

STRATEGIC GOVERNANCE BOARD
26 JANUARY 2016
REPORT OF THE CHIEF CONSTABLE
AND TREASURER FOR THE POLICE AND CRIME COMMISSIONER

10B **REVENUE BUDGET AND PRECEPT REPORT 2016/17**

1. PURPOSE OF THE REPORT

- 1.1 To provide details of the local government finance settlement for 2016/17, to summarise the proposed revenue budget and to consider the level of precept to be notified to the Police and Crime Panel for 2016/17.

2. EXECUTIVE SUMMARY

- 2.1 **Appendix 1** sets out the spending plans for the Police and Crime Commissioner for Derbyshire and Derbyshire Constabulary for 2016/17 and indicative plans up to 2019/20. It provides the detailed rationale to support the revenue budget and precept proposals for 2016/17.
- 2.2 This will be the fourth year when the budget for policing Derbyshire will be set by the Police and Crime Commissioner. These budget plans will be subject to scrutiny and potential veto by a Police and Crime Panel consisting of local authority and independent representatives.
- 2.3 Beginning in 2010, and in advance of the 2011/12 Comprehensive Spending Review (CSR), planning started to deliver spending reductions to meet the challenge of austerity. To date a total of £31m in planned spending reductions has been delivered. This has been achieved through some very difficult choices, including a freeze on police officer recruitment and a reduction in establishment of some 344 police officers and 294 police staff posts.

2.4 Due to the considerable success of the Moving Forward Programmes, balanced budgets have been achieved in each year of austerity without the need to call on reserves. We have also built up reserves through the achievement of savings earlier than expected in order to put us in the best position to manage further austerity cuts. As a result, the current level of reserves allow for a sound plan to be put in place to: -

- Address any remaining budget gap.
- Fund the increasing demands which are being placed on policing, which are partly due to other public sector services still having to cut their budgets.
- Invest in new IT systems and maintenance of police buildings to ensure the needs of a modern policing service are met.
- Review the programme for police officer recruitment with a view to increasing police officer and specialist police staff numbers

2.5 The Chancellor in his Comprehensive Spending Review and Autumn Statement, delivered on 25th November 2015, indicated that police budgets would be protected and there would be no cuts - this 'protection' is, however, predicated on PCCs raising the local policing precept by the maximum allowed for the remainder of this Government's term in office.

2.6 However, a great deal of uncertainty still remains as: -

- The Home Office has only provided a one year settlement. This causes difficulties in forward planning post 2016/17
- The Home Office is still committed to completing the much talked about review of the police funding allocation formula. This follows a disastrous first attempt to update the formula, the first since 2006, which was withdrawn following the discovery of a 'statistical error'.
- The Home Office is committed to a number of national policing initiatives which will have an impact at the local level, for example relating to armed response capability, cybercrime and the Emergency Services Mobile Communication Programme.

- No extra money was provided for new inflationary pressure and the additional £3m cost of changes to National Insurance Contributions.
- 2.7 As a result, any plans going forward will need to be flexible and be kept under review so that the resources available to the Constabulary are used in the most effective manner.
- 2.8 Despite having to manage cuts in central government grant of £26.1m since 2011, the Constabulary still faced considerable policing risks and levels of demand, whilst maintaining a high level of performance. The Force continues to receive good and outstanding external inspections from bodies such as the Office of the Surveillance Commissioners, HM Inspectorate of Constabulary and the Interception of Communication Inspectors. In addition, the Force continues to carry out investigations in a whole range of new areas and has provided some ground breaking work in relation to areas such as child sexual exploitation, modern slavery and in particular, on-line paedophilia and historic child abuse cases.
- 2.9 In September 2013 the Constabulary embarked on the next phase of the Moving Forward Programme, with the main focus on conducting a Priority Based Budgeting (PBB) exercise.
- 2.10 **Appendix 1** sets out the proposals from the second year of the PBB savings plan, latest financial forecasts and budget options for the Commissioner to consider. It is important to strike the right balance between providing sufficient resources to meet policing risk against the need to deliver a sustainable budget in what continues to be a very uncertain financial and economic climate.
- 2.11 The budget proposals made in this report confirm that Derbyshire Police is in a strong financial position to meet the policing and financial challenges that lie ahead. Nevertheless, given the extent of the known and likely demands being placed on the Force, savings are still required, and will have a marked impact on the policing service we deliver to the public of Derbyshire. We also know that, depending on further possible Government funding decisions, the outcome of the review of the funding allocation formula and the ever changing demands of policing, we may well have to make additional structural changes over the next five years if we are to balance our budget in 2019/20.

Performance

- 2.12 Anti-social behaviour has fallen every year since recording began and is predicted to see another fall in volume in the current year. Acquisitive crime, for example, burglary and shoplifting has seen a noticeable fall in the latest twelve months but violence and sexual offences have seen substantial increases. These are trends that are being seen across England and Wales and not unique to Derbyshire.
- 2.13 The Crime Survey in England and Wales (CSEW) surveys people across the country in relation to their perceptions of crime and the police in their area. Over the last twelve months, public confidence with Derbyshire Constabulary has fluctuated slightly but still remains high noticeably with nearly 75% people, who answered the survey in the twelve months ending June 2015, stating that they had confidence in the police in this area. This has improved greatly over recent years and is a significant increase compared to September 2008 when less than 63% of respondents were confident.

Police Funding 2016/17

- 2.14 On 25 November, the Chancellor announced that police spending would be protected in real terms over the Spending Review period, but only when precept increases, assumed at a minimum of 2%, are taken into account. This is an increase of up to £900 million in cash terms by 2019/20. The level of central funding, however, is reducing as local precept income is assumed to increase.
- 2.15 The Home Office finally published funding allocations for individual forces on 17th December 2015, less than six weeks before Commissioners are expected to set out their spending plans. Allocations were published for one year only and this hinders accurate long term planning.
- 2.16 For 2016/17, direct resource funding for each Police and Crime Commissioner, including precept, will be protected at flat cash levels. This is assuming that Commissioners choose to increase precept income to the maximum amount possible. If Commissioners wish to increase the precept in line with Government assumptions, no Commissioner should face a reduction

in cash funding next year (2016/17) compared to this year, and the majority should see marginal increases in their spending power

- 2.17 A further £4.2m of Council Tax Freeze Grant funding, previously paid to Local Policing Bodies by Department of Communities and Local Government (DCLG), will be paid by the Home Office in 2016/17. This follows the permanent transfer of £500m of other Legacy Council Tax Grants and £3bn of 'formula funding' from DCLG to the Home Office in previous years. However, no new freeze grant will be available for 2016/17.
- 2.18 The overall settlement proposes to increase counter-terrorism police funding in real terms to £670m and also includes extra investment to continue with police reform. It provides transformation funding to develop and deliver specialist capabilities such as those required to tackle cyber-crime and other emerging changes in crime, and enable a major uplift in firearms capability and capacity so that policing can respond quickly and forcefully to a firearms attack.
- 2.19 This settlement also included within it the police share of the £1bn investment costs of the Emergency Services Network (ESN), investing in ESN's future capability and an expectation that this investment will deliver financial savings.

Funding Formula Review

- 2.20 For 2016/17 the Government attempted to introduce a new Police Allocation Formula for distributing core revenue funding between forces. Figures produced by the home office indicated that Derbyshire stood to gain additional funding of some £20m as a result of these changes, although this figures was subsequently revised to £7m when a statistical error was uncovered within the formula.
- 2.21 This attempt at updating the formula mechanism failed when the Home Office discovered a "statistical error" in its calculations, which forced the Government into delaying implementation. There are currently no proposals for amending the current police allocation formula.
- 2.22 No assumptions have been made about the impact of any further formula review, other than the implied assumption that it will be cost neutral. This is a prudent approach and nothing is included in the budget for additional

resources due to any funding review. Whilst it is likely that any review will favour Derbyshire, transitional arrangements may delay some of the benefit.

- 2.23 The aborted implementation means that revenue resources continue to be allocated, notionally, on the basis of the existing funding formula that was introduced in 2006/07. The Government also continues to persist with arrangements to protect forces that would otherwise lose grant under the 2006/07 formula. For 2016/17 the Government has applied the same percentage reduction of 0.6% to every police force area.
- 2.24 Effectively this continues to protect forces that would otherwise lose grant following the 2006/07 formula changes. This protection is funded by scaling back dramatically the higher increases that a number of Police Forces, including Derbyshire, stood to gain under the 2006/07 formula.
- 2.25 The Home Office have not published the data used in determining the funding allocations for forces. Therefore, a consequence is that it is no longer possible to accurately identify the level of funding that is being withheld from Derbyshire Police to protect other forces from even larger funding cuts. However, using the criteria for 'damping' that was last published for the 2013/14 grant settlement the estimated loss of grant for Derbyshire continues to be some £2m per annum and is summarised in the table below: -

Estimated Impact of Damping	%	Before Damping £m	After Damping £m	Estimated Grant Lost £m
Grant Settlement 2013/14		112.270	110.125	(2.145)
Add: Community Safety Fund included in Baseline for 2014/15		0.981	0.981	
Adjusted Baseline for 2014/15		113.251	111.106	
Less: Cash Reduction in Baseline for 2014/15 (exc. top slice)	(3.3%)	(3.737)	(3.666)	
Grant Settlement 2014/15		109.514	107.440	(2.074)
Less: Cash Reduction in Baseline for 2015/16 (exc. top slice)	(3.5%)	(3.833)	(3.760)	
Grant Settlement 2015/16		105.681	103.679	(2.002)
Add: Cash Reduction in Baseline for 2016/17 (exc. top slice)	(0.6%)	(0.634)	(0.622)	
Grant Settlement 2016/17		105.047	103.057	(1.990)
Total				(8.210)

2.26 Next year, Derbyshire's formula grant will reduce from £100.4m to £99.833m, a reduction of £0.567m. Grant levels for Derbyshire since the start of Government austerity measures are detailed in the following table: -

Formula Funding	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Police Main Grant	73.186	70.155	65.039	68.940	66.551	62.500	62.122
Non-Domestic Rates/ Revenue Support Grant	49.096	45.841	43.182	41.185	39.261	37.900	37.711
Neighbourhood Policing Grant	3.681	3.681	3.681	0	0	0	0
Community Safety Fund	0	0	0	0.981	0	0	0
Total Formula Funding	125.963	119.677	111.902	111.106	105.812	100.400	99.833
Reduction in Funding (£)		(6.286)	(7.775)	(0.796)	(5.294)	(5.412)	(0.567)
Reduction in Funding (%)		(5.0)	(6.5)	(0.7)	(4.8)	(5.1)	(0.6)

2.27 Derbyshire Police stands to lose out an additional £1.851m as a result of the top-slicing applied to the main grant. This is on top of the £3.726m already taken over the last two years' grant settlements, as set out in the table below:-

Expenditure (funded from 'top-slicing' the Police Main Grant)	Estimated Grant Lost by Derbyshire 2014/15 £m	Estimated Grant Lost by Derbyshire 2015/16 £m	Estimated Grant Lost by Derbyshire 2016/17 £m	Total £m
Police Innovation Fund	0.755	1.057	0.831	2.643
IPCC	0.272	0.453	0.483	1.208
HMIC	0.142	0.142	0.139	0.423
Direct entry schemes	0.045	0.075	0.069	0.189
National Police Co-ordination Centre	0.030	-	-	0.030
Capital City Grant	0.030	0.045	-	0.075
Police Knowledge Fund	-	0.076	-	0.076
Major Programmes	-	0.604	0.329	0.933
Total	1.274	2.452	1.851	5.577

Note: This excludes any loss of funding as a result of floor protection, which means that some £2m of further grant funding is withheld from Derbyshire Police.

Office of the Police and Crime Commissioner

2.28 The table below shows the proposed budget for the Office of Police and Crime Commissioner, which is set out in more detail within **Annex B**: -

Office of the Police and Crime Commissioner	Revised Budget 2015/16 £m	Proposed Budget 2016/17 £m
Commissioner's Office	1.032	1.041
Crime Prevention Fund	0.250	0.250
Community Safety Fund	1.266	1.266
Victim and Witness Services	1.018	1.018
Sub-Total	3.566	3.575
Revenue Contributions to Capital	1.096	1.500
Debt Charges	0.861	0.816
Interest Receipts	(0.210)	(0.160)
Sub-total	5.269	5.731
Contribution from Reserves	(0.250)	(0.250)
Contribution to Reserves	1.531	0.037
Grant from the Ministry of Justice (estimate)*	(1.100)	(1.100)
Net Budget Requirement	5.494	4.418

- The Ministry of Justice have not yet notified any Commissioners as to their victims grant for 2016/17, despite strong lobbying as to the implications of the tight timing of budget preparations for policing services. Therefore the Commissioner's budget includes a reasonable estimate as to the level of grant. The grant supports contracts for victims' services that cover several financial

years; should the grant be reduced, then virements or reserves will be used to resource the contracts.

- 2.29 The budget signals the importance and value of partnership working, to ensure wherever possible all opportunities are explored for co-commissioning services.
- 2.30 The Commissioner's budget also includes a contribution of £1.5m to the capital programme to make the core programme more sustainable. This will ensure that the key on-going capital commitments can be met from capital grant and the revenue budget without increasing borrowing levels. This is explained in more detail within the capital programme report.
- 2.31 The remaining budget controlled by the Police and Crime Commissioner is for financing items as follows:-
- Contributions to Reserves.
 - Debt Charges – this represents the costs of serving the relatively low levels of borrowing taken out in previous years.
 - Interest Receipts – this represents interest earned on reserves. This has been depressed by the ongoing global economic down-turn.

Chief Constable's Budget

2.32 The table below shows the proposed budget for the Commissioner to allocate to the Chief Constable. This is set out in more detail in **Annex C**: -

Chief Constable	Revised Budget 2015/16	Proposed Budget 2016/17
	£m	£m
Derbyshire Constabulary	146.183	148.588
East Midlands Collaboration	9.339	9.233
BCU Fund	0.358	0.307
Partnerships	0.753	0.547
Contribution to National Policing	0.211	0.224
Sub-total	156.844	158.899
Contributions from Reserves	(0.832)	(0.525)
Net Budget Requirement	156.012	158.374

2.33 Due to the very late timing of the grant announcement and the unprecedented and unexpected change in Government funding for the police, few changes can be made to the budget at this time. To establish and adequately plan to invest in the areas of greatest need will need more time.

2.34 The Chief Constable has commissioned two key pieces of work

- A more detailed review of the way policing is delivered by the constabulary, including neighbourhood policing, which follows on from the discussions that took place in December and
- A detailed assessment of the operational risks that Derbyshire Constabulary faces together with an assessment of the level of investment required to address these risks.

2.35 It is planned to report on the outcome of both these reviews to the Police and Crime Commissioner to consider in April. These proposals will set out plans

to re-shape the way some policing services are delivered and to free up resources for some of the new risks that the Constabulary faces.

2.36 In the interim there is scope to make some initial investment and the 2016/17 budget is based on: -

- Budgeting for 3 police officer intakes for next year rather than the planned 2 intakes. At this stage it is hoped that this can then be sustained with full intakes in subsequent years.
- Maintaining PCSO (who are police staff) numbers in line with the funded establishment.
- Providing additional staffing resources in the CCMC, including police staff.
- Providing for a further one year apprentice scheme.
- Increasing the day to day repairs and maintenance budget for force buildings by £250,000.
- A Decision to increase the capitalised maintenance budget by £500,000 to kick start the outcome of the building condition surveys.
- Interim investment in the risk gap and priority areas.

2.37 At this stage the scale of the risk gap is yet to be assessed but it is evident that there are a number of key policing risks that need to be addressed around:-

- Protecting vulnerable children and adults from harm
- Investigating increasing cases of child sexual exploitation
- Addressing forced marriage and human trafficking
- Providing adequate resources to investigate an increasing number of historic allegations of abuse.
- Ensuring that we are making good use of technology (e.g. ANPR and mobile office resources) to counter organised crime across our county and to free up police time.

- Ensuring that we maintain our firearms capability at a time of increased national policing risk.

2.38 The Chief Constable's rationale for proposing this budget is set out clearly in the attached report at **Appendix 1**.

Public Engagement

2.39 Throughout the year, the Commissioner maintains on going engagement with the public and receives feedback from many sources on the public's views of policing and the level of police precept.

2.40 A budget consultation exercise on precept levels for 2016/17 has been carried out with a closing date of 22 January to inform the Strategic Governance Board meeting. At the time of writing this report, the results were that 84% of respondents thought the Commissioner should increase the police precept by at least the 2% assumed by the Chancellor of the Exchequer.

2.41 The Commissioner is not minded to propose a precept increase of above 2% as he does not want to hold a referendum with its associated high costs of the ballot and possible rebilling costs.

Referendum Principles

2.42 In considering the precept options available to him, the Commissioner has taken into account the referendum principles set by the government which limits the maximum increase in council tax which can be set without consulting the public through a referendum. For Derbyshire police this limit is 2% or more, as the Constabulary does not fall in the bottom quartile of police precept levels when the referendum limit is £5.

2.43 However, it is perverse that the Chancellor has assumed Commissioners will increase their precepts by 2%, but the Government's own referendum principles are clear that an increase of 2% (or more) will trigger a referendum.

2.44 The Commissioner is therefore presented here with two precept options to consider: -

- Not increasing the Council Tax Precept.

- To increase the Police Precept up to the referendum threshold, set at under 2% (1.99% increase).

2.45 The table below shows the implications of these two options and the resulting police precept: -

Precept Options	Council Tax Freeze £m	Precept Increase 1.99% £m
Police and Crime Commissioner	4.418	4.418
Chief Constable	158.374	158.374
Total Budget for Derbyshire Police	162.729	162.792
Funded by: -		
Police Formula Grant	99.833	99.833
Council Tax Legacy and Freeze Grants	8.700	8.700
Sub-Total	54.259	54.259
Surplus to be allocated to Reserves	0	0.
Budget (Deficit) to be met from Reserves	(1.047)	0
(Surplus)/Deficit on Collection Accounts	(0.674)	(0.674)
Council Tax Requirement	52.538	53.585

2.46 The decisions associated with these two options are detailed as follows:-

Option 1: No increase

	Council Tax Freeze
Net Revenue Budget	£162,791,712
Provisional Council Tax Requirement	£52,537,940
Police Precept	£173.61
Police Precept Increase (£)	£0
Police Precept Increase (%)	0%
Provisional Contribution from reserves	£1,047,067

Option 2: Increase of 1.99%

	Precept Increase
Net Revenue Budget	£162,791,712
Provisional Council Tax Requirement	£53,585,007
Police Precept	£177.07
Police Precept Increase (£)	£3.46
Police Precept Increase (%)	1.99%
Provisional Contribution to/from reserves	0

2.47 The provisional precept is based on final Council Tax base figures; the taxbase for 2016/17 is 302,620.47.

Longer Term Projections

2.48 The table below shows an indicative projected budget position for the next 4 years and how it would change depending on whether the Commissioner opts to increase the 2016/17 Council Tax Precept or not. The table shows that the impact over five years of not increasing the council tax in 2016/17 is a cumulative reduction in precept income of £5m, and this occurs because of the compounding effect of year on year percentage increases on a lower Band D.

Projected Deficit	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Police Funding including Police Precept Increase (1.99%)	162.792	164.034	165.127	166.258
Police Funding with no increase in Precept Increase for 2016/17 (with a 1.99% increase from 2017/18 onwards)	161.744	162.746	163.808	164.906
Reduction	1.048	1.288	1.319	1.352
Cumulative Reduction	1.048	2.336	3.655	5.007

2.49 The above projections need to be treated with considerable caution as there are a number of factors that could materially affect the projection, regardless of grant, in particular national decisions around pay levels and terms and conditions.

RESERVES

2.50 As stated previously, while considerable uncertainty remains, reserves are healthy and could manage any projected deficits as shown in the table below.

2.51 Further detail on the use of reserves over this period is shown in **Annex D** and in the report on Capital elsewhere on this agenda. In particular, it is proposed that part of the reserves are earmarked in the first instance to fund the two major capital new build projects – the joint HQ with Derbyshire Fire Authority and the replacement firing range.

Reserve	31/03/16	31/03/17	31/03/18	31/03/19
	£m	£m	£m	£m
General	4.000	4.000	4.000	4.000
Earmarked – Usable				
Operational Priorities	1.325	1.325	1.325	1.325
Operational Funding	18.909	8.950	7.952	7.212
Carry Forwards	3.435	3.240	3.240	3.240
Police and Crime Commissioner – Crime Prevention Fund	1.263	1.013	0.763	0.513
Pensions	0.500	0.500	0.500	0.500
Total Earmarked – Usable	25.432	15.028	13.779	12.790
Earmarked – Non-usable	5.259	4.965	4.653	4.305
Total Reserves	34.691	23.993	22.432	21.095

2.52 The recent Comprehensive Spending Review and the decision announced by the Chancellor of the Exchequer to not drastically cut police budgets means reserves can now be used to invest in key projects, such as developments to the ICT infrastructure, improvements to the estate to provide local and visible policing and joint projects with Derbyshire Fire Authority.

2.53 The Constabulary is currently undertaking a detailed exercise to understand the policing risks facing the Force going forward. Addressing those risks will require additional resources which could also be sourced from reserves. A structured plan to develop how best to release reserves to ensure investment is made in the greatest areas of risk, and a further report will be considered by the Commissioner when this exercise is completed. This will be in April 2016.

2.54 Therefore, at the moment the amount of useable reserves shown in the table at paragraph 2.50 does not take account of this investment plan and funding the current projects that have only recently commenced.

- 2.55 In addition a general reserve of £4m is maintained to deal with immediate unforeseen spending pressures.
- 2.56 While reserves cushion the impact of unforeseen spending and are available for planned known future commitments, they arise as a result of money being held back from local taxpayers and not being spent on services in the council tax year. It is therefore important to ensure reserves are maintained at an appropriate level – neither too high nor too low, and are as a result of planning.
- 2.57 The Treasurer is required to provide an assurance as to the level of reserves in the final precept report and this will be provided for the 2016/2017 budget.

Financial Risks

- 2.58 The key financial risks are set out in **Appendix 1**; these are around future pay awards, complex and unforeseen policing operations, changes to grant funding and even potential over-spending. Taken together these risks could add as much as £6m to our costs in any one year. Without reserves, this would place an unsustainable burden on our budget. It is therefore appropriate that we hold reserves to manage these potential risks.

Future Strategy

- 2.59 In the past Derbyshire Constabulary has successfully met its financial challenges by reacting early and putting in place measures to close its budget gap at an early stage.
- 2.60 The Constabulary has been able to achieve significant reductions, while still maintaining and improving performance.
- 2.61 The position now faced is slightly different. The scale of the gap in later years is not as great as expected, but it is just as important that the Commissioner and the Chief Constable for Derbyshire Police continue to take a measured approach to addressing the significant challenges facing the Force in respect of the changing nature of crime, the breadth of demand on policing services, the fact other public services are still having to cut their budgets and thereby increasing demand on the police, and in particular the growth in some specific areas of investigation.

2.62 In December 2015 the senior officers of the Force together with the Police and Crime Commissioner's office, the Police Federation and Unison all gathered for the Annual Planning Seminar. Initially the seminar expected to be working on the basis of substantial cuts to the police budget, perhaps even as much as £30m over the next five years. However, as the reality of the situation was far better than was anticipated, the planning seminar was able to concentrate on planning for the future - continuing to make efficiencies and to reinvest against many of the risks and emerging threats that the police is mandated to deal with.

3. RECOMMENDATIONS

In respect of the revenue budget for 2016/17

- i. To note the information and analysis as set out in this report and **Appendix 1**.
- ii. To agree the proposed adjustments to the 2016/17 budget as detailed in **Annexes Ai and Aii**.
- iii. To note the assumptions as set out in **Annexes Ai and Aii**.
- iv. To maintain a revenue contribution to capital of at least £1.5m into the base revenue budget.
- v. to approve the net revenue budget of £162,791,712 for 2016/17.

In respect of the council tax requirement, the associated police precept with any arising provisional contributions to/(from) reserves:-

- vi. Consider the options to either freeze council tax or to increase council tax, and having received a final council tax assurance statement from the Treasurer, to notify the Police and Crime Panel accordingly
- vii. To agree to continue with the use of reserves to bridge any budget gap in 2016/17 (depending on the precept increase approved)
- viii. To receive a further report in April after the risk investment activity has been completed by the end of this financial year to consider investment proposals for key risk areas in accordance with the approved budget strategy.
- ix. To note the associated financial projection for 2016/20.

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	

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BACKGROUND PAPERS

ATTACHMENTS

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B	Budget for the Office of the Police and Crime Commissioner
C	Budget for the Chief Constable
D	Reserves

SPENDING PLANS 2016/17

1. BACKGROUND

- 1.1 This document sets out the spending plans for the Police and Crime Commissioner for Derbyshire and Derbyshire Constabulary for 2016/17 and indicative plans up to 2019/20. It provides the detailed rationale to support the revenue budget and precept proposals for 2016/17.
- 1.2 This will be the fourth year when the budget for policing Derbyshire will be set by the Police and Crime Commissioner. These budget plans will be subject to scrutiny and potential veto by a Police and Crime Panel consisting of local authority and independent representatives.
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- 1.6 As a result, any plans going forward will need to be flexible and be kept under review so that the resources available to the Constabulary are used in the most effective manner.
- 1.7 Despite having to manage cuts in central government grant of £26.1m since 2011, the Constabulary still faced considerable policing risks and levels of demand, whilst maintaining a high level of performance. The Force continues to receive good and outstanding external inspections from bodies such as the Office of the Surveillance Commissioners, HM Inspectorate of Constabulary and the Interception of Communication Inspectors. In addition, the Force continues to carry out investigations in a whole range of new areas and has provided some ground breaking work in relation to areas such as child sexual exploitation, modern slavery and in particular, on-line paedophilia and historic child abuse cases.
- 1.8 In September 2013 the Constabulary embarked on the next phase of the Moving Forward Programme, with the main focus on conducting a Priority Based Budgeting (PBB) exercise.
- 1.9 This report sets out the proposals from the second year of the PBB savings plan, latest financial forecasts and budget options for the Commissioner to consider. It is important to strike the right balance between providing sufficient resources to meet policing risk against the need to deliver a sustainable budget in what continues to be a very uncertain financial and economic climate.
- 1.10 The budget proposals made in this report confirm that Derbyshire Police is in a strong financial position to meet the policing and financial challenges that lie ahead. Nevertheless, given the extent of the demands being placed on the Force, the savings that are still required will have a marked impact on the policing service we deliver to the public of Derbyshire. We also know that, depending on further possible Government funding decisions, the outcome of the review of the funding allocation formula and the ever changing demands of policing, we may well have to make additional structural changes over the next five years if we are to balance our budget in 2019/20.

2. NATIONAL AND LOCAL POLICING PRIORITIES

- 2.1 The protection of vulnerable people remains at the heart of what the Force does, and the explosion in on-line paedophile offending, the reporting of historic sexual abuse and increased confidence leading to greater reporting of rape and sexual offences and domestic abuse is all causing a huge workload. Coupled to this is the growth in cyber-crime and digital investigation, along with increased awareness of a whole range of issues such as human trafficking, modern slavery, honour based violence and other such hidden crimes. This is all on top of the more 'traditional' demands such as anti-social behaviour, burglary and auto-crime and road traffic collisions, which all remain.
- 2.2 The Home Secretary has been clear in her communication with Chief Constables and Police and Crime Commissioners that she expects to see additional investment in the Counter Terrorist arena, with Neighbourhood Policing Teams contributing more to the Prevent agenda and an uplift in armed capability in order that we better protect citizens and can prepare for an attack such as that seen in Paris in November 2015.
- 2.3 The latest Police and Crime Plan was published by the Commissioner in March 2014. This plan summarises the areas of policing that will take precedence during his term of office. In response the Chief Constable produced a delivery document, which explains how the Constabulary will protect the public, deal with high level risks and threats and in doing so deliver the commitments made in the Police and Crime Plan.
- 2.4 The six objectives included in the Chief Constable's delivery plan are: -
- Work to improve the support provided to victims and witnesses.
 - Work to provide strong and effective partnership working with organisations, such as Neighbourhood Watch, voluntary, community and social enterprise sector to facilitate greater impact and use of resources.
 - Work to keep people, particularly the most vulnerable in our communities safe from harm, anti-social behaviour and criminal activities.
 - Work to support local policing and maintain current strength, distributing resources into place of greatest need.
 - Work to drive continual improvement in performance through a robust performance framework that identifies key risk and manifesto priorities.
 - Encourage further investigation into the issues surrounding alcohol-related crime and harm; and the impact of drugs on communities; explore ways to intervene early to prevent it - with support from our partners.

3. OUR CURRENT PERFORMANCE

3.1 2014/15 saw a slight fall of 1.5% in overall recorded crime in Derbyshire compared to the previous year. The previous year had seen a slight increase of just over two per cent. Despite these year on year fluctuations, since the introduction of national crime recording standards in 2002/03, crime within Derbyshire has halved in volume with over 50,000 fewer victims in 2014/15 in comparison to 2002/03.

3.2 Following on from the fall in recorded crime in 2014/15, the projections for crime volumes for 2015/16 show an increase on the previous year. This is a national trend with overall crime expected to increase across England and Wales. The table below shows the estimated year on year change for a number of key crime groups: -

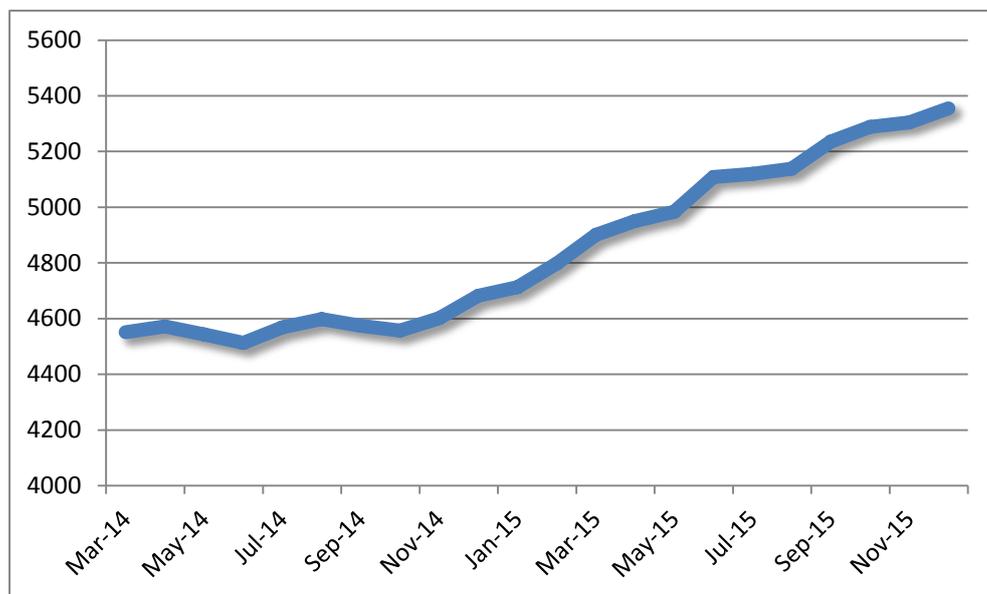
Crime	2014/15	2015/16 Estimate	Estimated Volume Change	Estimated % change
Violence Against the Person	10,033	15,520	5,487	55%
Sexual Offence	1,254	1,580	326	26%
Domestic Burglary	2,714	2,540	-174	-6%
Non-Domestic Burglary	4,161	3,430	-731	-18%
Vehicle Crime	5,727	5,770	43	1%
Robbery	515	542	27	5%
Shoplifting	6,176	5,480	-696	-11%
Victim Based Offences	46,731	47,940	1,209	3%

All Crime (excl. fraud and forgery)	51,687	53,030	1,343	3%
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- 3.3 Overall crime is increasing compared to the levels recorded in 2014/15 but is in line with the recording levels of 2013/14. Generally, numbers of recorded offences have remained stable across the last three years. Despite the overall levels being relatively stable, within the different crime groups there have been some substantial increases and decreases.
- 3.4 Acquisitive crime, for example, burglary and shoplifting has seen a noticeable fall in the latest twelve months but violence and sexual offences have seen substantial increases. These are trends that are being seen across England and Wales and not unique to Derbyshire.

Demand

- 3.5 The demand that the service faces is continuing to change. Offending is moving away from the more traditional types of offending covered in the table above and more into offences such as cyber-crime, child sexual exploitation, human trafficking etc. The following chart shows the twelve month rolling totals for child abuse referrals:



- 3.6 These areas of offending, whilst thankfully very few in volume, are very resource intensive and obviously extremely complex to investigate.
- 3.7 In addition to this, whilst crime reporting has reduced considerably over recent years, the number of calls to the police and also incidents created has seen smaller reductions. This is due to noticeable increases in a number of areas for example concerns for safety. These areas are again very resource intensive but do not feature in traditional crime recording statistics. In relation to concerns for safety, volumes are particularly high with concerns for safety accounting for nearly 10% of all incidents we attend.
- 3.8 One area that does constitute a large proportion of Derbyshire’s calls for service has seen positive reductions. Anti-social behaviour has fallen every year since recording

began and is predicted to see another fall in volume in the current year. The following chart shows the volume of anti-social behaviour incidents each year with an estimated value for the end of 15/16.

Year	No. of ASB Incidents	Change on Previous Year	% Change on Previous Year
2006/07	83,589	-	-
2007/08	75,335	(8,254)	(9.9%)
2008/09	73,793	(1,542)	(2.0%)
2009/10	67,841	(5,952)	(8.1%)
2010/11	62,994	(4,847)	(7.1%)
2011/12	57,086	(5,908)	(9.4%)
2012/13	50,092	(6,994)	(12.3%)
2013/14	46,658	(3,434)	(6.9%)
2014/15	45,183	(1,475)	(3.2%)
2015/16 (est.)	44,390	(793)	(1.8%)
Reduction since 2006/07 (46.9%)			

- 3.9 As the table above shows, although there is a projected fall in incidents for 2015/16, this is estimated to be a small reduction. Tackling anti-social behaviour relies heavily on partnership activity and joint working.

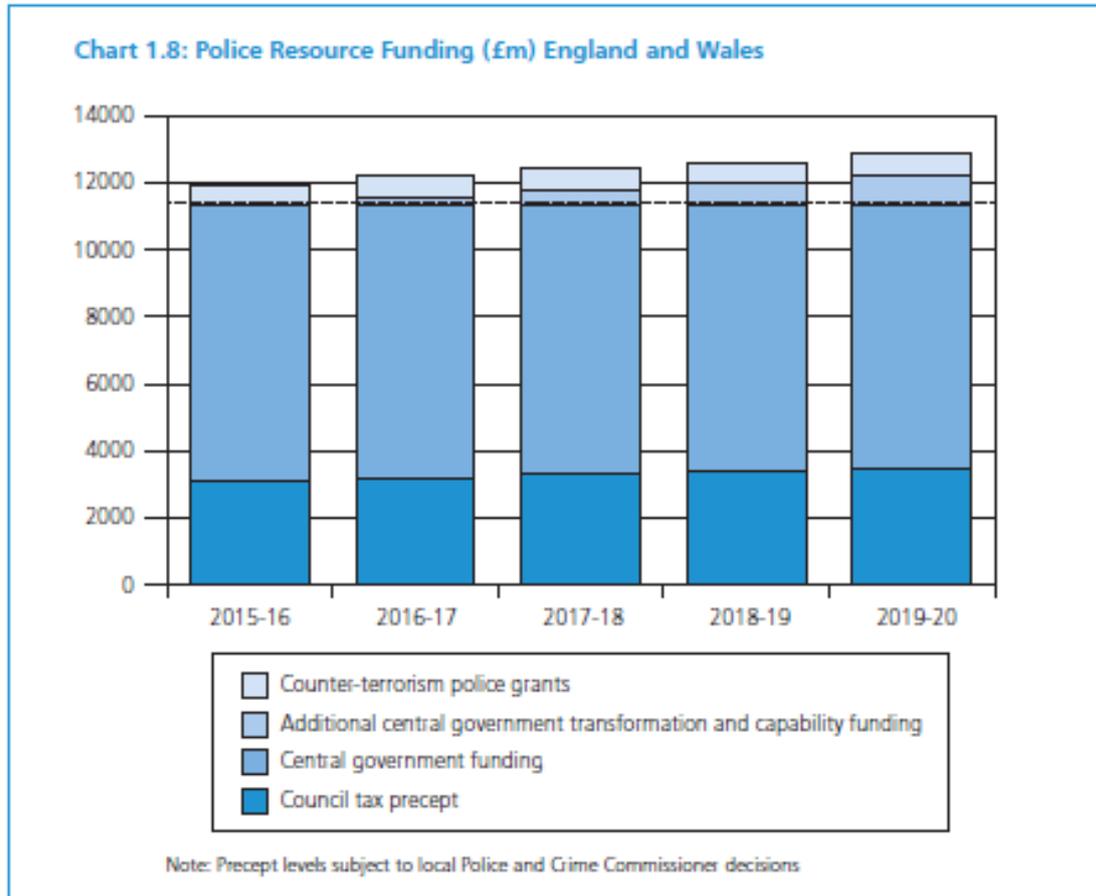
Public Perception

- 3.10 The Crime Survey in England and Wales (CSEW) surveys people across the country in relation to their perceptions of crime and the police in their area. Over the last twelve months, public confidence with Derbyshire Constabulary has fluctuated slightly but still remains high noticeably with nearly 75% people, who answered the survey in the twelve months ending June 2015, stating that they had confidence in the police in this area. This has improved greatly over recent years and is a significant increase compared to September 2008 when less than 63% of respondents were confident.

4. COMPREHENSIVE SPENDING REVIEW (CSR)

- 4.1 In July 2015, the Chancellor asked all “unprotected” government departments, including the Home Office, to set out plans for spending cuts of 25% and 40%.
- 4.2 Nationally both Police and Crime Commissioners and Chief Constables highlighted the massive impact and damage this would have on Policing. In their submissions to the Home Office, they drew special attention to the impact that cuts of this size would have on Neighbourhood Policing. They were quite clear that few forces would be able to retain neighbourhood policing if they faced cuts in excess of 25%.
- 4.3 At the same time Commissioners and Chief Constable highlighted the value of neighbourhood policing and the fact that it played an essential role in protecting the public. Tragically these messages were given even greater weight by the tragic events in Paris in November 2015.
- 4.4 The Government set out in the latest Spending Review that it would maintain overall police spending in real terms during the SR period, an increase of £900 million in cash terms by 2019/20. The Government aims to provide funding to maintain overall police force budgets at current cash levels (subject to precept levels being increased by Police and Crime Commissioners in accordance with Government assumptions). In addition the Government has said it will allocate additional transformational funding to those forces which have strong proposals to support efficiency and reform and to help transition to new funding arrangements in future. This funding will also allow forces to adapt to changing crime threats and to train more firearms officers to ensure the country extends its capability to protect its citizens from terrorist threats.
- 4.5 The Government has also said it would protect the National Crime Agency’s budget in its fight to cut serious and organised crime. Also, the National Crime Agency will receive funding for new digital and investigative capabilities to transform it into a world-leading law enforcement agency tackling cyber-crime, child sexual exploitation and the distribution of criminal finances.
- 4.6 The Spending Review earmarked approximately £1 billion in funding for the next generation of 4G communications network for the Emergency Services, which the government hopes will enable officers to access key police databases, take mobile fingerprints and electronic witness statements and stream live body worn video, all whilst away from police stations. This investment in critical national infrastructure aims to free up officers’ time, make savings when fully operational and connect all emergency services on the same broadband network for the first time.
- 4.7 Alongside this the Government will aim to help forces to improve police efficiency by taking steps to drive down the cost of police procurement and encourage greater collaboration between police forces and with other public and emergency services.

4.8 The following table extracted from the Spending Review and Autumn Statement 2015, shows the projections for total police funding for England and Wales up to 2019/20: -



5. NATIONAL FUNDING POSITION

- 5.1 On 25 November, the Chancellor announced that police spending would be 'protected' in real terms over the Spending Review period, when precept increases are taken into account. This is an increase of up to £900 million in cash terms by 2019/20.
- 5.2 The Home Office finally published funding allocations for individual forces on 17th December 2015, less than six weeks before Commissioners are expected to set out their spending plans. Allocations were published for one year only, which hinders accurate long term planning.
- 5.3 For 2016/17, direct resource funding for each Police and Crime Commissioner, including precept, will be retained at flat cash levels. This is assuming that Commissioners choose to increase precept income to the maximum amount possible. If Police and Crime Commissioners wish to increase the precept in line with Government assumptions, no PCC should face a reduction in cash funding next year

(2016/17) compared to this year, and the majority should see marginal increases in their spending power.

- 5.4 A further £4.2m of Council Tax Freeze Grant funding, previously paid to Local Policing Bodies by Department of Communities and Local Government (DCLG), will be paid by the Home Office in 2016/17. This follows the permanent transfer of £500m of other Legacy Council Tax Grants and £3bn of 'formula funding' from DCLG to the Home Office in previous years. However, no new freeze grant will be available for 2016/17.
- 5.5 The overall settlement proposes to increase counter-terrorism police funding in real terms to £670m and includes extra investment to continue with police reform. It provides transformation funding to develop and deliver specialist capabilities such as those required to tackle cyber-crime and other emerging changes in crime, and enable a major uplift in firearms capability and capacity so that policing can respond quickly and forcefully to a firearms attack.
- 5.6 This settlement also included within it the police share of the £1bn investment costs of the Emergency Services Network (ESN), investing in ESN's future capability and an expectation that this investment will deliver financial savings.

Funding Formula Review

- 5.7 For 2016/17 the Government attempted to introduce a new Police Allocation Formula for distributing core revenue funding between forces. Figures produced by the home office indicated that Derbyshire stood to gain additional funding of some £20m as a result of these changes, although this figures was subsequently revised to £7m when a statistical error was uncovered within the formula.
- 5.8 This attempt at updating the formula mechanism failed when the Home Office discovered a "statistical error" in its calculations, which forced the Government into delaying implementation.
- 5.9 No assumptions have been made about the impact of any further formula review, other than the implied assumption that it will be cost neutral. This is pessimistic and it is likely that any review will favour Derbyshire, although transitional arrangements will delay some of the benefit.
- 5.10 The aborted implementation means that revenue resources continue to be allocated, notionally, on the basis of the existing funding formula that was introduced in 2006/07. The Government also continues to persist with arrangements to protect forces that would otherwise lose grant under the 2006/07 formula. For 2016/17 the Government has applied the same percentage reduction to every police force area.
- 5.11 Effectively this continues to protect forces that would otherwise lose grant following the 2006/07 formula changes. This protection is funded by scaling back dramatically

the higher increases that a number of Police Forces, including Derbyshire, stood to gain under the 2006/07 formula.

- 5.12 The Home Office have not published the data used in determining the funding allocations for forces. Therefore, a consequence is that it is no longer possible to accurately identify the level of funding that is being withheld from Derbyshire Police to protect other forces from even larger funding cuts. However, using the criteria for 'damping' that was last published for the 20/13/14 grant settlement the estimated loss of grant for Derbyshire continues to be some £2m per annum and is summarised in the table below: -

Estimated Impact of Damping	%	Before Damping £m	After Damping £m	Estimated Grant Lost £m
Grant Settlement 2013/14		112.270	110.125	(2.145)
Add: Community Safety Fund included in Baseline for 2014/15		0.981	0.981	
Adjusted Baseline for 2014/15		113.251	111.106	
Less: Cash Reduction in Baseline for 2014/15 (exc. top slice)	(3.3%)	(3.737)	(3.666)	
Grant Settlement 2014/15		109.514	107.440	(2.074)
Less: Cash Reduction in Baseline for 2015/16 (exc. top slice)	(3.5%)	(3.833)	(3.760)	
Grant Settlement 2015/16		105.681	103.679	(2.002)
Add: Cash Reduction in Baseline for 2016/17 (exc. top slice)	(0.6%)	(0.634)	(0.622)	
Grant Settlement 2016/17		105.047	103.057	(1.990)
Total				(8.210)

6. OUR CURRENT FUNDING POSITION

- 6.1 Derbyshire Constabulary is the eleventh lowest spending force in England and Wales, although previous analysis has shown that it faces the risk and threat of a medium range force. Put simply its spending power (as indicated by the level of grant funding) does not match the scale of policing risk that it faces.

- 6.2 The table below shows the impact of this under-funding compared to Derbyshire's neighbouring forces and shows that at the extreme Derbyshire would need another £19.3m to match the funding of one of its neighbouring forces: -

Force	Net Spend per Head £	Derbyshire budget increase at this level
Derbyshire	156.459	
Neighbouring Forces: -		
Leicestershire	161.521	£5.062m
Nottinghamshire	168.690	£12.231m
Staffordshire	160.003	£3.544m
South Yorkshire	175.809	£19.350m
Warwickshire	162.872	£6.413m

Source: HMIC Value for Money Data 2015 and Budget and Workforce Survey 2015/16

- 6.3 Derbyshire Constabulary relies more heavily on government grant than many other forces. A total of 67% of spending in Derbyshire is met by grant with the remaining 33% met by police precept. There is considerable national variation amongst forces in respect of how much funding comes from national grant against local council tax through the precept charge.
- 6.4 At the extreme Surrey receives some 51% of its funding from the police precept, while Northumbria receives 13% of its funding through the precept.
- 6.5 This is particularly significant during a period of substantial grant reductions as only the grant element of funding is set to reduce. In essence it means that forces like Derbyshire, who rely more heavily on government grants, will face proportionately bigger spending reductions.
- 6.6 For 2016/17, the ability of forces to maintain or slightly increase their spending power by increasing precept levels, as intended by the government, will vary because of these differences in precept-raising capacity. To an extent this has been recognised and forces with the lowest precepts have been given greater flexibility to increase their precept. This does not include Derbyshire.
- 6.7 A force like Derbyshire, which gets a relatively low proportion of its funding through its precept but does not qualify for extra flexibility in setting its precept, will benefit less than some other forces.

6.8 It is worth noting that the continual payment of Freeze Grants exacerbates this effect as it disproportionately protects forces with the largest taxbases.

6.9 Next year, Derbyshire's formula grant will reduce from £100.400m to £99.833m, a reduction of £0.567m. Grant levels for Derbyshire since the start of Government austerity measures are detailed in the following table: -

Formula Funding	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Police Main Grant	73.186	70.155	65.039	68.940	66.551	62.500	62.122
Non-Domestic Rates/ Revenue Support Grant	49.096	45.841	43.182	41.185	39.261	37.900	37.711
Neighbourhood Policing Grant	3.681	3.681	3.681	0	0	0	0
Community Safety Fund	0	0	0	0.981	0	0	0
Total Formula Funding	125.963	119.677	111.902	111.106	105.812	100.400	99.833
Reduction in Funding (£)		(6.286)	(7.775)	(0.796)	(5.294)	(5.412)	(0.567)
Reduction in Funding (%)		(5.0)	(6.5)	(0.7)	(4.8)	(5.1)	(0.6)

6.10 Derbyshire Police stands to lose out an additional £1.851m as a result of the top-slicing applied to the main grant. This is on top of the £3.726m already taken over the last two years' grant settlements, as set out in the table below:-

Expenditure (funded from 'top-slicing' the Police Main Grant)	Estimated Grant Lost by Derbyshire 2014/15 £m	Estimated Grant Lost by Derbyshire 2015/16 £m	Estimated Grant Lost by Derbyshire 2016/17 £m	Total £m
Police Innovation Fund	0.755	1.057	0.831	2.643
IPCC	0.272	0.453	0.483	1.208
HMIC	0.142	0.142	0.139	0.423
Direct entry schemes	0.045	0.075	0.069	0.189
National Police Co-ordination Centre	0.030	-	-	0.030
Capital City Grant	0.030	0.045	-	0.075
Police Knowledge Fund	-	0.076	-	0.076
Major Programmes	-	0.604	0.329	0.933
Total	1.274	2.452	1.851	5.577

Note: This excludes any loss of funding as a result of floor protection, which means that some £2m of further grant funding is withheld from Derbyshire Police (see paragraph 5.11).

7. THE FORCE'S EFFICIENCY RECORD

- 7.1 Derbyshire Constabulary is an efficient force. The External Auditors and HM Inspectorate of Constabulary (HMIC) consider that the force performs well in delivering value for money and its financial management, which puts it amongst the top performing police forces. This reflects the achievement of Derbyshire Constabulary in delivering very good performance from a very low cost base, but at the same time it is expected to maintain and indeed enhance front line policing and deliver improved performance.
- 7.2 In the years prior to austerity, Derbyshire Constabulary had already achieved approximately £45m in efficiency savings, this success can be attributed to planning for the changes that would be necessary to address the reductions in public spending as early as June 2009.
- 7.3 Since Austerity measures were introduced in 2010, Derbyshire Constabulary has delivered savings of some £31.3m, as shown in the following table: -

Saving Round	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Totals £m
MF1	3.112	2.533	-	-	-	-	5.645
CCMC Savings	0.609	-	-	-	-	-	0.609
MF2	-	6.481	8.221	-	-	-	14.702
MF3	-	-	0.153	-	-	-	0.153
2013/14 savings	-	-	-	3.175	-	-	3.175
PBB - Year 1	-	-	-	-	-	7.096	7.096
PBB - Year 2	-	-	-	-	-	-	0.000
Totals	3.721	9.014	8.374	3.175	0.000	7.096	31.380
Cumulative	3.721	12.735	21.109	24.284	24.284	31.380	

- 7.4 In September 2013 the Constabulary embarked on the next phase of the Moving Forward programme. A comprehensive review of current spending was undertaken, using Priority Based Budgeting (PBB) to determine a long term plan to close the budget gap and identify resource to reinvest against many of the emerging risk and threats. The advantage of using PBB to carry out this exercise is that it helps: -
- Understand the services that are currently delivered.
 - Identifies how much these services cost.
 - Prioritises the services that should be invested in to meet the Constabulary's priorities and the Police and Crime Plan.

7.5 A summary of the savings allocated to 2016/17, which are reflected in the latest financial forecasts and budget options for the Commissioner to consider are summarised below: -

Division/Department	Est. Saving 2016/17 £m	Summary of Change
Contact Management	0.549	Changes to real time intelligence function and supervision in the Crime Management Unit
Assets	0.005	Properties earmarked for disposal in year 2 of asset strategy and reduction in mobile police stations
Crime Support	0.024	Reduction in supervision of centralising dangerous persons management unit
Corporate Services	0.198	Small changes to various teams within the department
Operational Support	1.142	Changes to the dog section and reduction in supervision in operational planning, intelligence and armed response
HR	0.042	Modernising workforce planning and changes to team development role
B Division	0.095	Reduction in command team
C Division	0.257	Reduction in patrol supervision, work force modernising missing person liaison and remove video interview role
D Division	0.085	Change to patrol supervision and reduction to devolved budgets
Executive	0.008	Reduction in drivers post
Total	2.465	

7.6 In light of the better than anticipated CSR financial settlement, which will allow for higher levels of police officer recruitment than expected, it has been decided not to implement the removal of 26 police officer posts within Roads Policing Units. The PBB plans proposed post 2016/17 are also being revised. The main areas which will now be looked at are described in paragraph 11.7

8. LOCALISM ACT 2011

8.1 Council Tax rises are subject to the provisions of the Localism Act 2011. In place of the previous 'capping limits', the Secretary of State for Communities and Local Government sets an excessiveness principle which puts a limit on Council Tax increases that can be approved without holding a referendum among local taxpayers. For 2016/17 the excessiveness 'threshold' for police forces is set at 2%.

8.2 The cost of holding a referendum would fall to the Constabulary and it is estimated that this would cost in the region of £0.75m to £1m for Derbyshire, not to mention the potential cost of rebilling, which could be in the region of £0.5m.

9. BASE BUDGET 2016/20

9.1 The following table summarises the five-year base budget projection for 2016/20, if the Commissioner increases Council Tax in line with Government funding assumptions, as set out in the latest CSR (increased by 1.99%). This shows the projected budget requirement taking into account all known commitments and implementing the results from the PBB exercise. This is set out in more detail in Annexes Ai and Aii which also sets out the position if the Commissioner opts not to increase the Council Tax Precept.

Base Budget 2016/20	2015/16 Revised £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Previous Year's Gross Expenditure	165.892	161.636	162.792	165.032	165.867
Inflation (including pay awards and increments)	3.985	5.579	3.454	3.455	3.695
Other budget changes	(1.145)	(0.118)	(0.248)	(2.520)	(2.139)
Corporate Budget Savings	0	(0.238)	(0.238)	(0.238)	(0.238)
Investment in Risk Gap / Priority areas	0	1.793	1.843	1.743	1.743
Savings from Moving Forward Programmes	(7.096)	(5.860)	(1.016)	0	0
Net Revenue Budget	161.636	162.792	165.032	165.867	167.423
Projected Funding (including Police Precept at 1.99% from 2016/17)	(161.508)	(162.792)	(164.034)	(165.127)	(166.258)
Budget (Surplus)/Deficit	0.128	0	0.998	0.740	1.165
2015/16 Revised Budget underspends	(1.628)	0	0	0	0
Final (Surplus)/Deficit	(1.500)	0	0.998	0.740	1.165

9.2 The Annual Base Budget will continue to fluctuate over the next 5 years depending on some of the key factors below: -

- Changing Government Priorities – which may influence the share of national funding allocated to the police.
- Changes in police grant distribution – which may impact on some forces more than others.
- Performance of the economy – both national and global economic conditions may affect the current approach to public sector borrowing and deficit reduction.
- Core Assumptions – any changes to the core assumptions set out in the table below: -

Assumption	Description	Risk
Grant funding	<ul style="list-style-type: none"> • It is assumed that formula grant funding remains static in cash terms in 2017/20 from the 2016/17 provisional settlement baseline. • No assumptions have been made about the impact of any further formula review, other than the implied assumption that it will be cost neutral. 	Prudent Pessimistic
Inflation	Non-pay inflation of 2.5% per annum is assumed throughout the period, except for premises utilities and vehicle fuel for which a rate of 5% per annum is assumed	Prudent
Precept	<p>The PCC opts to increase the Council Tax by 1.99% in each year. This keeps increases under the 'threshold' level of 2%.</p> <p>The actual increase in the taxbase for 2015/16 was 1.3%; the assumed increase for all years after is 1.5% per annum</p>	Prudent
Pay awards	Pay awards for both officers and staff are 1% in all years covered by the projections	Optimistic
Recruitment	In 2016/17 police officer recruitment is limited so that the reduction in numbers planned under PBB is achieved by natural wastage. In future years recruitment matches the level of projected wastage.	Prudent

10. Budget Proposals 2016/17

10.1 Due to the very late timing of the grant announcement and the unprecedented change in Government funding for the police, few changes can be made to the budget. To establish and adequately plan to invest in the areas of greatest need will need more time. However, in the interim there is scope to make some initial investment and the 2016/17 budget is based on: -

- Budgeting for 3 police officer intakes for next year rather than the planned 2 intakes. At this stage it is hoped that this can then be sustained with full intakes in subsequent years.
- Maintaining PCSO numbers in line with the funded establishment.
- Providing additional staffing resources in the CCMC.
- Providing for a further one year apprentice scheme.
- Increasing the repairs and maintenance budget for force buildings by £250,000.
- A Decision to increase the capitalised maintenance budget by £500,000 to kick start the outcome of the building surveys.
- Investment in the risk gap and priority areas.

11. CLOSING THE RISK GAP

11.1 In the past Derbyshire Constabulary has successfully met its financial challenges by reacting early and putting in place measures to close its budget gap at an early stage.

11.2 The Constabulary has been able to achieve significant reductions, while still maintaining and improving performance.

11.3 The position we now face is considerably different. The scale of the gap in later years is not as great as expected, following the CSR announcement. Nevertheless it is just as important that Derbyshire Police continues to take a measured approach to addressing the significant challenges facing the Force. Derbyshire Police still faces considerable new risks in respect of the changing nature of crime, the breadth of demand on policing services. Other public services are still having to cut their budgets and thereby increasing demand on the police, as well as the growth in some specific areas of investigation. Above all the improved settlement places much greater expectations on the police to manage this risk and deliver an effective policing service.

- 11.4 In December 2015 the senior officers of the Force together with the Police and Crime Commissioner's office, the Police Federation and Unison all gathered for the Annual Planning Seminar. Initially the seminar was working on the basis of substantial cuts to the police budget, perhaps even as much as £30m over the next five years. However, as the reality of the situation was far better than was anticipated, the planning seminar was able to concentrate on planning for the future to make efficiencies and to reinvest against many of the risks and emerging threats that the police is mandated to deal with.
- 11.5 Following the CSR announcement the Chief Constable has commissioned two key pieces of work
- A detailed assessment of the operational risks that Derbyshire Constabulary faces together with an assessment of the level of investment required to address these risks.
 - A more detailed review of the way policing is delivered by the constabulary including neighbourhood policing, which follows on from the discussions that took place in December.
- 11.6 Given the timing of the announcement, work has only started on both of these key pieces of work. It is planned to report on the outcome of both these reviews to the Police and Crime Commissioner to consider in April. These proposals will set out plans to re-shape the way some of our services are delivered to free up resources for some of the new risks that we face.
- 11.7 The main areas which will now be looked at in more detail include: -

The move to a North and South BCU structure

- B and C Divisions will join together and leave D Division in its current form.
- Continue to deliver geographic policing through basic command units and Local Policing Units (LPUs).
- Review levels of supervision based upon LPUs.
- The workforce mix in terms of constables and PCSOs will be reviewed to ensure closer working with all other agencies and voluntary groups contributing to the local level including Neighbourhood Watch, community wardens etc.
- Neighbourhood teams are focussed and based on the areas where there is the greatest need.

Response

- Response teams will be locally based, but with clear flexibility in deployment through a tasking mechanism from the Force Control Room and an expectation of working more across borders. This will be facilitated through the new command and control system currently being implemented by the Force and the geographic location around vehicles and officers.
- By changing the response model and the resources directly allocated to this, it is expected that £2m to £3m of efficiencies will be realised allowing them to be reinvested against the areas of increasing risk.

Investigations

- At the divisional level there will be CID hubs including proactive teams and custody investigation units. Further work will be done to explore the best means of investigating rape and adult domestic violence and there will be a review of our force intelligence bureau and intelligence management structures. The review will also include our organised crime group management teams, including investigations by roads policing and the ability to properly manage the criminal on the road network.

Support

- Much of the work around support relates to on-going collaboration with regional partners, including further possible collaboration with the Derbyshire Fire and Rescue Service. Most importantly the development of an ICT infrastructure that reduces the need of officers and staff to continually travel back and forth to police stations to undertake their role to become a reality. The significant developments around new IT systems for command and control, crime and intelligence and in time case and custody will all enable this.
- At the same time there will be work around our estate with a clear determination to improve the estate where necessary, but also to reduce it where possible, working with the Fire Service and other partners to ensure that we have a 'public estate' fit for the policing model, providing efficiencies where possible, but also best serving the public by delivering local and visible policing.

12. A RISK BASED APPROACH TO BUDGET SETTING

12.1 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 in this report, 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 – failure to address risks in these areas will lead to a decline in the inspection performance of Derbyshire Constabulary.
- Damage to its reputation –the impact of failures to address issues will lead to a loss of confidence and trust in the Constabulary.
- 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 the level of responsibility for Police and Crime Commissioners and Constabularies to address known or anticipated risks.

13. ADDRESSING THE RISK GAP

13.1 Over recent years 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.

13.2 The following table assesses the financial risks currently facing Derbyshire Constabulary and the actions taken to address these risks: -

Risk	Mitigation
Further loss of grant.	<ul style="list-style-type: none"> ▪ An operational funding reserve and general reserve is maintained to cushion the impact of further grant losses. ▪ The Constabulary is delivering the next phase of the Moving Forward programme, with the main focus on Priority Based Budgeting.
Reliance on investment income to fund base budget – volatility in interest rates may have a significant impact on income.	<ul style="list-style-type: none"> ▪ 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.	<ul style="list-style-type: none"> ▪ 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 Constabulary's are still responsible for the employment of police officers within the EMCTIU.
Major Incidents – potential impact on police overtime of a number of major incidents.	<ul style="list-style-type: none"> ▪ Maintain reserves in accordance with the Reserves Strategy.
Reliance on use of reserves to fund the capital programme.	<ul style="list-style-type: none"> ▪ Disposal of surplus land and property helps to achieve some of the capital aspirations that are set out within the capital strategy. ▪ A revenue contribution of £1.5m has been made to make the core programme more sustainable.
Unforeseen spending items and inflationary pressures.	<ul style="list-style-type: none"> ▪ 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 the financial forecast to provide a more realistic view of future spending commitments. ▪ Specific insurance reserve exists to cover insurance excess.

14. BUDGET 2016/17

14.1 This section covers both the budget that the Police and Crime Commissioner will control directly and identifies separately the budget that he will allocate to the Chief Constable for operational policing.

OFFICE OF THE POLICE AND CRIME COMMISSIONER

14.2 The budget retained for direct control by the Commissioner falls into three main elements; the cost of his office and staff, the cost of services for helping victims of crime to cope and recover (supported by grant from the Ministry of Justice) and for crime reduction initiatives, and treasury and accounting costs such as debt charges & interest receipts. A substantial grant is received from the Ministry of Justice derived from the Victims' Surcharge levied by the courts and is specifically to pay for services to support victims of crime and to deliver restorative justice solutions.

14.3 The proposed budget for 2016/17 for the Office of the Police and Crime Commissioner is summarised in the table below: -

Office of the Police and Crime Commissioner	Revised Budget 2015/16 £m	Proposed Budget 2016/17 £m
Commissioner's Office	1.032	1.041
Crime Prevention Fund	0.250	0.250
Community Safety Fund	1.266	1.266
Victim and Witness Services	1.018	1.018
Sub-Total	3.566	3.575
Revenue Contributions to Capital	1.096	1.500
Debt Charges	0.861	0.816
Interest Receipts	(0.210)	(0.160)
Sub-total	5.269	5.232
Contribution from Reserves	(0.250)	(0.250)
Contribution to Reserves	1.531	0.037
Grant from the Ministry of Justice (estimate)	(1.100)	(1.100)
Net Budget Requirement	5.494	4.418

- 14.4 The budget signals the importance and value of partnership working, to ensure wherever possible all opportunities are explored for co-commissioning services.
- 14.5 The Commissioner's budget also includes a contribution of £1.5m to the capital programme to make the core programme more sustainable. This includes an additional £0.5m specifically for Capitalised Maintenance so that work identified from the current condition surveys can be progressed. This will ensure that the key on-going capital commitments can be met from capital grant and the revenue budget without increasing borrowing levels. This is explained in more detail within the capital programme report.
- 14.6 The remaining budget controlled by the Police and Crime Commissioner is for financing items as follows:-
- Contributions to Reserves.
 - Debt Charges – this represents the costs of serving the relatively low levels of borrowing taken out in previous years.
 - Interest Receipts – this represents interest earned on reserves. This has been depressed by the ongoing global economic out-turn.

CHIEF CONSTABLE'S BUDGET

- 14.7 The proposed budget for the Chief Constable is set out in the table below:-

Chief Constable	Revised Budget 2015/16 £m	Proposed Budget 2016/17 £m
Derbyshire Constabulary	146.183	148.588
East Midlands Collaboration	9.339	9.233
BCU Fund	0.358	0.307
Partnerships	0.753	0.547
Contribution to National Policing	0.211	0.224
Sub-total	156.844	158.899
Contributions from Reserves	(0.832)	(0.525)
Net Budget Requirement	156.012	158.374

- 14.8 The budget for the share of specialist policing within Derbyshire that is being delivered collaboratively with other police forces within the East Midlands is summarised in the table below:-

East Midlands Collaboration	Revised Budget 2015/16	Proposed Budget 2016/17
	£m	£m
EMSOU Serious and Organised Crime	3.685	3.778
Technical Support Unit	0.441	0.453
Major Crime	0.250	0.206
Forensics	0.859	0.859
HR Service Centre	0.635	0.629
Learning and Development / Occupational Health	0.976	0.974
Legal	0.281	0.306
Procurement	0.203	0.097
EM Police Collaboration Team	0.163	0.113
Major Crime (budget retained within Derbyshire's base)	1.834	1.806
Information and Co-ordination Centre	0.012	0.012
Total Collaboration	9.339	9.233

15. CHIEF CONSTABLE'S BUDGET COMMENTARY

- 15.1 Derbyshire Constabulary has faced an unprecedented level of funding cuts over the last six years. The Global financial crisis and the subsequent rebalancing of the country's finances has meant that funding for policing has been cut on a scale never known before and to a greater extent than other more protected areas of public spending including health and education.
- 15.2 I am proud of the way the Constabulary has responded to this un-precedented financial challenge. We were one of the first forces to recognise the impact that the global crisis would have on our finances and we took early action to prepare for it. This meant that throughout this time we have been ahead of the game and have consistently delivered savings, which now total some £31m, to close our budget gap. It is to the immense credit of everyone working for the Constabulary that this has been achieved in a way that does not impact on performance. Indeed consistent HMIC inspections show that Derbyshire continues to be regarded as one of the best forces in the Country.
- 15.3 I know that the last six years have also had a huge impact on everyone working for the Constabulary. Unfortunately the tough choices we have made now means that we have 344 fewer police officers to police our county. We have also had to cut 294 police staff posts. While, many people have left the organisation sooner than they would have wished, we have tried very hard to enable those people, who want to stay working for us to do so. This has meant that we have had very few compulsory redundancies.
- 15.4 I realise that the last six years have been a period of considerable uncertainty and frustration for many officers and staff. We have not had extra money to address the new and extra policing risks that we face. Many have been uncertain about their future with the Constabulary and the impact of further cuts.
- 15.5 The budget proposals I am now making today are very different to the ones that I expected to make less than two months ago. In the summer the Chancellor asked the Home Office to look at the potential for funding cuts of 25% and 40% in policing. Along with many other Chief Constables, I expected that this would mean that we faced cuts that would be just as deep as the ones we have already faced but spread over a shorter time period.
- 15.6 Together with Chief Constables and Commissioners, I highlighted the substantial impact that further cuts would have on policing. In particular I highlighted the impact on local neighbourhood policing and the risks that this posed to public safety. Our safer neighbourhood teams are very much the eyes and ears of what is happening in communities and are vital for our safety.

- 15.7 Tragically, these warnings were made all too evident by the horrendous events in Paris in early November. This unprecedented attack no doubt made the Government rethink their stance on future police funding. I welcome the fact that the Chancellor has now sought to protect police funding up to 2020. I am also in no doubt that the expectations that this places on policing are greater than ever and there really will be no excuses for poor performance in the future.
- 15.8 I know that our long term financial position is now considerably better than we ever expected. Nevertheless I am also realistic. There is no extra money to pay for the new pressures that we face around the more complex and expensive crime that we are now uncovering. There is also no extra money to pay for the massive £3m annual bill that we face as a result of changes to national insurance contributions.
- 15.9 It is unfortunate that we only received final confirmation of our funding for next year just a week before Christmas. Given the timescales for setting the budget it would be wrong to make too many swift decisions. I have therefore commissioned two major pieces of work. The first will look at the scale of the policing risk we face and how we might address it. The second is a review looking at how we might reshape the Constabulary to release resources to meet these risks.
- 15.10 Working with the Commissioner, I have still developed initial proposals which will help to protect local policing in Derbyshire. We will now have an additional intake of police officers next year, which will slow the decline in police officer numbers. Our plans also mean that we hope to maintain those numbers up to 2020, as long as the Government maintains its funding commitment. We will also be able to recruit some 36 PCSOs to bring their numbers back up to their full strength.
- 15.11 During these austere times we have not been able to invest as much as we would like in our police buildings. Our new headquarters will enable us to work more closely with the fire service and offers the opportunity of further savings. Nevertheless we need to improve the standard of many of our other buildings. The budget therefore sets aside considerable initial investment for this.
- 15.12 I am keen that the budget proposals also pave the way for future service improvement and help to close the risks that we face. This means that I am also proposing that we set aside some £400,000 to help take forward the risk review work and deal with some of the proposals that stem from this. I am also proposing that we set aside an extra £100,000 to help continue the improvements to the way we manage emergency and other call for service.
- 15.13 I support fully the Commissioners commitment to provide opportunities to young people at the start of their careers. I therefore welcome the proposal to run another apprenticeship scheme.

- 15.14 These proposals still maintain the sound financial position that Derbyshire Constabulary has achieved during this period of austerity. Indeed the excellent work that has gone into delivering this and the associated moving forward savings means that we are in a much better position to now invest in the future than many other police forces.
- 15.15 I therefore recommend the proposals within this report to the Commissioner.

16. PRECEPT OPTIONS

- 16.1 As stated previously the current Government introduced arrangements to limit what they view as “excessive” council tax increases. These require local authorities (including Police and Crime Commissioners) to hold a referendum if they increase their precept above guidelines set by the Secretary of State for Communities & Local Government.
- 16.2 The Secretary of State has set the limit for next year (2016/17) at 2%.
- 16.3 The table below summarises the overall budget for Derbyshire Police, which will be determined by the Commissioner, along with the two illustrations for funding the budget by:-
- Not increasing the Council Tax Precept.
 - Increasing the Council Tax by 1.99%.

Precept Options	Council Tax Freeze £m	Precept Increase 1.99% £m
Police and Crime Commissioner	4.418	4.418
Chief Constable	158.374	158.374
Total Budget for Derbyshire Police	162.792	162.792
Funded by: -		
Police Formula Grant	99.833	99.833
Council Tax Legacy and Freeze Grants	8.700	8.700
Sub-Total	54.259	54.259
Surplus to be allocated to Reserves		0
Budget (Deficit) to be met from Reserves	(1.047)	0
(Surplus)/Deficit on Collection Accounts	(0.674)	(0.674)
Council Tax Requirement	52.538	53.585

- 16.4 It is important to be aware that the decision not to increase the Council Tax Precept has longer term implications. This is because they permanently suppress the amount of precept income that Derbyshire Police will receive. This is demonstrated in the table below: -

Projected Deficit	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Police Funding including Police Precept Increase (1.99%)	162.792	164.034	165.127	166.258
Police Funding with no increase in Precept Increase for 2016/17 (with a 1.99% increase from 2017/18 onwards)	161.744	162.746	163.808	164.906
Reduction	1.048	1.288	1.319	1.352
Cumulative Reduction	1.048	2.336	3.655	5.007

- 16.5 The above table shows that the projected cumulative loss of funding over the next four years through freezing the precept is £5.007m compared to increasing it by 1.99%. This clearly has a marked impact on the sustainability of the spending and recruitment plans for Derbyshire Police. In terms of police officer numbers this equates to over 110 less officers.
- 16.6 The above projections need to be treated with considerable caution as there are a number of factors that could materially affect the projection, regardless of grant, e.g. further decision national pay awards and terms and conditions.
- 16.7 In view of this it is important that everything possible is done to bolster the Commissioner and Constabulary's financial position at this stage. This means that the second option, opting for a precept increase is recommended.
- 16.8 This will put the Constabulary in the best financial position to deal with the future financial challenges that it will face.
- 16.9 Annexes Ai and Aii shows the detailed budget breakdown for each option.

17. CONTRIBUTION FROM RESERVES

- 17.1 Reserves will play an important role in helping to manage the medium to long term financial position of Derbyshire Constabulary. The level of reserves has grown due to progress made in delivering savings to close the funding gap. The recent Comprehensive Spending Review and the decision announced by the Chancellor of the Exchequer not to drastically cut police budgets means reserves can now be used to invest in key projects, such as developments to the ICT infrastructure and improvements to the estate to provide local and visible policing.
- 17.2 The Constabulary is currently undertaking a detailed exercise to understand how best to release reserves to ensure investment is made in the greatest areas of risk. The amount of useable reserves shown in the table at paragraph 17.5 does not take account of this investment plan. The new Joint Police and Fire Headquarters and firearms range are now included in the proposals for using reserves to fund the capital programme.
- 17.3 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.
- 17.4 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.

17.5 The table below summarises the reserves held and shows the projected level to 2019. Further detail is set out in Annex D.

Reserve	31/03/16 £m	31/03/17 £m	31/03/18 £m	31/03/19 £m
General	4.000	4.000	4.000	4.000
Earmarked – Usable				
Operational Priorities	1.325	1.325	1.325	1.325
Operational Funding	18.909	8.950	7.952	7.212
Carry Forwards	3.435	3.240	3.240	3.240
Police and Crime Commissioner – Crime Prevention Fund	1.263	1.013	0.763	0.513
Pensions	0.500	0.500	0.500	0.500
Total Earmarked – Usable	25.432	15.028	13.779	12.790
Earmarked – Non-usable	5.259	4.965	4.653	4.305
Total Reserves	34.691	23.993	22.432	21.095

17.6 The above table shows the anticipated level of reserves, which takes account of funding any budget gap and the current investment in major IT systems and buildings.

17.7 In addition a general reserve of £4m is maintained to deal with immediate unforeseen spending pressures.

17.8 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.

17.9 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.
- A procedure in relation to under and over spends.
- Adequacy of insurance arrangements.

17.10 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 the financial impact of risk may increase the pressure on already constrained budgets are detailed in the table below: -

Unforeseen / Unpredictable Risk	£m
Pay and Price Increases	
<i>Additional 1% increase: -</i>	
Police Pay	0.9
Police Staff Pay	0.4
Police Staff Pension Contribution	0.3
<i>Additional 10% increase: -</i>	
Fuel costs	0.1
Utilities costs	0.1
Capital Programme Risks	
10% increase in tender costs for 25% of the capital programme	0.2
Policing Pressures	
Complex Murder Enquiry	1.0
Medium Range Murder Enquiry	0.5
Major Policing Operation e.g. public order	0.5

Loss of Specific Grant	
<i>Impact of loss: -</i>	
1% of general funding	1.0
10% of specific grant	1.2
Over-spending	
1% over-spend against budget	1.6

18. PRUDENTIAL CODE

- 18.1 Whilst the Prudential Code relates to new capital controls, it does impact on the revenue budget. Any agreed long term borrowing meeting all the Prudential Code guidelines will have on-going revenue implications over a long period.
- 18.2 Separate reports deal with the Capital Programme and also the Prudential Indicators for Derbyshire Police.

19. ASSURANCE STATEMENT FROM THE S151 OFFICERS CONSIDERATIONS

- 19.1 When setting the Budget and Capital Programme for the forthcoming year the Police Commissioner must be satisfied that adequate consideration has been given to the following:-
- Government policy on police spending, as applied to the Police Commissioner.
 - The CIPFA Prudential Code and the CIPFA Treasury Management Code.
 - The impact on the Council Tax and the threat or risk of exceeding the excessiveness principle (previously capping).
 - Whether the proposals represent a balanced budget for the year.
 - The robustness of estimates and the size and adequacy of general and specific earmarked reserves.
 - The medium term implications of the Budget and Capital Programme (MTFP).
- 19.2 Section 25 of the Local Government Act 2003 requires the Commissioner's Chief Financial Officer (the Treasurer) to provide the Commissioner with assurance on the robustness of estimates made for the purposes of the budget calculations and the adequacy of reserves.

- 19.3 The Act requires that the Commissioner has regard to the report of the Treasurer in making their budget decision. Where this advice is not accepted, this needs to be formally recorded in the minutes of the Strategic Governance Board.

20. ASSURANCE OF THE CHIEF CONSTABLE'S CHIEF FINANCIAL OFFICER

- 20.1 As the Chief Constable's Chief Financial Officer I can provide the following assurances: -

- a) The main assumptions for compiling the budget are set out within the report and the figures for the 2016/17 budget have been based on these assumptions.
- b) The recommendations are consistent with the budget strategy also set out within the report and do not impact on the financial stability of the Constabulary.
- c) Future financial implications up to 2020 have been analysed but can only provide an indication of the potential financial position that the Constabulary and Commissioner will face. This reflects all known factors that could have an impact on these financial plans up to 2020.
- d) The figures within the Medium Term Financial Plan are based on a number of key assumptions set out within the MTFP and can only provide an indication of the scale of the challenge that we face at this time. In particular the figures are heavily dependent on future government funding decisions.
- e) The Constabulary is in no doubt that despite the better than expected CSR significant challenges still lie ahead. It has already completed a fundamental review of all of its spending, which set out clear plans for the next four years. Findings from this review have already begun to be implemented and are overseen by the Moving Forward Programme Boards.
- f) While this review has made a significant contribution to meeting our future funding challenge, further steps will still need to be made to maintain a balanced budget in later years.

21. ASSURANCE OF THE POLICE AND CRIME COMMISSIONER'S CHIEF FINANCIAL OFFICER (TREASURER)

ASSURANCE

- 21.1 As the Commissioner's Chief Financial Officer I can provide the following assurances: -
- a) Government Policy – The MTFP is produced in line with the latest government policy as applied to Police Commissioners.
 - b) CIPFA Code – the MTFP is produced in line with the Prudential Code and the CIPFA Treasury Management Code. Details are outlined in the Treasury Management and Capital Programme reports.
 - c) Council Tax – The Government confirmed that legislation through the Localism Act provides communities with the power to veto, through a referendum, council tax increases deemed by the government to be excessive. The level at which council tax is deemed excessive is decided in accordance with a set of principles determined by the Secretary of State for Communities. For 2016/17 the Referendum Principles is 2% for most Police Commissioners. This report presents two precept options for the Commissioner to consider. One of the options is predicated on a zero increase in Band D precept. The other illustration is for an increase in the Police element of Council Tax at Band D by 1.99%. Increases in council tax are secured year on year, as being a part of the base resources budget.
 - d) Balanced budget – a balanced budget is presented, which requires the use of reserves to support the budget under both precept illustrations. However funding received under a precept increase is permanently secured for all future years.
 - e) Robustness of Estimates – I have reviewed the matters that have been considered in drafting the proposed budget and the consequential budget requirement, and alternative levels of the illustrated police precept. I am satisfied that the procedures adopted by the Director of Finance and his team are sufficiently robust to ensure the financial data is accurate and forms a sound basis for the preparation of the estimates for 2016/17.
 - f) Adequacy of reserves – I consider the level of general reserves to be adequate for meeting estimated future risks. Specific reserves are at appropriate levels to support future expenditure in the medium term as well as supporting budget shortfalls in the short term.
 - g) Medium Term implications – the use and level of reserves and expenditure proposals secure a balanced and robust budget for 2016/17. The future use of the operational reserve needs to be closely monitored, in conjunction with spending plans beyond 2016/17 in order to ensure longer term sustainability.

This should be managed through the Force's on-going change programme 'Moving Forward' and the Priority Based Budgeting process, as the use of reserves to support permanent expenditure beyond 2016/17 is not recommended as good financial practice and is not sustainable indefinitely. Regular monitoring reports provide assurance that the plans are being delivered and reserves are being used in a proportionate and manageable manner.

POLICE & CRIME COMMISSIONER FOR DERBYSHIRE

Revenue Budget Projections to FY 2019/20 as at 2016/17 Provisional Settlement (detail)

Scenario: formula funding is reduced each year so that total funding potentially increases by 0.4% per annum using the Home Office's precept and taxbase increase assumptions. The Commissioner opts to freeze Council Tax in 2016/17.

		2015/16	2016/17	2017/18	2018/19	2019/20
BUDGET REQUIREMENT		£m	£m	£m	£m	£m
Previous Year's Budget Requirement		165.892	161.635	162.792	165.032	165.867
Pay & Price Increases						
1) Full Year Effect of Previous Year's Pay Award:-						
Police Officers	(1)	0.396	0.353	0.368	0.381	0.380
Police Staff	(1)	0.150	0.199	0.153	0.158	0.161
2) Provision for Current Year's Pay Award & Inflation:-						
Police Officers pay award	(1)	0.545	0.522	0.534	0.531	0.534
Police Staff pay award	(1)	0.218	0.215	0.221	0.226	0.230
Police Officer Increments		1.396	1.304	1.164	1.130	1.340
Police Staff Increments		0.412	0.343	0.350	0.350	0.350
Ending of NI rebate on Occupational Pension Schemes			3.169			
Specific Price Inflation		0.112	(.891)			
General Inflation Contingency	(2)	0.756	0.365	0.664	0.680	0.700
Previous Year plus Pay & Price increases		169.877	167.214	166.246	168.487	169.561
Other Items within previous MTFP position						
Police & Crime Commissioner budgets		(.018)				
Police Officers - Savings from wastage	(3)	(3.135)	(.229)	(3.314)	(4.408)	(4.897)
Police Officers - Cost of recruitment (to PBB strength)	(3)	2.188	1.210	1.702	2.633	2.925
Police Officers - Cost of recruitment (additional intake)			0.493			
Police Officers - Winsor savings (CRTP's / BH Overtime)		(.245)	(.269)			
Police Officers - Number of Bank Holidays		0.271	(.328)	0.110	(.223)	0.112
Police Officers - Rent / Housing Allowance eligibility		(.235)	(.182)	(.302)	(.378)	(.294)
Police Officers - Major Crime Overtime Contingency			(.238)			
Staffing - Risk Gap areas			0.400			
Staffing - Contact Management Centre			0.100			
Staffing - Apprenticeship Scheme			0.050	0.050	(.100)	
Police Officer/Staff pensions		0.097	0.116	1.050		
Repairs & Maintenance			0.250			
Carbon Reduction Commitment scheme		(.092)				
Property Storage, PFI Fees, Rent and Rates		(.010)	(.131)			
CCMC - Temporary Travel Allowances						
Insurance Contract savings						
Uniforms		0.096				
Employee Benefit Scheme		0.045				
Transfer of medical care of prisoners to NHS						
Changes to EM Collaboration		(.479)	(.252)			
Contribution to Criminal Justice Board		(.020)				
Subscriptions to CoP / Other national policing		0.111	0.124			
Asset Revaluation		(.050)				0.060
Debt Charges		(.057)	(.045)	(.044)	(.044)	(.044)
Revenue Capital to Capital Outlay			0.500			
Revenue Consequences of Capital Expenditure		0.012	0.047			
Council Tax Transition Grant		0.145				
Court Compensation Income			(.100)			
Football and Other Cost Recovery Income		0.053	(.107)			
Firearms Licences - national Fee increase			(.050)			
Investment Income			0.120			
Other Net Increases (Reductions)		0.050	(.070)			
Approved PBB Savings		(7.096)	(5.860)	(1.016)		
BUDGET REQUIREMENT FOR YEAR		161.635	162.792	165.032	165.867	167.423

FUNDING FOR BUDGET REQUIREMENT						
Settlement funding	(4)	100.406	99.833	99.358	98.653	97.917
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
Central Funding		109.106	108.533	108.058	107.353	106.617
Projected precept funding						
Previous year Council Tax Funding		50.198	52.401	53.211	54.688	56.455
Change in tax base - annual growth	(5)	0.663	0.928	0.788	0.816	0.845
Change in Collection A/c Surplus / (Deficit)		0.533	(.118)	(.374)	(.150)	(.150)
Increase in Council Tax	(6)	1.008	0.000	1.063	1.101	1.139
Precept Funding		52.401	53.211	54.688	56.455	58.289
TOTAL PROJECTED FUNDING		161.508	161.744	162.746	163.808	164.906

Budget Deficit		0.128	1.048	2.285	2.059	2.517
less: 2015/16 Revised Budget underspend		(1.628)				
Cumulative		(1.500)	(.452)	1.833	3.892	6.409

IMPACT ON RESERVES						
Useable Reserves at start of year		23.669	18.909	7.901	5.616	3.557
Revenue surplus / (deficits) per above			(1.048)	(2.285)	(2.059)	(2.517)
Contribution from in-year underspend		0.800				
Support of Capital Programme		(5.560)	(9.960)			
Useable Reserves at end of year		18.909	7.901	5.616	3.557	1.040

Main assumptions

- 1) Pay awards for both officers and staff are 1% in all years covered by the projections
- 2) Non-pay inflation of 2.5% per annum is assumed throughout the period, except for premises utilities and vehicle fuel for which a rate of 5% per annum is assumed. For 2016/17 only, a provision of £365k for price increases has been provided
- 3) In 2016/17 police officer recruitment is limited so that the reduction in numbers planned under PBB is achieved by natural wastage. In future years recruitment matches the level of projected wastage.
- 4) It is assumed that formula grant funding reduces in cash terms in 2017/20 from the 2016/17 provisional settlement baseline, so that total funding would be able to increase by 0.4% per year using the Home Office's assumptions for precept increases (< 2%) and taxbase growth (0.5%).
- 5) The actual increase in the taxbase for 2016/17 was 1.8%; the assumed increase for all years after is 1.5% per annum
- 6) The PCC opts to freeze the Police element of Council Tax in 2016/17 and increases it by 1.99% in each subsequent year.

POLICE & CRIME COMMISSIONER FOR DERBYSHIRE

Revenue Budget Projections to FY 2019/20 as at 2016/17 Provisional Settlement (detail)

Scenario: formula funding is reduced each year so that total funding potentially increases by 0.4% per annum using the Home Office's precept and taxbase increase assumptions. The Commissioner opts to **increase** Council Tax in line with these assumptions.

		2015/16	2016/17	2017/18	2018/19	2019/20
BUDGET REQUIREMENT		£m	£m	£m	£m	£m
Previous Year's Budget Requirement		165.892	161.635	162.792	165.032	165.867
Pay & Price Increases						
1) Full Year Effect of Previous Year's Pay Award:-						
Police Officers	(1)	0.396	0.353	0.368	0.381	0.380
Police Staff	(1)	0.150	0.199	0.153	0.158	0.161
2) Provision for Current Year's Pay Award & Inflation:-						
Police Officers pay award	(1)	0.545	0.522	0.534	0.531	0.534
Police Staff pay award	(1)	0.218	0.215	0.221	0.226	0.230
Police Officer Increments		1.396	1.304	1.164	1.130	1.340
Police Staff Increments		0.412	0.343	0.350	0.350	0.350
Ending of NI rebate on Occupational Pension Schemes			3.169			
Specific Price Inflation		0.112	(.891)			
General Inflation Contingency	(2)	0.756	0.365	0.664	0.680	0.700
Previous Year plus Pay & Price increases		169.877	167.214	166.246	168.487	169.561
Other Items within previous MTFP position						
Police & Crime Commissioner budgets		(.018)				
Police Officers - Savings from wastage	(3)	(3.135)	(.229)	(3.314)	(4.408)	(4.897)
Police Officers - Cost of recruitment (to PBB strength)	(3)	2.188	1.210	1.702	2.633	2.925
Police Officers - Cost of recruitment (additional intake)			0.493			
Police Officers - Winsor savings (CRTP's / BH Overtime)		(.245)	(.269)			
Police Officers - Number of Bank Holidays		0.271	(.328)	0.110	(.223)	0.112
Police Officers - Rent / Housing Allowance eligibility		(.235)	(.182)	(.302)	(.378)	(.294)
Police Officers - Major Crime Overtime Contingency			(.238)			
Staffing - Risk Gap areas			0.400			
Staffing - Contact Management Centre			0.100			
Staffing - Apprenticeship Scheme			0.050	0.050	(.100)	
Apprenticeship Levy				0.500		
Other Officer / Staff changes		0.127	0.029	0.050	(.100)	
Police Officer/Staff pensions		0.097	0.116	1.050		
Repairs & Maintenance			0.250			
Carbon Reduction Commitment scheme		(.092)				
Property Storage, PFI Fees, Rent and Rates		(.010)	(.131)			
Uniforms		0.096				
Employee Benefit Scheme		0.045				
Transfer of medical care of prisoners to NHS						
Changes to EM Collaboration		(.479)	(.252)			
Contribution to Criminal Justice Board		(.020)				
Subscriptions to CoP / Other national policing		0.111	0.124			
Asset Revaluation		(.050)				0.060
Debt Charges		(.057)	(.045)	(.044)	(.044)	(.044)
Revenue Capital to Capital Outlay			0.500			
Revenue Consequences of Capital Expenditure		0.012	0.047			
Council Tax Transition Grant		0.145				
Court Compensation Income			(.100)			
Football and Other Cost Recovery Income		0.053	(.107)			
Firearms Licences - national Fee increase			(.050)			
Investment Income			0.120			
Other Net Increases (Reductions)		0.050	(.070)			
Approved PBB Savings		(7.096)	(5.860)	(1.016)		
BUDGET REQUIREMENT FOR YEAR		161.635	162.792	165.032	165.867	167.423

FUNDING FOR BUDGET REQUIREMENT						
Settlement funding	(4)	100.406	99.833	99.358	98.653	97.917
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
Central Funding		109.106	108.533	108.058	107.353	106.617
Projected precept funding						
Previous year Council Tax Funding		50.198	52.401	54.259	55.976	57.774
Change in tax base - annual growth	(5)	0.663	0.928	0.801	0.830	0.859
Change in Collection A/c Surplus / (Deficit)		0.533	(.117)	(.166)	(.150)	(.150)
Increase in Council Tax	(6)	1.008	1.047	1.081	1.119	1.158
Precept Funding		52.401	54.259	55.976	57.774	59.641
TOTAL PROJECTED FUNDING		161.508	162.792	164.034	165.127	166.258

Budget Deficit		0.128	(.000)	0.998	0.740	1.165
less: 2015/16 Revised Budget underspend		(1.628)				
Cumulative		(1.500)	(1.500)	(.502)	0.238	1.404

IMPACT ON RESERVES						
Useable Reserves at start of year		23.669	18.909	8.949	7.951	7.211
Revenue surplus / (deficits) per above			0.000	(.998)	(.740)	(1.165)
Contribution from in-year underspend		0.800				

Support of Capital Programme		(5.560)	(9.960)			
Useable Reserves at end of year		18.909	8.949	7.951	7.211	6.046

Main assumptions

- 1) Pay awards for both officers and staff are 1% in all years covered by the projections
- 2) Non-pay inflation of 2.5% per annum is assumed throughout the period, except for premises utilities and vehicle fuel for which a rate of 5% per annum is assumed. For 2016/17 only, a provision of £365k has been provided
- 3) In 2016/17 police officer recruitment is limited so that the reduction in numbers planned under PBB is achieved by natural wastage. In future years recruitment matches the level of projected wastage.
- 4) It is assumed that formula grant funding reduces in cash terms in 2017/20 from the 2016/17 provisional settlement baseline, so that total funding would be able to increase by 0.4% per year using the Home Office's assumptions for precept increases (< 2%) and taxbase growth (0.5%).
- 5) The actual increase in the taxbase for 2016/17 was 1.8%; 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, the maximum increase under the 'threshold' level of 2% which would trigger a requirement to hold a referendum of taxpayers before it could be implemented. It is also the increase assumed by the Home Office as being the level of increase which will allow Commissioners to maintain their overall level of funding in cash terms.

Subjective Analysis - 2016/17 Commissioners Office Budget

Account	Account(T)	2015/16 Base Budget	Full Year Inflation	Increments	Other Changes	2016/17 PROPOSED BUDGET
1100	Police Staff Pay	624,800	7,500	5,700	(19,200)	618,800
1120	Police Staff Overtime - Plain Time	1,000				1,000
1140	Police Staff National Insurance	48,700	600	500	4,700	54,500
1160	Police Staff Superannuation	89,300	1,100	700	7,300	98,400
1600	NHS Re-Imbursement	200				200
1603	Interview Expenses	4,000				4,000
2210	Hire of Rooms	3,200				3,200
3400	Other Mileage (PSV)	9,000				9,000
3401	Casual Mileage	4,400				4,400
3403	Rail Travel	8,000				8,000
3408	Car Parking, Taxis, etc	1,000				1,000
4000	Equipment - General	5,000				5,000
4003	Photocopiers	500				500
4040	Furniture	500				500
4100	Accommodation / Hotel Expenses	2,500				2,500
4101	Subsistence Expenses	300				300
4291	Catering Contract Subsistence	6,100				6,100
4400	Printing and Stationery - General	3,800				3,800
4401	Publications	500				500
4505	Financial Contracts	51,000				51,000
4520	Professional Fees	19,200				19,200
4543	Professional Fees - Legal	15,000				15,000
4575	Media Relations	40,500				40,500
4630	Hardware - Purchase	3,000				3,000
4635	Software Purchase	1,300				1,300
4740	JARAC Attendance	7,000				7,000
4741	JARAC Mileage	1,000				1,000
4807	Conference Expenses	2,500				2,500
4888	Bank Charges	7,000				7,000
4890	Misc Expenditure	34,400				34,400
4895	Subscriptions General	37,000				37,000
Office of the PCC - Total Budget		1,031,700	9,200	6,900	(7,200)	1,040,600

2016/17 PROPOSED BUDGET REQUIREMENT
Services Commissioned via the Chief Constable

	2015/16 Approved £m	2015/16 Revised £m	2016/17 Proposed £m
Police Officers	89.663	89.181	89.614
Community Support Officers	5.271	5.122	4.924
Other Police Staff	29.426	29.379	31.373
Police Pensions	2.448	2.808	2.383
Other Employee Expenses	0.462	0.462	0.462
Premises	8.243	8.109	8.261
Transport	3.691	3.400	3.405
Supplies & Services	12.216	12.284	12.272
Agency & Contracted Services	1.275	1.275	1.275
Pay & Price Contingency	0.756	0.000	0.365
Specific Grants	(2.785)	(2.847)	(2.789)
General Income	(2.863)	(2.990)	(2.957)
BCU Funding	0.307	0.358	0.307
Partnerships	0.546	0.753	0.547
Contribution to East Midlands Collaboration	9.409	9.339	9.233
Contribution to National Policing	0.287	0.211	0.224
PROPOSED GROSS SPENDING	158.352	156.844	158.899
Contribution from reserves			
- PFI	(.295)	(.265)	(.330)
- Devolved Carry-Forwards	(.263)	(.567)	(.195)
- Other Reserves	-	0.000	-
	(.558)	(.832)	(.525)
PROPOSED NET SPENDING	157.794	156.012	158.374

POLICE & CRIME COMMISSIONER FOR DERBYSHIRE
STATEMENT OF LEVEL OF RESERVES AT 31 MARCH 2015 AND FORECAST LEVELS TO 31 MARCH 2019

	Actual Balances at 31/03/15	Movements In 2015/16	Contributions to Capital in 2015/16	Estimated Balances at 31/03/16	Projected Movements In 2016/17	Projected Contributions to Capital in 2016/17	Estimated Balances at 31/03/17	Projected Movements In 2017/18	Estimated Balances at 31/03/18	Projected Movements In 2018/19	Estimated Balances at 31/03/19
	£	£	£	£	£	£	£	£	£	£	£
GENERAL RESERVES	3,300,000	700,000		4,000,000			4,000,000		4,000,000		4,000,000
EARMARKED RESERVES											
Useable:-											
Operational Priorities	1,324,693			1,324,693			1,324,693		1,324,693		1,324,693
Operational Funding	23,669,487	800,208	(5,560,000)	18,909,695		(9,960,000)	8,949,695	(998,000)	7,951,695	(740,000)	7,211,695
Contribution to Capital *	1,758,365		(1,758,365)	-			0		0		0
Carry-forwards	4,001,885	(567,200)		3,434,685	(194,700)		3,239,985		3,239,985		3,239,985
PCC Grants & Commissioning	1,513,155	(250,000)		1,263,155	(250,000)		1,013,155	(250,000)	763,155	(250,000)	513,155
Pensions	500,000			500,000			500,000		500,000		500,000
Invest To Save *	194,000		(194,000)	-			-		-		-
	32,961,585	(16,992)	(7,512,365)	25,432,228	(444,700)	(9,960,000)	15,027,528	(1,248,000)	13,779,528	(990,000)	12,789,528
Non-useable:-											
PFI - Ilkeston	1,211,321	(35,392)		1,175,929	(41,715)		1,134,214	(44,992)	1,089,222	(51,897)	1,037,325
PFI - Derby	3,838,386	(205,668)		3,632,718	(255,299)		3,377,419	(273,089)	3,104,330	(302,358)	2,801,972
Insurance	442,669	7,500		450,169	3,337		453,506	5,603	459,109	6,807	465,916
	5,492,376	(233,560)	0	5,258,816	(293,677)	0	4,965,139	(312,478)	4,652,661	(347,448)	4,305,213
TOTAL EARMARKED RESERVES	38,453,961	(250,552)	(7,512,365)	30,691,044	(738,377)	(9,960,000)	19,992,667	(1,560,478)	18,432,189	(1,337,448)	17,094,741
TOTAL RESERVES	41,753,961	449,448	(7,512,365)	34,691,044	(738,377)	(9,960,000)	23,992,667	(1,560,478)	22,432,189	(1,337,448)	21,094,741

Note

Reserves marked with a * have been created from revenue resources but are earmarked to fund items within the Capital Programme

2016/17 PRECEPT OPTION: A COUNCIL TAX FREEZE

Band D £173.61	Council Tax Base	Total Funding	Collection Fund		Council Tax
			Surplus	Deficit	
	302,620.47	53,211,684	673,744	-	52,537,940
Amber Valley Borough Council	37,554.07	6,642,271	122,509		6,519,762
Bolsover District Council	20,617.59	3,637,807	58,387		3,579,420
Chesterfield Borough Council	28,271.58	4,983,318	75,089		4,908,229
Derby City Council	65,138.20	11,482,886	174,243		11,308,643
Derbyshire Dales District Council	28,270.29	4,935,098	27,093		4,908,005
Erewash Borough Council	32,226.80	5,672,962	78,067		5,594,895
High Peak Borough Council	29,654.00	5,199,867	51,636		5,148,231
North East Derbyshire District Council	29,897.94	5,257,301	66,720		5,190,581
South Derbyshire District Council	30,990.00	5,400,174	20,000		5,380,174

Gross Expenditure

	£
2015/16 Approved	161,506,814
2016/17 Proposed	162,791,712
Budget Increase	0.80%

Council Tax Requirement

	£
2015/16 Approved	51,609,638
2016/17 Proposed	52,537,940
Council Tax Increase	0.00%

Council Tax

BAND	2015/16	2016/17
	£	£
A	115.74	115.74
B	135.03	135.03
C	154.32	154.32
D	173.61	173.61
E	212.19	212.19
F	250.77	250.77
G	289.35	289.35
H	347.22	347.22

2016/17 PRECEPT OPTION: A 1.99% COUNCIL TAX INCREASE

Band D £177.07	Council Tax Base	Total Funding	Collection Fund		Council Tax
			Surplus	Deficit	
	302,620.47	54,258,751	673,744	-	53,585,007
Amber Valley Borough Council	37,554.07	6,772,208	122,509		6,649,699
Bolsover District Council	20,617.59	3,709,144	58,387		3,650,757
Chesterfield Borough Council	28,271.58	5,081,138	75,089		5,006,049
Derby City Council	65,138.20	11,708,264	174,243		11,534,021
Derbyshire Dales District Council	28,270.29	5,032,913	27,093		5,005,820
Erewash Borough Council	32,226.80	5,784,466	78,067		5,706,399
High Peak Borough Council	29,654.00	5,302,470	51,636		5,250,834
North East Derbyshire District Council	29,897.94	5,360,748	66,720		5,294,028
South Derbyshire District Council	30,990.00	5,507,399	20,000		5,487,399

Gross Expenditure

	£
2015/16 Approved	161,506,814
2016/17 Proposed	162,791,712
Budget Increase	0.80%

Council Tax Requirement

	£
2015/16 Approved	51,609,638
2016/17 Proposed	53,585,007
Council Tax Increase	1.99%

Council Tax

BAND	2015/16	2016/17
	£	£
A	115.74	118.05
B	135.03	137.72
C	154.32	157.40
D	173.61	177.07
E	212.19	216.42
F	250.77	255.77
G	289.35	295.12
H	347.22	354.14