central project costs		0.090	0.081		
	Asset Revaluation				0.050	(.050)
	Microsoft Software Licences			0.202		
	Ordnance Survey maps			(.060)		
	FSS Additional savings		(.205)			
	Debt Charges		(.053)	(.048)	(.047)	(.046)
	Revenue Contribution to Capital / Repairs & Mctce		(1.316)			
	Revenue Consequences of Capital Expenditure			(.060)	0.020	
	Neighbourhood Policing Grant merged with Formula Gr			3.681		
	Shortfall arising from Council Tax Benefit grant			0.446		
	Football Income			0.065		
	Treasury Management income		(.202)	0.010		
	Contributions to Reserves - PFI / Helicopter / Insurance		(.080)	(.009)		
	Review of formation budgets			(.081)		
	Other Net Increases (Reductions)		(.301)	(.007)		
GROSS EXPENDITURE			163.495	165.563	167.626	169.513
FUNDING POSITION						
	Settlement funding	(5)	108.221	107.999	106.140	106.140
	2011/12 Freeze Grant		1.354	1.354	1.354	
	2012/13 Freeze Grant		1.632			
	2013/14 Freeze Grant	(7)		0.546	0.546	
Central Funding			111.207	109.899	108.040	106.140
Projected precept funding						
	Previous year Council Tax Funding		54.314	54.532	54.548	56.470
	Change in tax base - annual growth	(6)	0.281	0.555	0.545	0.565
	Shortfall in CTB grant vs taxbase reduction			(.446)		
	Change in Collection A/c Surplus / (Deficit)		(.063)	(.092)		
	Increase in Council Tax	(7)	0.000	0.000	1.376	1.427
Precept Funding			54.532	54.548	56.470	58.462
TOTAL PROJECTED FUNDING			165.739	164.448	164.510	164.602
Budget Deficit			(2.244)	1.115	3.116	4.911
Cumulative			(2.244)	(1.128)	1.988	6.898
Useable Reserves at start of year			11.667	13.598	11.482	7.366
	Revenue surplus / (deficits) per above		2.244	(1.115)	(3.116)	(4.911)
	Contribution to Capital Programme		(.313)	(1.000)	(1.000)	
Useable Reserves at end of year			13.598	11.482	7.366	2.456

DERBYSHIRE CONSTABULARY

REVENUE BUDGET FORECAST 2012/13 TO 2015/16 at November 2012

Option 2: PCC rejects offer of a Council Tax Freeze Grant in 2013/14 and increases Council Tax up to the referendum threshold
(see below for list of other key assumptions)

		2012/13	2013/14	2014/15	2015/16
BUDGET REQUIREMENT		£m	£m	£m	£m
Previous Year's Budget Requirement		171.664	163.495	165.563	167.626
Pay & Price Increases					
1) Full Year Effect of Previous Year's Pay Award:-					
Police Officers	(1)	0.000	0.000	0.392	0.393
Police Staff	(1)	0.060	0.000	0.194	0.173
2) Provision for Current Year's Pay Award & Inflation:-					
Police Officers pay award	(1)	0.000	0.544	0.550	0.554
Police Staff pay award	(1)	0.060	0.205	0.243	0.248
Officer & Staff Increments	(2)	1.109	(.083)	1.350	1.400
General Inflation	(3)	0.601	(.623)	0.705	0.723
Previous Year plus Pay & Price increases		173.494	163.538	168.997	171.116
Other Items within previous MTFP position					
Police Commissioner		0.150	(.151)		
2011/12 Moving Forward Savings / Recruitment freeze	(4)	(6.876)	(3.583)	(3.237)	(3.582)
2011/12 Moving Forward Set-up costs		(2.600)			
2012/13 Moving Forward 3 savings			(.154)		
Police Officers - Recruitment recommenced	(4)	1.416	2.156	2.065	2.205
Police Officers - Winsor costs			1.290		
Police Officers - Winsor savings			(.159)		
Police Officers - Number of Bank Holidays		(.123)	(.377)	0.126	0.126
Police Officers - Rent / Housing Allowance eligibility		(.261)	(.192)	(.244)	(.255)
Police Officers - Secondments to NPAS			(.103)	(.103)	
Police Staff - 2012/13 Precept posts (full year effect)		0.572	0.183		
Police Staff - Crime Support Strategic Business Review			0.145		
Police Staff - Apprenticeship Scheme			0.058		
Police Staff - Increased Vacancy Allowance			(.715)		
Police Staff - Enquiry Office Review			(.453)		
Police Staff - Contact Management savings			(.210)		
Officer / Staff reductions - outside other savings		(.178)	0.061		
Police Officer pensions			0.057		
Maintenance work at force HQ			0.220		
Climate Change Levy		0.092			
Property Rent and Rates			(.102)		
Cleaning Contract			(.027)		
CCMC - Temporary Travel Allowances		(.070)			
Insurance Contract savings		(.267)			
Contribution to EMSOU / Collaboration		0.213	(.139)		
NPIA - migration of central project costs		0.090	0.081		
Asset Revaluation				0.050	(.050)
Microsoft Software Licences			0.202		
Ordnance Survey maps			(.060)		
FSS Additional savings		(.205)			
Debt Charges		(.053)	(.048)	(.047)	(.046)
Revenue Contribution to Capital / Repairs & Mtce		(1.316)			
Revenue Consequences of Capital Expenditure			(.060)	0.020	
Neighbourhood Policing Grant merged with Formula Gr			3.681		
Shortfall arising from Council Tax Benefit grant			0.446		
Football Income			0.065		
Treasury Management income		(.202)	0.010		
Contributions to Reserves - PF1 / Helicopter / Insurance		(.080)	(.009)		
Review of formation budgets			(.081)		
Other Net Increases (Reductions)		(.301)	(.007)		
GROSS EXPENDITURE		163.495	165.563	167.626	169.513
FUNDING POSITION					
Settlement funding	(5)	108.221	107.999	106.140	106.140
2011/12 Freeze Grant		1.354	1.354	1.354	
2012/13 Freeze Grant		1.632			
2013/14 Freeze Grant	(7)				
Central Funding		111.207	109.353	107.494	106.140
Projected precept funding					
Previous year Council Tax Funding		54.314	54.532	55.636	57.595
Change in tax base - annual growth	(6)	0.281	0.555	0.556	0.576
Shortfall in CTB grant vs taxbase reduction			(.446)		
Change in Collection A/c Surplus / (Deficit)		(.063)	(.092)		
Increase in Council Tax	(7)	0.000	1.086	1.403	1.455
Precept Funding		54.532	55.636	57.595	59.625
TOTAL PROJECTED FUNDING		165.739	164.989	165.089	165.765
Budget Deficit		(2.244)	0.574	2.538	3.747
Cumulative		(2.244)	(1.669)	0.868	4.616
Useable Reserves at start of year		11.667	13.598	12.023	8.486
Revenue surplus / (deficits) per above		2.244	(.574)	(2.538)	(3.747)
Contribution to Capital Programme		(.313)	(1.000)	(1.000)	

Useable Reserves at end of year		13.598	12.023	8.486	4.738
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Main assumptions

- 1) Pay awards of 1% for both officers and staff are implemented in September 2013, 2014 and 2015
- 2) Full 'scale progression' increments for police officers re-commence from April 2014. Increments for Police Staff continue as normal throughout the period
- 3) A price contingency for non-pay inflation is re-introduced from 2014/15 at 2.5% pa (5% for utility and vehicle fuel costs
- 4) Police Officer wastage is 60, 70 and 72 in 2013/14, 2014/15 and 2105/16 respectively, each matched by an equivalent number of new recruits.
- 5) The Neighbourhood Policing Grant is merged with formula grant on a like-for-like basis for each force. Existing formula grant in 2013/14 and 2014/15 reduces in line with the reduction in the Police Service control totals as announced at the beginning of the current CSR period with a further one-off 2% reduction for the continued limitation on pay awards
- 6) The introduction of localised Council Tax Benefit scheme limits the growth of the taxbase to 0.2% in 2013/14 and it then grows by 1% in 2014/15 and 2015/16. A shortfall in compensatory CT Benefit grant is equivalent to a loss of £0.446m in funding for 2013/14
- 7) The PCC rejects the government's Council Tax Freeze Grant for 2013/14 and increases the Council Tax by 1.99% in 2013/14 and then increases the Council Tax by 2.5% in 2014/15 and 2015/16

Budget and Reserves Strategy

Budget Setting

1. The Budget Strategy sets out how the PCC in conjunction with the Chief Constable achieve stable and sustainable finances that are directed at meeting the top policing risks within our county.
2. Reserves play a key role within this strategy to ensure that we are able to manage through a period of unprecedented austerity and considerable uncertainty. They also provide funding to invest in efficiency improvements.
3. This strategy sets out below the principles that are followed to ensure stable and sustainable finances are achieved:-
 - Maintain a prudent level of balances in line with Audit Commission guidelines. This suggests that Derbyshire Constabulary should retain a general reserve equivalent to at least 2% of its net revenue budget, this equates to £3.3m.
 - Ensure that an operational funding reserve is maintained to offset any shortfall in funding for at least 2 years. This will include the projected deficit resulting from any ongoing council tax freeze.
 - Seek opportunities to minimise the loss of police officers by providing medium term funding from reserves
 - Maintain a focus on continuous efficiency improvement with a culture of continual review and challenge of all aspects of spending as a way of generating additional resources for new and emerging policing risks.
 - Maintain an invest to save reserve to meet the costs of further change and to invest in schemes that generate future savings.
 - Consider setting police precept increases at the maximum level permitted by Government excessiveness principles (previously Capping Criteria). Government funding projections for the police assume that the Council Tax Freeze will continue during 2013/15. If increases are considered and these are likely to exceed 2% a local referendum would be triggered.
 - Consider using reserves to fund capital projects. This will help reduce/avoid the long term revenue financing costs associated with prudential borrowing.
 - Investment income will continue to support the revenue budget.
 - Continue to support partners and agencies to develop and implement strategies to protect local communities from crime and to help people feel safe. Contributions towards funding will be considered, but only in exceptional circumstances will Derbyshire Constabulary be the sole funding provider.

- Maintain lobbying pressure for a fairer grant settlement for Derbyshire Constabulary and to ensure that any contribution to the floor is minimised.
- Keep the property portfolio under review to ensure that it is affordable and meets the long term needs of Derbyshire Constabulary as well as creating opportunities to dispose of surplus landholdings.

A Risk Based Approach to Budget Setting

4. In 2008, Derbyshire Constabulary adopted a comprehensive risk based approach to setting the budget. This aligned the budget process with the strategic operational risks facing Derbyshire Constabulary. This was highlighted by Her Majesty’s Inspectorate of Constabulary (HMIC) as notable practice within their national report on Protective Services “Get Smart – Planning to Protect”.
5. During the autumn Derbyshire Constabulary undertook a major exercise to review its operational risks which is set out within the “Constabulary’s Level Strategic Threat and Risk Assessment”.
6. The purpose of the Strategic Risk Assessment was to identify those areas of greatest risk. Essentially a high risk area is where only limited resources had been allocated to address a substantial risk i.e. this creates a significant risk gap.
7. A key part of this work was to bring together the Police Authority, Key Partners and Senior Officers across the Constabulary to consider the key risks that are faced and how best to address them.

Strategic Risk Seminar (October 2012)

8. This seminar set out to identify the most significant operational and organisational risks that the Derbyshire Constabulary will face over the next three years. The most significant risks are summarised in the following table:-

<i>Operational Risks</i>	<i>Organisational Risks</i>
<ul style="list-style-type: none"> ▪ Alcohol-related harm ▪ Safeguarding children ▪ Domestic abuse ▪ Rape and serious sexual assault ▪ Drugs ▪ Organised crime groups ▪ Anti-social behaviour ▪ Acquisitive crime and offender management ▪ Terrorism and domestic extremism ▪ Killed and serious injury road collisions ▪ Safeguarding adults ▪ Economic crime ▪ Missing people 	<ul style="list-style-type: none"> ▪ Finance ▪ Managing our People ▪ Managing our Information ▪ Safer Detention of Prisoners ▪ Protecting our Organisational Integrity ▪ Managing our Infrastructure ▪ Business Continuity

9. There is a clear link between these risks and the “Have Your Say” public consultation events during 2012, which identified the following local priorities.

<i>Have Your Say Local Priorities</i>
<ul style="list-style-type: none">▪ Speeding▪ Inconsiderate parking & other traffic issues▪ Drug related activity▪ Underage drinking▪ Young people congregating▪ People being drunk/rowdy in public places▪ Noise nuisance▪ Verbal abuse/abusive behaviour▪ Vandalism/damage/graffiti▪ Inconsiderate use of mini moto/motorcycles▪ Hate crime▪ Violent crime

Impact of Failing to Address Risks

10. Failure to address the policing risk that Derbyshire Constabulary faces comes at a price. Failure to address the policing and financial risks adequately could have a damaging affect on public confidence. In terms of: -
- ***Financial Impact*** – if serious harm results through failure to address any of the risks identified above, this will have a significant financial consequence for Derbyshire Constabulary, with the investigation effort and resources needed to address it.
 - ***Damage to service delivery*** – apart from the financial impact, funding a major investigation will also take resources away from local policing.
 - ***Inspection Performance*** – with inspections focussed on serious and organised crime, failure to address risks in these areas will lead to a decline in the inspection performance of Derbyshire Constabulary.
 - ***Damage to its reputation*** – Derbyshire Constabulary has first hand experience of the impact of failures to address issues around domestic violence e.g. the widely publicised case of Tanya Moore.
 - ***Health & Safety*** – The shooting at the Stockwell tube station and the subsequent conviction of the Metropolitan Police Service under Health and Safety legislation highlighted the considerable risk and level of responsibility for Police and Crime Commissioners and Constabularys to address known or anticipated risks.

Addressing the Risk Gap

11. Derbyshire Constabulary recognises that it would be unrealistic to close its entire risk gap in one year. Indeed the new financial reality makes this an even greater challenge.
12. Over the last three years the Derbyshire Constabulary has delivered considerable budget reductions through such initiatives as the Moving Forward Programme. This clearly creates a considerable risk to service delivery, which Derbyshire Constabulary has managed effectively to date. This is demonstrated by the continued reduction in crime levels across the county and the improvement in customer confidence.
13. The following table assesses the financial risks currently facing Derbyshire Constabulary and the actions taken to address these risks.

	Risk	Mitigation
1	Further substantial loss of grant.	An operational funding reserve and general reserve is maintained to cushion the impact of further grant losses. A further fundamental budget review would be undertaken if projections for the loss of grant were worse than expected.
2	Reliance on investment income to fund base budget – volatility in interest rates may have a significant impact on income.	The budget is based on a significantly reduced level of investment income as interest rates remain low.
3	Revenue Funding – the Constabulary relies on specific grants to fund a significant share of its net revenue budget. In particular the Constabulary is the lead for the EMCTIU.	The Constabulary is now less reliant on specific grants. The EMCTIU presents a considerable risk which is mitigated by the fact that other East Midlands Constabularies are still responsible for the employment of police officers within the EMCTIU.
4	Major Incidents – potential impact on police overtime of a number of major incidents.	Maintain reserves in accordance with the Reserves Strategy.
5	Reliance on use of reserves to fund the capital programme.	Disposal of surplus land and property helps to achieve some of the capital aspirations that are set out within the capital strategy.
6	Unforeseen spending items and inflationary pressures.	Maintain reserves at a realistic level to ensure that they can sustain items of unforeseen spending. Monitor the level of provision set aside to cover inflationary pressures. Frequently update four-year financial forecasts to provide a more realistic view of future spending commitments. Specific insurance reserve exists to cover insurance excess.

Contribution from Reserves

14. Reserves will play an increasingly important role in helping to manage the medium to long term financial position of Derbyshire Constabulary. The level of reserves has grown temporarily due to progress made in delivering savings to close the funding gap. The level of reserves are likely to continue to grow until the end of the 2013/14, when they will then be needed to bridge further budget gaps that are projected in the Medium Term Financial Plan.
15. There is always the need to strike the right balance between holding money in reserve to protect against future risk against using that money to invest for the future.
16. There is a danger that an overly cautious approach can lead to delays in using reserves to address more immediate policing risks and service issues. The current level of reserves shows that in the short term there is sufficient cover to address new policing risk.
17. The tables that start at page 7 provide a breakdown of reserves that are currently held and the balance of the reserve as at 1 April 2012.
18. While reserves cushion the impact of unforeseen spending and known future commitments, they also result in money being held back from local taxpayers. It is therefore important to ensure reserves are maintained at an appropriate level.
19. To aid this process the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance setting out the factors that should be taken into account when assessing the level of reserves: -
 - Assumptions regarding inflation (e.g. police pay awards).
 - Estimates and timing of capital receipts (e.g. proceeds of land sales).
 - Management of demand-led pressures (e.g. major policing operations).
 - Achievement of savings (e.g. efficiency savings).
 - Risks inherent in any partnerships.
 - Financial Standing.
 - Track record in budget management.
 - Capacity to manage in year budget pressures.
 - Procedures in relation to under and over spends.
 - Adequacy of insurance arrangements.

20. The policy that has been followed in relation to reserves is set out in paragraph 3 above.
21. Underpinning all of this are the key financial risks that need to be considered to ensure that reserves are adequate in relation to these risks. Examples of how risk may increase the pressure on already constrained budgets is detailed in the table below: -

Unforeseen / Unpredictable Risk	£000's
Pay and Price Increases	
<i>Additional 1% increase: -</i>	
Police Pay	981
Police Staff Pay	446
Police Staff Pension Contribution	336
<i>Additional 10% increase: -</i>	
Fuel costs	136
Utilities costs	100
Capital Programme Risks	
10% increase in tender costs for 25% of the capital programme	270
Policing Pressures	
Complex Murder Enquiry	1,000
Medium Range Murder Enquiry	500
Major Policing Operation e.g. public order	500
Partnership Funding	
10% loss of partnership funding	62
Loss of Specific Grant	
<i>Impact of loss: -</i>	
1% of general funding	1,082
10% of specific grant	1,142
Over-spending	
1% over-spend against budget	1,657

Reserve	Balance 1 April 2012 £000's	Description
Usable Earmarked Reserves (some flexibility to decide how the reserve is used, allocated and its overall level).		
Devolved Budget Commitments	4,913	This balance represents the underspendings on devolved budgets for 2011/12 which have been earmarked to carry forward to meet commitments in 2012/13.
Operational Priorities Reserve	1,325	This balance has been accumulated to assist with urgent operational needs. As at 31 March 2012 £0.498m has been committed to identified areas, leaving £0.827m available to meet further priority issues.
Operational Funding Reserve	11,667	This reserve is to assist with the 'funding gap' in the revenue budget between 2011/12 and 2012/13 identified by the medium-term financial planning process.
Capital Reserve	9,198	This reserve was created from Constabulary underspendings and a transfer from the Operational Funding Reserve. The reserve is used to support the Constabulary's Capital Programme, the reserve is fully committed.
Centralised CMC Reserve	357	This reserve was created to part fund a new Centralised Contact Management Centre. The project was funded from £4m reserves and the rest from unsupported borrowing. £10.245m has been spent to 31 March 2012. The building was occupied from April 2010, some outstanding commitments remain for IT works. The uncommitted amount will be moved to the capital reserve to be used on other schemes.
Helicopter Reserve	50	This represents Derbyshire's share of underspendings on the North Midlands Helicopter Support Unit which has been earmarked to carry forward to meet commitments in future years.
Pensions Reserve	500	This reserve is to meet any future pension liabilities accruing to the Constabulary from ill-health or injury-related retirements.
Invest to Save	1,266	This reserve has been created to fund investment in 'one-off' expenditure – for example new IT systems – which will then generate future ongoing savings by allowing more efficient work practices to be implemented.
PCC Transition Reserve	250	This reserve is to enable the transition arrangements to be implemented so that the incoming Police and Crime Commissioner can be fully operational from the outset of his term of office.

Reserve	Balance 1 April 2012 £000's	Description
Non-Usable Earmarked Reserves (<i>little or no flexibility to decide how the reserve is used</i>).		
PFI Reserve – Ilkeston	1,305	This reserve represents the difference in grants received and actual payments for Ilkeston PFI plus savings on the original station plus a contribution of £0.015m plus interest in the year. This reserve is to fund future PFI payments and enables the net costs to be spread evenly over the contract period.
PFI Reserve – Derby DHQ	4,431	This reserve represents the difference in grants received and actual payments for the Derby DHQ PFI, plus savings on the original Full Street headquarters, plus a contribution of £0.527m plus interest in the year. The reserve is to fund future PFI payments and enables the net costs to be spread evenly over the contract period.
Insurance Reserve	1,143	This reserve is for future insurance liabilities not covered by the provision. The insurance excess on liability claims increased in 2005/06 from £25,000 to £100,000 so the reserve could be used for any large claims. The level was been reduced by £1.430m in 2009/10 to reflect the recommendation of a review by external insurance advisors.
Helicopter Debt Charges Reserve	260	A loan of £457,000 was taken out in 2003/04 for the purchase of the helicopter. This is payable on maturity in April 2028. This reserve is to meet the cost of this loan in 2028 in order to equalise the debt charges to the North Midlands Helicopter Support Unit.
EMSOU Earmarked Reserve	235	This represents Derbyshire's share of EMSOU reserves these are to be used for future capital purchases and asset replacement.
EMTSU Earmarked Reserve	37	This represents Derbyshire's share of EMTSU reserves these are to be used for future capital purchases and asset replacement.

Fees & Charges wef 1/11/2012

Schedule of Fees & Charges	Current Charges £	Charges wef 1/11/12 £
Accident Reports		
Copy of accident report (up to 30 pages)	83.50	86.00
Additional pages for same incident per page	3.60	3.70
Limited particulars (Road Traffic Act details)	29.70	30.60
Copy of self-reporting / minor accident form	29.70	30.60
Fatals - accident investigation report	358.70	369.50
Fatals - reconstruction video	71.60	73.70
Rough data (per page)	23.90	24.60
Copy of scale plan - other than in collision report	35.80	36.90
Copy of police vehicle examination report (unless provided as full extract, per page)	59.60	61.40
Copy of collision reconstruction report (unless provided as full extract)	59.60	61.40
Copy of collision reconstruction report (unless provided as full extract, per page, max £50)	3.60	3.70
Copies of photographs - from digital camera per disk)		
A4 index sheet(digital)	17.60	18.10
Photographs (first photo)	23.90	24.60
Each subsequent photograph	2.60	2.70
Copies of statements other than in booklets		
per statement - up to 3 pages	30.70	31.60
Additional pages (per page)	3.60	3.70
Copy of witness statement (witness agrees to disclosure of personal details)	35.80	36.90
Copy of witness statement (witness not agreeing to disclosure of personal details)	47.70	49.10
Interview with police officer (per officer)	119.20	122.80
Request for a statement to be written by a police officer	119.20	122.80
Copy of PIC sheets (2nd copy)	23.90	24.60
Copy of Interview Record (only when prepared during investigative pro	47.70	49.10
Copies of video tapes (provision for CJS)	71.60	73.70
Copies of DVD's from Digital Video	71.60	73.70
Copies of audio tapes (provision for CJS)	29.70	30.60
Copies of CD's /DVD's	17.60	18.10
Cancellation charges		
If request is cancelled prior to search	Refund	Refund
If search is made prior to cancellation	29.70	30.60
If search is made and documents ready for dispatch	71.60	73.70
Abortive search	29.70	30.60
Fingerprinting fees		
One set	67.40	69.40
Additional sets thereafter (each)	33.70	34.70
Alarms		
<i>Charge for the use of ex-directory line</i>	165.00	165.00
Requests for Disclosure of Information		
Request for information (up to 2 hours work)	75.00	77.30
Hourly rate for work above 2 hours (including redaction)	25.00	25.80
Other Common items		
Crime Report	75.90	78.20

**APPENDIX D TO AGENDA ITEM 8(A) TO
STRATEGIC GOVERNANCE BOARD**

DATED 14 DECEMBER 2012

Schedule of Fees & Charges	Current Charges £	Charges wef 1/11/12 £
MG5	30.30	31.20
MG3	30.30	31.20
Incident Log	30.80	31.70
PNC Convictions	30.30	31.20
Caution Certificate	20.20	20.80
Domestic Violence Report	45.50	46.90
Occurrence Summary	15.20	15.70
Custody Report	15.20	15.70
Data Protection Act 1998 Fees (SI 2000/191)		
DPA 1998 - Section 7 Subject Access Request	10.00	10.00
DPA 1998 - Section 68 Health Records (Copy)	50.00	50.00
DPA 1998 - Section 68 Health Records (View)	10.00	10.00
DPA 1998 - Section 68 Health Records (View & then Copy)	50.00	50.00
Alarm URN Fees (Set by ACPO CPI)		
Alarm Registration	43.49	43.49
Lone Worker Devices up to 10,000	52.55	52.55
Lone Worker Devices up to 10,001 - 50,000	78.82	78.82
Lone Worker Devices up to 50,001 and over	105.10	105.10
Certificates		
Firearms certificate issue	50.00	50.00
Firearms certificate renewal	40.00	40.00
Firearms certificate replacement	9.00	9.00
Shotgun certificate issue	50.00	50.00
Shotgun certificate renewal	40.00	40.00
Shotgun certificate replacement	8.00	8.00
Shotgun certificate (co-terminus with Firearms Certificate)	10.00	10.00
Visitors Permit (Single)	12.00	12.00
Visitors Permit (6+)	60.00	60.00
Home Office club approval	84.00	84.00
Registered firearms dealer issue	150.00	150.00
Registered firearms dealer replacement	150.00	150.00
Registered firearms dealer - Temporary Transfer In	12.00	12.00
Firearms Museum license	200.00	200.00
Aliens Certificates	34.00	34.00
Pedlars certificates	12.25	12.25
Special Service Charges		
Constable per hour	60.70	61.40
Sergeant	72.90	74.00
Inspector	75.90	76.60
Chief Inspector	79.00	79.80
Superintendent	97.40	99.90
Chief Superintendent	109.50	112.50
PCSO	40.50	41.60

Note

The above fees and charges exclude VAT.