

**THE OFFICE OF POLICE AND CRIME COMMISSIONER
FOR DERBYSHIRE
DECISION RECORD**

Request for PCC Decision	Received in OPCC Date: 27 November 2017	OPCC Ref: 46/17
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FINANCIAL PROJECTIONS UPDATE, RESERVES STRATEGY AND FEES AND CHARGES

Executive Summary:

The report presented an update on the financial projections for 2018/22, a review of the Budget and Reserves Strategy for 2018/22, the proposed Capital Strategy for 2018/22 and the schedule of fees and charges to apply from November 2017 for approval, as contained within the attached report.

Decision

- i. The latest financial projection for 2018/22 was considered, with further updates to follow the 2018/19 financial settlement.
- ii. The Budget and Reserves Strategy for 2018/22 was approved in principle, subject to any changes required post Finance Settlement.
- iii. Changes to Fees and Charges from 1 November 2017 onwards were approved.

Declaration

I confirm that I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct for the Police and Crime Commissioner for Derbyshire. Any such interests are recorded below.

(Recorded interests: Patron of Sporting Futures, as declared on the Register of

Disclosable Interests and Hospitality Gifts) and Derby City Councillor.
The above request has my approval.

Signature

Hardyal Dhindsa

Date 27 November 2017

PUBLICATION SCHEME CONSIDERATIONS

Is the related Section B report to be published Yes

The report contains commercially sensitive information.

Is the publication of this approval to be deferred No

If Yes, provide reasons below

Date to be deferred to –

NB Statutory Instrument 2011/3050 (as amended by SI 2012/2479) states that: *all decisions made by a PCC are in the types of information that must “be published as soon as practicable after it becomes available to the elected local policing body”.*

OFFICER APPROVAL

Chief Executive or Nominee:

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report.

I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner

Name Andrew Dale

Date 27 November 2017

STRATEGIC GOVERNANCE BOARD
27 NOVEMBER 2017
REPORT OF THE CHIEF FINANCE OFFICER AND THE
DIRECTOR OF FINANCE AND BUSINESS SERVICES

10D FINANCIAL PROJECTIONS UPDATE, RESERVES STRATEGY AND FEES
AND CHARGES

1. PURPOSE OF THE REPORT

1.1 To present: -

- An update on the financial projections for 2018/22.
- A review of the Budget and Reserves Strategy for 2018/22.
- The proposed Capital Strategy for 2018/22.
- A schedule of fees and charges to apply from November 2017 for approval.

2. INFORMATION AND ANALYSIS

National Funding Context

- 2.1 In April 2016, Derbyshire emerged from an unprecedented and prolonged period of austerity, with sound and stable finances.
- 2.2 The position could have been very different but for the tragic and horrendous terrorist attack at the Bataclan in Paris, which prompted a rethink over future police spending cuts.
- 2.3 Prior to that point, the Government was considering further policing cuts of some 25% to 40% as part of the 2015 spending review. This would have been equivalent to cuts of 5% to 7% per annum and this would potentially have been further compounded with any changes as a result of a new funding formula.
- 2.4 On the 25 November 2015 the then Chancellor, George Osborne announced that police funding, including Counter Terrorism, would only be cut by 1.3%

over the four year period when council tax income is taken into account. This was considerably better news than many were expecting.

- 2.5 This “flat cash” settlement remains in force for the Police. While still better than the level of cuts faced by other local authorities, this still means that police funding is not keeping pace with inflation or new policing risks.
- 2.6 Rising inflation and the recent Government announcement of a higher 2% award for police officers means that all police budgets are coming under greater pressure as a result of this flat cash settlement.
- 2.7 Even more pressure is being placed on police budgets as a result of new, emerging and growing policing risks around Cyber Crime and Counter Terrorism, as well as the still substantial public protection risks.

Funding Formula Review

- 2.8 In the autumn of 2016, the Government commissioned a review of the funding formula. This involved a considerable amount of work in a short time with the prospect of an improved “fairer” allocation formula.
- 2.9 Following the General Election in May, no further progress has been made towards even starting the consultation on revised grant shares. It looks increasingly unlikely that there will be any further changes over the next three to four years.

National Police Funding Bid

- 2.10 Nationally, Commissioners and Chief Constables have identified a significant funding gap for policing of some £1bn. It remains to be seen whether the Government will take any action to fund any of this gap, given other Brexit pressures on Treasury and Home Office budgets.

Baseline Projection and Assumptions

- 2.11 Policing, including Derbyshire still faces a period of considerable funding uncertainty. Our plans are based on the current flat cash limits remaining in force for the medium term up to 2021/22.

2.12 The projection is summarised in the table below.

£'m	2017/18	2018/19	2019/20	2020/21	2021/22
Budget Requirement	164.271	165.728	166.823	168.901	171.022
Total Projected Funding	163.247	164.248	165.297	166.426	167.637
Budget Deficit	1.024	1.479	1.526	2.475	3.385
Cumulative Deficit	1.024	2.503	4.029	6.503	9.888

2.13 At this stage we can only assume that

- **Police Officer recruitment and turnover** projections are based on 4 or 5 intakes of 20 officers per year, depending on the projected level of wastage. It is expected this will deliver a 'funded' strength slightly below the current approved establishment of 1,675 officers. This is always incredibly hard to predict and fluctuations can mean that there is a shift of some £1m in the figures either way.
- **Grant Funding** It is assumed that formula grant will continue to fall slightly in real terms in line with government projections. We are assuming that there will not be any further formula review.
- **Council Tax** It is assumed that our tax base will continue to grow by 1.5% and the Commissioner continues to opt for the maximum 2.0% increase for the foreseeable future.
- **Pay and other inflation** It is assumed that Pay goes up by 1% each year from September 2018 onwards, but that the additional 1% pay award from September 2017 is made permanent. Any bigger increases than this would have a big impact on our budget as 80% of our costs are pay related. Other inflation is assumed to be 2.5%.
- **Other investment in risk and threat** is not built in. The value of the business cases collated total c£500,000.
- **Borrowing and funding for ongoing replacement of assets.** We have built in an additional £1.5m of direct revenue funding for the capital programme to support the on-going replacement of assets. In addition

some £1m of additional borrowing costs have been phased in to our plans over the next four years to fund the existing commitments within the Capital Programme.

2.14 As with all financial planning some things can work for you and some against. The table below just gives an idea of how this could work: -

Positives	Negatives
<ol style="list-style-type: none"> 1. In-year under-spending – in the current year our spending is very close to the budget limit. 2. Additional savings e.g. from Police/Fire collaboration not factored in. 3. Council tax base grows at a faster rate 4. Improved budget settlement as a result of national lobbying for increased funding. 5. Improved budget settlement as a result of the formula review. 	<ol style="list-style-type: none"> 1. Pay Awards above 1% 2. Additional borrowing to fund capital schemes not taken into account 3. Build in new growth/business cases 4. Commissioner does not increase precept or limits are reduced 5. Pension fund revaluation – if investment returns are suppressed employer contributions could increase further 6. Police Officer employer contributions – again this would have an impact if the rate increased.

2.15 Realistically, it is more likely that the negatives will outweigh the positives and there is a clear risk that the funding deficit could increase.

2.16 In summary,

- Derbyshire Police faces a small but manageable budget deficit of some £2m to £3m over the next three to four years if it wants to continue to deliver its current range and level of services.
- Reserves are sufficient to cover this deficit in the short term but not in the long term.
- The financial risks in the table above mean that the deficit could become less manageable and that plans will be needed in the medium term to close the deficit
- Equally changing policing risks also means that further efficiencies will be needed to re-focus and reprioritise our spending towards new and emerging areas of policing risk.

2.17 All of the above factors mean that Derbyshire Police will need to look at delivering further efficiency in the region of £5m over the next 2 years, unless there is significant improvement on the funding that we receive.

Budget and Reserves Strategy for 2018/22

2.18 The proposed budget strategy for 2018/22 set out at Appendix B is an important document that provides a framework for addressing the ongoing financial challenges and uncertainty faced by Derbyshire Constabulary and the Commissioner.

2.19 The key aim of the strategy is to enable Derbyshire 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 and Crime Plan.

2.20 This aim is made all the more difficult because of new and emerging policing risks along with the need to fund significant investment in our people, technology and estate.

2.21 During Austerity, Derbyshire Police built up reserves to cushion the risk of further reductions in grant funding as set out in paragraph 2.3 above. When this risk receded Derbyshire Police made a substantial investment in IS and its Estate, which now means that reserves are back to pre-austerity levels.

- 2.22 The responsible use of reserves now plays a key role within this strategy to ensure that we are able to manage through the continued uncertainty, whilst dealing with the demands on the service which continue to grow.
- 2.23 Our aim has been to retain enough money in reserves to cover funding deficits for 3 years. This ensures that the force has sufficient time to react to sudden changes in grant and protects against undue pressure on police services by making sudden and unplanned reductions.

Capital Strategy

- 2.24 In addition to the budget and reserves strategy, the Capital Strategy has also been revised. This is set out at Appendix C. It is important that these two strategies are read together as they impact directly on one another.
- 2.25 As government capital grants are more restricted, Derbyshire Police will rely much more heavily on borrowing and revenue resources to fund its capital programme, which in turn add further pressure to the revenue budget.

Fees and Charges

- 2.26 In accordance with ACPO/APCC's guidance, the charge rates for Fees for Common Items for 2017/18 have been updated. It is proposed that with effect from 1 November 2017, the updated charges are applied. The current and proposed charges are set out in Appendix D.
- 2.27 Special Service changes have also been updated by applying this year's Pay Award (1%) to the previous figures.

3. RECOMMENDATIONS

- i. The latest financial projection for 2018/22 is considered, with further updates to follow the 2018/19 financial settlement.
- ii. The Budget and Reserves Strategy for 2018/22 is approved in principle, subject to any changes required post Finance Settlement.
- iii. Changes to Fees and Charges from 1 November 2017 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

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List of Appendices

A	Base Projections for 2018/22
B	Budget and Reserves Strategy for 2018/22
C	Capital Strategy 2018/22
D	Revised Fees and Charges wef 1 st Nov 2017

POLICE & CRIME COMMISSIONER FOR DERBYSHIRE
Revenue Budget Projections to FY 2021/22

	notes	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Previous Year's Budget Requirement		162.792	164.271	165.728	166.823	168.901
Pay & Price Increases						
Full Year Effect of Previous Year's Pay Award:-						
Police Officers	(1)	0.374	1.184	0.375	0.367	0.368
Police Staff	(1)	0.158	0.538	0.143	0.168	0.171
Provision for Current Year's Pay Award & Inflation:-						
Police Officers pay award	(1)	0.525	0.525	0.514	0.515	0.518
Police Staff pay award	(1)	0.194	0.201	0.235	0.240	0.246
Police Officer Increments		1.150	1.084	1.239	1.345	1.483
Police Staff Increments		0.328	0.503	0.508	0.513	0.518
Police Staff Pension Fund revaluation		0.500				
Specific Price Inflation		(.041)	(.428)			
General Inflation Contingency	(2)	0.812	0.809	0.853	0.893	0.893
Total - Pay & Price Increases		4.000	4.415	3.867	4.041	4.197
Previous Year's Budget plus Pay & Price increases		166.792	168.686	169.594	170.864	173.098
Other Approved or Anticipated Changes						
Police Officers - Turnover (recruitment less wastage)		(3.565)	(2.415)	(2.999)	(1.961)	(1.981)
Police Officers - Funded strength reduced by 26			(.677)			
Police Officers - Overtime (no of Bank Holidays)		0.111	(.223)	0.111	0.000	0.000
Police Officers - Rent / Housing Allowance eligibility		(.442)	(.267)	(.304)	(.230)	(.182)
Police Officers / Staff - Holiday pay (Bear Scotland)		0.258				
Police Officers / Staff - Apprenticeship Levy		0.472				
Police Officers / Staff - Pensions auto-enrolment		0.800	(.800)			
Police Staff - new Investigator roles			0.716			
Police Staff - Crime Management workforce modern'n			0.114			
Police Staff - Force Apprenticeship scheme		0.000	(.042)			
Police Staff - Agency Staff provision			(.100)			
Police Staff Changes / Growth		0.385	(.009)			
Other Staff Changes/NI etc		(.675)	(.183)			
Other Police Officer/Staff pension issues		(.045)				
Property Storage, PFI Fees, Rent and Rates		(.043)	0.022			
Rent - new Joint Training Centre			0.300			
Closing the Risk Gap vehicles - revenue costs		0.150				
Mobile Office Solution		0.312				
Other Revenue Consequences of Capital Expenditure		0.050				
New medical care of prisoners contract			(.108)			
Professional Fees - Legal costs		0.150				
Professional Fees - Asset Revaluation				0.060	(.060)	
Regional Forensics Services contract			(.369)			
Other regional collaboration costs		0.107	(.005)			
NPAS Recharges			(.334)			
National IT systems recharges			(.100)			
Other subscriptions to national policing services		(.078)				
Insurance costs			0.150			
Debt Charges - current borrowing		(.045)	(.044)	(.043)	(.043)	(.037)
Debt Charges - additional borrowing			0.077	0.403	0.331	0.124
RCCO - Funding of asset replacement budgets			1.500			
RCCO - Closing the Risk Gap vehicles		0.165	(.073)			
17/18 Business Cases Approved - Roll out of Tasers		0.055				
Court Compensation Income		(.025)				
Football and Other Cost Recovery Income		0.050	(.013)			
Investment Income		0.084	(.019)			
2016/17 PBB Savings - full-year effect		(1.025)				
Approved Business Cases - non staffing costs		0.101				
Other Changes		0.172	(.057)			
Total - Other Approved or Anticipated Chages		(2.521)	(2.959)	(2.772)	(1.963)	(2.076)
BUDGET REQUIREMENT FOR YEAR		164.271	165.728	166.823	168.901	171.022

FUNDING FOR BUDGET REQUIREMENT	notes	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Central Government Funding						
Formula grant	(4)	98.437	97.571	96.595	95.629	94.673
2011/12 Freeze Grant	(4)	1.354	1.354	1.354	1.354	1.354
Council Tax Benefit Grant	(4)	7.346	7.346	7.346	7.346	7.346
Total - Central Government Funding		107.137	106.271	105.295	104.329	103.373
Precept Funding						
Previous year Council Tax Funding		54.259	56.110	57.978	60.002	62.097
Change in tax base - annual growth	(5)	0.851	0.833	0.862	0.893	0.924
Change in Band D Council Tax		1.085	1.123	1.162	1.202	1.243
Change in Collection A/c Surplus / (Deficit)		(.085)	(.089)	0.000	0.000	0.000
Total - Precept Funding		56.110	57.978	60.002	62.097	64.264
TOTAL PROJECTED FUNDING		163.247	164.248	165.297	166.426	167.637

BUDGET (SURPLUS) / DEFICIT	1.024	1.479	1.526	2.475	3.385
CUMULATIVE (SURPLUS) / DEFICIT	1.024	2.503	4.029	6.503	9.888

IMPACT ON RESERVES					
Useable Reserves at start of year	15.675	6.530	5.051	3.525	1.051
Revenue surplus / (deficits) per above	(1.024)	(1.479)	(1.526)	(2.475)	(3.385)
Deficit closed during the year	0.422				
Projected In-year underspend	(1.274)				
Support of Capital Programme	(7.269)				
Useable Reserves at end of year	6.530	5.051	3.525	1.051	(2.334)

Main assumptions

- 1) Consolidated pay awards for both officers and staff are 1% in all years covered by the projections
Non-consolidated pay awards of 1% are given to both officers and staff in Sept 2017, and are consolidated as from 1/9/18
- 2) Non-pay inflation of 2.5% per annum is assumed throughout the period
- 3) The Police Officers pay budget is sufficient to fund the approved establishment (November 2017 = 1685 fte's) assuming an average vacancy factor of 2.3%
- 4) In 2018/19 formula grant funding reduces in cash terms by 0.9% compared to 2017/18, in line with PACCTS analysis of the impact of the government's 'flat cash' promise. Thereafter, grant funding reduces by 1% year-on-year
- 5) The actual increase in the taxbase for 2017/18 was 1.6%; the assumed increase for all years after is 1.5% per annum
- 6) The PCC opts to increase the Council Tax by 1.99% in each year. This keeps increases under the 'threshold' level of 2% which was maintained for 2015/16. This is the level of increase which would trigger a requirement to hold a referendum of taxpayers before it could be implemented.

Budget and Reserves Strategy

Budget Setting

1. The Budget Strategy sets out how the Commissioner in conjunction with the Chief Constable is to 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 changing and evolving policing risk, while still facing considerable financial uncertainty.
3. Reserves also provide funding to invest in efficiency improvements as well as setting money aside to deal with known future commitments (earmarked reserves) so that these do not have an undue impact on annual spending plans.
4. This strategy sets out below the principles that are followed to ensure stable and sustainable finances are achieved:-
 - Maintain a prudent level of general balances. A General Reserve of £4m is being maintained. This is broadly equal to 2% of its net revenue budget, considered to be the minimum prudent level. It also reflects the levels of financial risk inherent in the service.
 - Maintain a sustainable level of provisions, including a prudent inflation contingency to cushion the impact of inflation and pay awards.
 - Ensure, as far as possible, that the revenue budget is sufficient to cover ongoing capital commitments e.g. replacement vehicles, equipment etc.
 - Ensure that an operational funding and investment reserve is maintained to, primarily, offset any shortfall in funding for at least 2 years. Its secondary purpose is to support investment in the force to update its assets and IT systems.
 - Manage uncertainty around police officers, PCSOs and police staff turnover.
 - 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.
 - Consider setting police precept increases at the maximum level permitted by Government excessiveness principles (previously Capping Criteria). For the last few years this has limited Council Tax increases to not more than 2%. If increases are considered above the limit set by the Government then a local referendum would be triggered.
 - Consider using reserves to fund capital projects, where uncommitted. This will help reduce/avoid the long term revenue financing costs associated with prudential borrowing.
 - 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. The Commissioner, however, will maintain his own Grants and Commissioning activity through his own office and will continue to work with partners across Derby and Derbyshire in pursuit of the objectives of his Police and Crime Plan.

- Maintain lobbying pressure for a fairer grant settlement for Derbyshire Constabulary, including full and prompt implementation of the Home Office’s proposed revised funding formula. Make representation that, at the minimum, any contribution to protection arrangements is minimised.
- Keep the property portfolio under review to ensure that it is affordable and meets the long term needs of the Commissioner and Derbyshire Constabulary. In addition look at creating opportunities to dispose of surplus landholdings and to working in partnerships with other public bodies.

A Risk Based Approach to Budget Setting

5. 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”.
6. Derbyshire Constabulary keeps under review its operational risks which is set out within the “Force Level Strategic Threat and Risk Assessment”.
7. 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.
8. A key part of this work is to bring together the Office of the Police and Crime Commissioner, Key Partners and Senior Officers across the Constabulary to consider the key risks that are faced and how best to address them.
9. The Risk Seminar is scheduled for November 2017 and the results of this seminar will be reflected in the Strategy below.

<i>Operational Risks</i>	<i>Organisational Risks</i>

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 effect 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.
- **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 forces 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 continuing financial uncertainty makes this an even greater challenge.
12. Over recent years Derbyshire Constabulary has delivered considerable budget reductions totalling some £37m. It knows that it will need to make further efficiencies if it is to close its remaining budget gap as well as providing headroom to redirect resources to new and emerging policing risk.
13. It has therefore developed an efficiency strategy set out below aimed to deliver some £5m of savings over the next two years. This target will be kept under review.

1. Risk Based Decisions	2. Investment for the Future	3. Local Savings
Strategic Decision around force priorities based on threat harm/risk	Clear business case setting out business & financial benefits e.g. analytics	PBB lite approach to Focus on areas highlighted by Department Heads
<i>Supported by:-</i> Risk Seminar	<i>Supported by:-</i> Programme Team	<i>Supported by :-</i> Finance/Business Futures
Senior Officer Team	Change Board	Heads of Department

<p>4. Cross Departmental Reviews</p> <p>Review areas that cross more than one department or are force-wide e.g. Fleet</p> <p><i>Supported by:-</i> Small central review team</p> <p style="text-align: right;">Chief Officers</p>	<p>5. Process Change</p> <p>Streamline existing bureaucratic processes</p> <p><i>Supported by:-</i> Lean Team</p> <p style="text-align: right;">Heads of Department</p>	<p>6. Collaboration</p> <p>Opportunities for further collaboration</p> <p><i>Supported by:-</i> Joint Police & Fire Board</p> <p style="text-align: right;">Senior Officer Team</p>
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14. The following table assesses the financial risks currently facing Derbyshire Constabulary and the actions taken to address these risks: -

Risk	Mitigation
Further substantial loss of grant.	An operational funding and investment reserve and general reserve is maintained to cushion the impact of further grant losses.
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.
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.	<p>The Constabulary is now less reliant on specific grants.</p> <p>The EMCTIU presents a considerable risk which is mitigated by the fact that other East Midlands forces are still responsible for the employment of police officers within the EMCTIU.</p>
Major Incidents – potential impact on police overtime of a number of major incidents.	Maintain reserves in accordance with the Reserves Strategy.

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.
Unforeseen spending items and inflationary pressures.	<p>Maintain reserves at a realistic level to ensure that they can sustain items of unforeseen spending.</p> <p>Monitor the level of provision set aside to cover inflationary pressures.</p> <p>Frequently update four-year financial forecasts to provide a more realistic view of future spending commitments.</p> <p>Specific insurance reserve exists to cover insurance excess.</p>

Contribution from Reserves

15. During this period of uncertainty, it will be necessary to utilise reserves to help manage the medium to long term financial position of Derbyshire Constabulary.
16. 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.
17. 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 there is sufficient cover to address new policing risk.
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 4 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.

22. Examples of how risk may increase the pressure on already constrained budgets is detailed in the table below: -

<i>Unforeseen / Unpredictable Risk</i>	<i>£m</i>
<i>Pay and Price Increases</i>	
<i>Additional 1% increase: -</i>	
Police Pay	0.9
Police Staff Pay	0.3
Police Staff Pension Contribution	0.3
<i>Additional 10% increase: -</i>	
Fuel costs	0.1
Utilities costs	0.1
<i>Capital Programme Risks</i>	
10% increase in tender costs for 25% of the capital programme	0.5
<i>Policing Pressures</i>	
Complex Murder Enquiry	1.0
Medium Range Murder Enquiry	0.5
Major Policing Operation e.g. public order	0.5
<i>Loss of Specific Grant</i>	
<i>Impact of loss: -</i>	
1% of general funding	0.9
10% of specific grant	1.1
<i>Over-spending</i>	
1% over-spend against budget	1.6

CAPITAL STRATEGY 2018/22

1. Introduction

- 1.1 The Capital Strategy will form the basis of the decision making process whereby the Police and Crime Commissioner (the Commissioner) determines capital funding levels and evaluates, approves and monitors capital expenditure within the available funding.

2. Principles

- 2.1 The Commissioner has a duty to act in accordance with statute, regulations, secondary legislation and all extant professional codes of practice which deal with various elements of capital accounting.
- 2.2 Under the Local Government Act 2003 Local Authorities are required to have regard to the Prudential Code for Capital Finance in Local Authorities when carrying out their duties as set out in Part 1 of the Act.

3. Capital Programme

- 3.1 The Commissioner is responsible for determining the programme for capital investment in fixed assets that are central to the delivery of quality police services. Capital investment must meet the varying needs of the Constabulary, reflecting risk and threats and links into the Police and Crime Plan.
- 3.2 Annually the Commissioner in conjunction with the Chief Constable will prepare a capital programme outlining the estimated capital expenditure and funding over a minimum three year period. The Commissioner will also give consideration to the achievability of the programme.
- 3.3 The funding of this programme will be kept under review to secure sufficient resources to fund the schemes within the programme.
- 3.4 It is recognised that there may not be sufficient capital resources to fund the total cost of all schemes within the capital programme in the year that they are scheduled to commence.
- 3.5 Where there is a shortfall in later years of the programme it may be necessary to consider prudential or internal borrowing as a means of covering the shortfall. It will also be necessary to keep these future schemes under review if additional resources are unable to be generated to fund them.

3.6 It is also recognised that schemes may change over time. For schemes already included in the capital programme, the initial appraisal will be reviewed and updated for inflation and other changes if they have not been implemented within a year of their inclusion within the programme.

3.7 The Commissioner has a duty to safeguard and maintain the assets and the capital programme will take account of any capital works necessary to achieve this objective.

4. **Capital Resources**

4.1 Capital funding can come from several sources:

- General Capital Grant
- Specific Capital Grant
- Borrowing
- Capital Receipts from sale of assets
- Capital Contributions from third parties
- Revenue Contributions
- Reserves

4.2 It is recognised that in later years the availability of capital resources may be less certain, which will potentially impact on the deliverability of the capital programme.

4.3 It is recognised that future schemes may not be fully funded and that it will be necessary to keep these under review in the light of the potential to raise additional capital resources via prudential borrowing or additional contributions from the revenue budget.

4.4 The programme beyond years 1 & 2 is indicative only. It sets out the potential capital pressures and the potential resources to fund them. As with the revenue budget there may be an imbalance of funding within the Programme. At this stage it is too early to predict how any imbalances will be covered either through:-

- Additional Government Grant
- Further Contributions from Reserves
- Funding from the revenue budget
- Prudential Borrowing
- Asset Sales

4.5 A number of the above will depend on the revenue budget and its ability to support the capital programme via direct contributions or by meeting borrowing costs. In recent years Derbyshire Police has used reserves to fund a significant part of its programme either on a temporary or permanent basis. As these resources decline then it will rely more heavily on borrowing to fund its capital programme.

- 4.6 Ultimately the Commissioner may need to restrict the scale of the capital programme if dictated by unfolding financial circumstances.
- 4.7 The Prudential Code for Capital Finance, which was introduced on 1 April 2004, gives greater freedom to borrow to support future capital investment, provided that the cost of borrowing associated with the extra debt is affordable.
- 4.8 The Code enables large sums to be borrowed, known as unsupported borrowing to fund new projects. However, the full cost of this additional borrowing must be met as no Government support will be available to offset the extra borrowing costs.
- 4.9 The Government has introduced strict rules to ensure any additional borrowing is affordable. This is set out in the Prudential Code for Capital Finance, which requires 3 to 5 year plans to be determined to show that the extra borrowing is affordable. As a guide £1m of borrowing will cost £65,900 in the first year reducing thereafter based on a term of 25 years (at November 2017).
- 4.10 The level of borrowing will be reviewed on an annual basis in line with the Prudential Code to determine whether it is prudent to take on additional borrowing to fund major projects.
- 4.11 Previously reserves have played an important part in helping to fund capital plans but as these diminish over time their role will be diminished with far greater emphasis on prudential borrowing.
- 4.12 Disposal of surplus land and property, from further estates rationalisation will help to achieve some of the capital aspirations that are set out within this strategy. The proceeds from disposals can only be used to fund capital schemes.

5. **Capital Expenditure**

- 5.1 The Code of Practice on Local Authority Accounting states that expenditure can be capitalised by recognising it on the Commissioner's Balance Sheet if: -
- It is expected that the item can be used for more than one financial year.
 - It is probable that future economic benefits or service potential associated with the item will be realised.
 - The cost of the item can be measured reliably, costs must be identifiable and not an integral part of some wider expense.

However, capital expenditure does not cover repair and maintenance.

5.2 The following categories of expenditure which meet the above criteria in paragraph 5.1 are to be treated as capital expenditure: -

- Acquisition, construction or enhancement of police property.
- Replacement of Information Technology (IT) equipment.
- Investment in new and upgraded Information Management Systems
- Vehicles
- Other large items of equipment

5.3 Each category of capital expenditure is underpinned by its own strategy, which sets out the potential benefits in that element of service, the long-term objectives and identifies essential and/or desirable requirements. These separate strategies will be reviewed and updated on a periodic basis and cover the following areas: -

- Property Development (Estates Strategy).
- IT/IM Strategy.
- Vehicle (Transport Strategy).

6. **Monitoring and Performance**

6.1 Monthly capital monitoring reports outlining progress against the approved programme will be prepared for the Commissioner.

6.2 A report detailing the Prudential Indicators will be prepared on a ½ yearly basis to comply with the Prudential Code for Capital Finance.

6.3 In setting the Prudential Indicators, not only do they help assess affordability, but they also set performance measures. These measures are used to assess the degree of success in implementing this strategy.

6.4 This strategy will be subject to a periodic review to ensure compliance with legislation and codes of practice.

7. **Collaboration**

7.1 This will impact on the future delivery of the capital strategy. Derbyshire will seek to implement key capital projects in collaboration with other Constabularies to:-

- Achieve economies of scale in procurement of capital items e.g. IT equipment, vehicles.
- Achieve economies of scale in implementing key infrastructure projects.
- Ensure that where possible there is common equipment e.g. IT applications.

Derbyshire Police - Schedule of Fees & Charges	Current Charges £	Charges Wef 1/11/17 £	Contact Details
Accident Reports			collisions.admin@derbyshire.pnn.police.uk
Copy of accident report (up to 30 pages)	92.00	93.00	
Additional pages for same incident per page	4.00	4.00	
Limited particulars (Road Traffic Act details)	33.00	33.00	
Fatals - accident investigation report - (includes Collision Investigators Report and Vehicle Examiners Reports where applicable)	700.00	700.00	
Fatals - reconstruction video tape / DVD	79.00	80.00	
Rough data	by quote	by quote	
Copy of scale plan - other than in collision report	75.00	75.00	
Copy of police vehicle examination report (unless provided as a full extract)	66.00	67.00	
Copy of collision reconstruction report (unless provided as a full extract)	66.00	67.00	
Copies Of Photographs			
Copies of photographs - from digital camera (per disk)	75.00	75.00	
A4 index sheet (digital)	19.30	19.60	
Photographs (first photo)	26.20	26.60	
Each subsequent photograph	2.90	2.90	
Copies of statements other than in booklets			
Per Statement	34.00	34.00	
Additional pages (per page)	n/a	n/a	
Copy of witness statement (witness agrees to disclosure of personal details)	40.00	40.00	
Copy of witness statement (witness not agreeing to disclosure of personal details)	53.00	53.00	
Interview with police officer	Special Services Hourly rate applies	Special Services Hourly rate applies	
Request for a statement to be written by a police officer	Special Services Hourly rate applies	Special Services Hourly rate applies	
Cancellation charges			
If request is cancelled prior to search	Refund	Refund	
If search is made prior to cancellation	33.00	33.00	
If search is made and documents ready for dispatch	No Refund Applies	No Refund Applies	
Abortive search	33.00	33.00	
Requests for Disclosure of Information			foi@derbyshire.pnn.police.uk
DPA 1998 - Section 7 Subject Access Request	10.00	10.00	
Request for information (up to 2 hours work)	83.20	84.40	
Hourly rate for work above 2 hours (including redaction)	27.80	28.20	
ABI/Lloyds Disclosure of Information (ABI/Lloyds MOU)			CriminalDataDerbyshire@Derbyshire.pnn.police.uk
Request (crime/lost property number, etc - MOU App D (a))	27.50	28.20	
Request (in response to specific questions) - MOU App D (b)	117.20	120.20	
Other Specific Items			
Copy of Interview Record (only when prepared during investigative process)	53.00	53.00	
Copies of video tapes/audio tapes (provision for CJS)	79.00	80.00	
Copies of DVD's from Digital Video	79.00	80.00	
Copies of CD's /DVD's	19.30	19.30	
Crime Report	83.30	84.50	
MG5	33.20	33.70	
MG3	33.20	33.70	
Incident Log	33.90	34.40	
PNC Convictions	33.20	33.70	
Caution Certificate	22.10	22.10	
Domestic Violence Report	50.00	50.80	
Occurrence Summary	16.70	17.00	
Custody Report	16.70	17.00	
DPA 1998 - Section 68 Health Records (Copy)	n/a	n/a	
DPA 1998 - Section 68 Health Records (View)	n/a	n/a	
DPA 1998 - Section 68 Health Records (View & then Copy)	n/a	n/a	
Provision of Injury Collision Statistics			IPQA@derbyshire.pnn.police.uk
Provision of data concerning collision occurrences involving geographic data for commercial purposes (up to three hours work)	120.00	123.00	
Each Hour thereafter	40.00	41.00	
Fingerprinting fees			
One set	74.00	75.10	
Additional sets thereafter (each)	36.90	37.50	
Non- Police Personnel Vetting			HQ.PSDVetting@derbyshire.pnn.police.uk
Level 1	30.00	30.00	
Level 2	70.00	70.00	
Level 2 (Including National Security check)	91.00	91.00	
Level 3	180.00	180.00	
Level 3 (Including National Security check)	201.00	201.00	
Alarm URN Fees			HQ.alarmsadministration@derbyshire.pnn.police.uk
Alarm Application Fee (single)	43.49	43.49	
Alarm Application Fee (takeover)	65.23	65.23	
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	
Detector activated CCTV systems	43.49	43.49	
CAT5 after theft systems with vehicle immobilisation for vehicle	52.55	52.55	
Firearms Certificates - Home Office Set Fees			firearms.licensing@derbyshire.pnn.police.uk
Firearms certificate - Grant	88.00	88.00	
Firearms certificate - Renewal	62.00	62.00	
Shotgun certificate - Grant	79.50	79.50	
Shotgun certificate - Renewal	49.00	49.00	
Registered firearms dealer -Grant / renewal	200.00	200.00	
Visitors Permit (Individual)	20.00	20.00	
Visitors Permit (6+)	100.00	100.00	
Co-terminus certificates - Grant of both shotgun and firearm certificate	90.00	90.00	
Co-terminus certificates - Grant of a shotgun certificate / renewal of firearm certificate	90.00	90.00	
Co-terminus - Renewal of a shotgun certificate / grant of a firearm certificate	90.00	90.00	
Co-terminus - Renewal of both shotgun and firearm certificates	65.00	65.00	

Derbyshire Police - Schedule of Fees & Charges	Current Charges £	Charges Wef 1/11/17 £	Contact Details
Game fairs	13.00	13.00	
Replacement certificate	4.00	4.00	
Variation (not like for like) - applicable only to firearm certificates	20.00	20.00	
Home Office club approval	84.00	84.00	
Registered firearms dealer replacement	200.00	200.00	
Registered firearms dealer - Temporary Transfer In	13.00	13.00	
Firearms Museum license	200.00	200.00	
Other Certificates - Home Office Set Fees			
Overseas Visitors Registration (OVRO)	34.00	34.00	
Pedlars certificates	12.25	12.25	
Special Service Charges (Per Hour)			
			finance@derbyshire.pnn.police.uk
Constable	64.10	65.40	
Sergeant	77.26	78.80	
Inspector	79.99	81.60	
Chief Inspector	83.32	85.00	
Superintendent	104.31	106.40	
Chief Superintendent	117.45	119.80	
PCSO	44.87	45.80	
Vehicle Examiners	40.50	41.30	

Note

The above fees and charges exclude VAT.