



Proposed Council Tax and Revenue & Capital Budgets 2015/16

- 1 Summary of Proposed Council Tax and Revenue & Capital Budgets 2015/16
 - A revenue budget of £269.0 for policing and crime reduction;
 - Provision for increases in pay and prices of £4.4m; and budget pressures of £1.7m, mainly relating to increases in national police services' charges, contract increases and the uplift of injury pensions in line with CPI;
 - An increase in revenue costs of £0.7m to support capital investment in buildings, vehicles and new technology and £1.5m increase in capital financing costs
 - Budget savings of £16.2m in 2015/16.
 - Capital investment in buildings, vehicles and new technology of £11.93m;
 - The use of £9.2m from the Commissioner's reserves to support capital investment and phase budget savings to minimise the impact on frontline policing; and
 - Agree an increase of 1.99% on council tax in 2015/16 to generate an additional £0.6m income.

Considerations

- 2 In preparing the Revenue and Capital Budgets for 2015/16 the Commissioner has considered the following issues:
 - The key principles underlying the MTFs 2015/16 to 2017/18;
 - The provisional Police Grant settlement for 2015/16;
 - The likely Revenue and Capital outturn for 2014/15;
 - The budget pressures in 2015/16;
 - Delivery of the Police and Crime Plan;
 - Budget savings;
 - Options for council tax;
 - Reserves and risk assessment; and
 - The Prudential Code for Capital Finance in Local Authorities.

Police Finance Settlement

- 3 The final Formula Grant figures for 2015/16 are due to be published in early February 2015. They are not anticipated to be different from the provisional settlement of 18 December 2014.
- 4 The Central Grant allocation for 2015/16 is set at £218.70m, a reduction in cash terms of 5.1% which equates to £11.7m.
- 5 In addition, the Commissioner will receive £6.86 million in Localised Council Tax Support Grant and £0.912 million in legacy council tax freeze grant which is the allocation from the 2011/12 council tax freeze grant to offset the shortfall in council tax income.

- 6 In 2014/15 the Government made available funding to Commissioners to freeze their council tax in 2014/15 and 2015/16. The grant funding was base lined for two years and is equivalent to a 1% increase in council tax, which for Northumbria equates to £0.39m in 2015/16 and £0.78 million in 2016/17. The implications are considered later in this report.
- 7 On 26th June 2013 in the Spending Review announcement, the Home Office confirmed cash reductions to the Government Grant for Police Services equating to 3.3% for 2014/15 and 3.2% in 2015/16.
- 8 There was a further reduction in central grant funding in 2014/15. Allocations to Forces were subject to additional cuts as a result of top slicing for both new and existing initiatives (Innovation Fund, Independent Police Complaints Commission, College of Policing, HMIC Inspection Programme and the Capital City Grant). The net impact for Northumbria was a cash reduction of 4.8% in 2014/15 which equates to £11.5m.
- 9 The Provisional Police Grant Report for 2015/16 was set out by the Home Office on 17th December 2014. It marked the start of a consultation period ahead of the Final Police Grant Report being laid out in February 2015. The consultation period runs until 5pm 23rd January 2015. This strategy is therefore produced on the basis of the Provisional Settlement only.
- 10 The Settlement is for 1 year only; whilst the cuts set out in the CSR 2010 were not desirable, clarity over a four year funding period provided greater detail on which to base the MTFs. A 1 year settlement means that years 2 and 3 are based on judgment and estimates of likelihood and risk.
- 11 The headline reduction to Police Forces was 3.5% as opposed to the 3.2% previously set out (para 7 refers)
- 12 However, due to the maintenance of funding for national initiatives (Counter Terrorism) and the protection of funding streams previously top slices, and new previously announced top slicing, the effective cash reduction to the Police and Crime Commissioner is 5.1%.
- 13 Whilst some of the top slicing is a continuation of previous years, there is new top-slicing for 2015/16 which was completely unannounced and unexpected as set out below;
 - Major Programmes £40m
 - Police Special Grant £15m
- 14 Over and above all the existing reductions in the previous MTFs, the impact of this year's settlement adds a further reduction to Central Grant of £4.4m per annum.
- 15 There is no change to the damping mechanism which ensures that all forces face the same % reduction in the Grant.

- 16 Northumbria will continue to receive a Capital Grant which remains indicative at present, of £3m. The final allocation remains subject to further Home Office consideration of further top-slicing for national initiatives.
- 17 Counter Terrorism funding nationally is a “protected” area and whilst the majority of this funding is used for national service delivery, a small allocation does go to individual forces. Confirmation of 2015/16 allocations is not anticipated until February 2015 however it is estimated to be unchanged from 2014/15.
- 18 National work remains on-going with regard to the review of the Funding Formula however there has been to date no formal update on emerging findings or likely impact on individual police bodies. This MTFS therefore has been developed on the basis of the current funding arrangements and damping mechanisms continuing. Any changes to formula or damping arrangements may need to be considered in future strategies.

Capital Programme 2014/15

- 19 The Commissioner has an approved revised capital budget for 2014/15 of £13.21m. The third quarter capital monitoring report outlined a revised capital estimate of £14.82m as at 31 December 2014. The increase in the revised estimate for the year reflects some projects carried forward from 2013/14 and brought forward from 2015/16.

Capital Programme 2015/16

- 20 The following table summarises the 3 year capital programme:

	2015/16 £m	2016/17 £m	2017/18 £m
High Priority Proposals			
Major Building Schemes	1.34	0.00	0.00
Minor Building Schemes	2.38	0.78	0.35
ICT	5.07	1.56	2.58
Vehicles/Equipment	3.00	2.29	2.71
Total	11.79	4.63	5.64

- 21 Key areas to note in the proposed programme are:
- Major Building schemes – In 2015/16 this allocation will provide the final strands of the major project to relocate functions from the former HQ site at Ponteland. Beyond 2015/16 there are no further major schemes in the Programme.
 - Minor Building Schemes – The allocation for minor building schemes will primarily facilitate the on-going work to migrate the force to a new estate model, a change in approach highlighted in the previous MTFS. In addition to set-up costs of new community bases, there will also be further work to finalise the planned upgrade of custody suites.
 - Computer and Communications – This allocation will continue to support all IT requirements for the Force but also continue to support

the changing nature of policing through the Street to Strategic (S2S) project whereby Officers will be provided with hand-held equipment to conduct business through technology and be able to spend more time in communities.

- Vehicles and Equipment – Primarily the replacement of vehicles in the Force fleet but also to refresh some specialist operational equipment.

Revised Revenue Budget 2014/15

- 22 The Commissioner's net revenue budget for 2014/15 after the use of reserves is £276.92m. The Quarter 3 revenue monitoring report shows a projected budget surplus of £1.50m as at 31 December 2014.
- 23 The main reasons for the variance were savings on pay and pensions some arising from the timing recruitment of new officers, savings on other non-pay spend and additional income over and above that known about at the start of the financial year.
- 24 The budget surplus allows the Commissioner to make a contribution to General Fund reserves to support the MTFS.

Revenue Budget 2015/16

- 25 For the financial year 2015/16, the proposed total net police expenditure before the use of reserves is £269.0m. The proposed budget includes £4.4million in pay and price increases to cover the cost of inflationary increases.
- 26 Budget pressures of £1.7 million have been included in the budget, which relates primarily to increases in National IT services charges, and increased police staff pension expenditure following the automatic enrolment in 2014.
- 27 A further provision of £2.2 million has been included to reflect the revenue impact of the capital programme including the cost of additional borrowing and running costs associated with the capital schemes.

Budget Savings

- 28 Force budget savings in 2015/16 of £15.2m have been identified in the following areas:
 - Rationalisation of Estates and new operating model of 3 Area Commands
 - A reduction in police officers through natural wastage, with a programme of recruitment to protect the frontline;
 - A reduction in police staff through natural wastage and targeted Voluntary Redundancy Scheme (VRS).
 - ICT transformation
 - Scrutiny of non-pay costs throughout the Force
 - Identifying opportunities for collaboration and / or strategic partnerships
- 29 Delivery of the above is being progressed through the Force Programme of Change with work being well developed in all areas. Underpinning this change

was a restatement that there was no change to core Neighbourhood Policing principles.

- 30 2015/16 will also be underpinned by some additional use of the General Reserve to ensure that the wider structural change that is likely to be required from 2016/17 is properly considered prior to implementation. Alongside, the strands of the new 3 Command model, with hubbed resources and the greater and better use of technology will ensure that further changes towards the end of the MTFS minimises the impact on communities and victims.
- 31 Work to deliver future change will therefore include the following:
- Wider departmental reviews
 - Review of shift patterns
 - Reviews of specific functional areas including Communications and Custody
- 32 In addition to the Force led savings, the Commissioner has scrutinised the OPCC budget and also intends to save £1.0m in 2015/16 based on a further review of office costs and new ways of working with partners.
- 33 The proposed budget ensures that resources are directed towards achieving the Police and Crime Plan and the Commissioner’s objectives. The Police and Crime Plan is reviewed by means of the force strategic assessment and public consultation by the Commissioner. Engagement with local communities had identified that objectives within the current Local Policing Plan are broadly correct. The 2015/16 Police and Crime Plan will be considered by the Police and Crime Panel in February.

Budget Summary –2015/16

- 34 A summary of the proposed 2015/16 Revenue Budget follows:

Revenue Budget	Original Estimate 2014/15 £000	Revised Estimate 2014/15 £000	Forecast Outturn 2014/15 £000	Original Estimate 2015/16 £000
Chief Constable	264,939	264,939	264,157	256,656
Police and Crime Commissioner	11,988	11,988	11,270	12,383
Net Revenue Expenditure	276,927	276,927	275,427	269,039

The budget for the Chief Constable provides for all the day to day operational policing. The budget for the Police and Crime Commissioner primarily includes the capital financing costs for both corporate bodies as well as the OPCC running costs.

Council Tax Options

- 35 The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013

onwards, any council that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum.

- 36 The principles that were set out for 2014/15 considered council tax to be excessive if it was 2%, or more than 2% greater than its adjusted relevant basic amount for 2013/14. The 2015/16 principles are in line with 2014/15; any increase must be 1p less than 2% of Band D per annum.
- 38 It is proposed that the precept is increased by 1.99%. The impact of this in 2015/16 will allow for an additional £0.63m.
- 39 The proposal is made in the context of the MTFs which sets out the detail of how this decision is affordable over the medium term.

Reserves

- 40 The Commissioner's reserves policy is set out in the MTFs and is subject to regular review.
- 41 A full analysis of the Commissioner's revenue reserves and their planned use in 2015/16 taking into account the proposals outlined is set out below. This shows a projected General Reserve of £21.8 m and earmarked reserves of £4.8m at 31 March 2015.

	Estimated at 31 March 2015 £m	Planned use of reserves 2015/16 £m	Estimated At 31 March 2016 £m
Earmarked Reserves			
Insurance Reserve	3.0	0	3.0
Workforce Development Reserve	1.3	(0.7)	0.6
Capital Development Reserve	0.2	(0.2)	0
External Funding Reserve	0.3	0	0.3
Total Earmarked Reserves	4.8	(0.9)	3.9
General Reserves	21.8	(9.0)	12.8
Total Reserves	26.6	(9.9)	16.7

- 29 The General Reserve at £21.8 million meets one of the key MTFs principles to seek to maintain the general reserve at a minimum of 2% of the revenue budget. Estimated reserve level at 31 March 2016 is £12.8 million which equates to 5% of the revenue budget.
- 30 The above proposals can be summarised as follows:
- In line with the MTFs the General reserve will reduce from £21.8million to £12.8m by the end of 2015/16. The proposed use of reserves in

2015/16 in total is £9.9m as set out above. The capital development reserve of £0.2m will be fully utilised in 2015/16.

- 31 The planned use of reserves will allow the Commissioner to continue supporting front line policing and the capital programme.

Adequacy of Reserves and Robustness of Budget Estimates

- 32 The Local Government Act 2003 requires the Joint Chief Finance Officer to undertake an assessment of the robustness of the budget estimates and the adequacy of reserves.
- 33 The budget and MTF5 allows the Commissioner to consider the prudent use of reserves in the context of the future spending pressures and risks arising from potential changes to the funding formula without having a detrimental effect on policing.
- 34 In assessing the robustness of the budget, the Joint Chief Finance Officer has considered the following issues:
- The general financial standing of the Police and Crime Commissioner;
 - The underlying budget assumptions, including an assessment of the estimates for pay and price increases;
 - A risk assessment of expenditure and income estimates;
 - The future budget pressures identified in the MTF5;
 - The adequacy of the budget monitoring and financial reporting arrangements;
 - The adequacy of the Commissioner's governance arrangements and internal control system;
 - The adequacy of un earmarked reserves to cover any potential financial risks faced by the Commissioner;
 - The risks inherent in reliance on the application of floors beyond 2015/16; and
 - The impact of funding cuts and the uncertainty of grant support beyond 2015/16.
- 35 At 31 March 2015, the Commissioner's General Reserve is estimated at £21.8m (8% of revenue expenditure), in addition to other reserves which are earmarked for specific purposes. The Commissioner's reserves policy will result in the General Reserve reducing to 5% of revenue expenditure by the end of 2014/15. In estimating the level of reserves the Joint Chief Finance Officer has taken account of known commitments for 2015/16 and the financial risks faced by the Commissioner which could impact on the level of reserves.
- 36 The Joint Chief Finance Officer confirms that, after taking account of these issues, the revenue and capital estimates contained in this report are considered robust and that the level of reserves proposed in the review set out earlier is considered adequate to cover the financial risks faced by the Commissioner in 2015/16.

Council Tax Requirement

- 37 The Localism Act requires the Commissioner to set a Council Tax Requirement. The calculation of the Council Tax Requirement, based on the proposed revenue budget and contribution from reserves is set out below:

Total Revenue Expenditure	£m
	269.039
<u>Less</u> Appropriations from Reserves	<u>9.220</u>
Budget Requirement	259.819

<u>Less:</u>	£m
DCLG Grant	107.988
Police Grant	110.759
Localised Council Tax Support Grant	6.867
Legacy freeze grant	0.912
2014/15 council tax freeze grant	0.389
	<hr/> 226.915
Balance to be Raised Locally	32.904
Less estimated net surplus on collection funds	<u>0.283</u>
Council Tax Requirement	<u>32.621</u>

- 38 The proportion of collection funds' net surplus due to Northumbria Police from its constituent billing authorities is £0.283m for 2014/15 (£0.266m in 2014/15).
- 39 The notified Council Tax base figure is 369,311 which is an increase of 5,449 over the previous year.

The Prudential Code of Practice in Local Authorities

- 40 The CIPFA Prudential Code is a professional code of practice to support local authorities in taking decisions relating to capital investment in fixed assets. Local authorities, including police and crime commissioners and fire authorities, are required to have regard to the Code under Part 1 of the Local Government Act 2003. The basic principle of the system is that local authorities will be free to invest so long as their capital spending plans are affordable, sustainable and prudent.
- 41 In order to demonstrate that they have fulfilled the objectives of the Code, authorities must produce a range of key Prudential Indicators. The Code does not suggest indicative limits or ratios for these indicators, which are designed to support and record local decision making, and are not intended to be used for comparative purposes.
- 42 These key indicators can be split into two broad categories, affordability indicators and prudence indicators. Affordability indicators concentrate upon the level of capital investment over the period 2013/14 to 2015/16. Prudential indicators concentrate on the level and composition of external debt, and are therefore very closely linked to the Commissioner's Treasury Management Strategy.
- 43 The Commissioner's proposed Prudential Indicators are shown at Appendix A to this report.

Minimum Revenue Provision

- 44 Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2015/16 is attached at Appendix B.

Financial Considerations

- 45 Financial implications are considered throughout the report.

Risk Management

- 46 Associated risks have been considered and recorded as appropriate and are set out in Appendix C

Recommendations

1. The Commissioner is requested to:
 1. (a) approve the capital programme and authorise the Treasurer to undertake the appropriate financing;
 - (b) approve the revenue budget;
 - (c) agree the review of the reserves policy; and
 - (d) note the recommendations of the Treasurer in respect of the robustness of the budget and the adequacy of reserves.
2. Note the Council Tax Base of 369,311 for the year 2015/16 as notified by the billing authorities within Tyne and Wear and Northumberland (item T in the formula in Section 42B of the Local Government Finance Act 1992, as amended).
3. Approve the following amounts for the year 2015/16 in accordance with Sections 42A, 42B and 45 to 47 of the Local Government Finance Act 1992, as amended:-

(a)	£ 281.011m	being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (2) (a) to (d) of the Act;
(b)	£ 248.389m	being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (3) (a) to (b) adjusted for the

		item set out in S42A (10) of the Act;
(c)	£ 32.621m	being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Police and Crime Commissioner in accordance with Section 42A (4) of the Act, as its Council Tax Requirement for the year (item R in the formula is Section 42B of the Act);
(d)	£88.33	being the amount at (c) above (item R) divided by the amount noted in Recommendation 3 above (item T), calculated by the Police and Crime Commissioner in accordance with Section 42B (1) of the Act, as the basic amount of its Council Tax for the year;

(e)	Valuation bands	
A	£ 58.89	being the amounts given by multiplying the amount of (d) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Police and Crime Commissioner in accordance with Section 47 (1) of the
B	£ 68.70	
C	£ 78.52	
D	£ 88.33	
E	£107.96	
F	£127.59	
G	£147.22	
H	£176.66	

		Act, as the amounts to be taken into account for the year in respect of the categories of dwelling listed in different valuation bands.
--	--	---

Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2013/14 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Act for 2013/14.

Resolve that in accordance with Section 40 of the Local Government Finance Act 1992, as amended, the billing authorities within the area of this authority be issued with precepts in the amount of £31,986,041 for the financial year beginning 1 April 2015, the amount of the retrospective precepts to be issued to each billing authority's area in accordance with the Sections 42A, 42B and 45 to 48 of the 1992 Act, as amended.

Approve the Prudential Indicators as outlined in Appendix A to this report.

Accept the recommendation of the Treasurer for the method of calculating MRP for 2015/16 as set out in the Annual MRP statement at Appendix B to this report.

Prudential Indicators – Treasury Management

Authorised Limit For External Debt

The authorised boundary for external debt is based on the worst case scenario of the Commissioner's most likely borrowing for the next three financial years; taking into account estimated capital expenditure and estimated cash flow requirements.

Authorised Limit For External Debt			
	2015/16 £000	2016/17 £000	2017/18 £000
Borrowing	170,000	170,000	170,000
Other Long Term Liabilities	0	0	0
Total	170,000	170,000	170,000

Operational Boundary For External Debt

The operational boundary for external debt is based on the Commissioner's estimate of most likely borrowing for the next three financial years, taking into account estimated capital expenditure and estimated cash flow requirements.

Operational Boundary For External Debt			
	2015/16 £000	2016/17 £000	2017/18 £000
Borrowing	145,000	145,000	145,000
Other Long Term Liabilities	0	0	0
Total	145,000	145,000	145,000

Upper Limit On Fixed And Variable Interest Rates Exposures

The setting of upper and lower limits on fixed and variable interest rate exposure has the effect of creating ranges within which a Commissioner will limit its exposure to both fixed and variable interest rate movements. It provides a single point of control over the overall interest obligations on a net basis. Indicators are set by considering as many borrowing and investment scenarios as possible, providing a framework that the Commissioner can work within.

Upper Limit On Fixed And Variable Interest Rates Exposures			
	2015/16 £000	2016/17 £000	2017/18 £000
Fixed rate:			
Upper	110.425	101.594	91.173
Lower	(7.535)	(22.535)	(27.115)
Variable rate:			
Upper	6.000	6.000	6.000
Lower	(20.000)	(20.000)	(20.000)

Upper And Lower Limits For The Maturity Structure Of Borrowings

The upper and lower limits for the maturity structure of borrowing are calculated to provide a framework within which the Commissioner can manage the maturity of new and existing borrowing to ensure that debt repayments are affordable in coming years.

Upper And Lower Limits For The Maturity Structure Of Borrowings		
	Upper Limit	Lower Limit
Under 12 months	50%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	70%	0%
10 years and above	90%	0%

Upper Limit On Amounts Invested Beyond 364 Days

The purpose of the upper limit on amounts invested beyond 364 days is for the Commissioner to contain its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

Upper Limit On Amounts Invested Beyond 364 Days			
	2015/16 £000	2016/17 £000	2017/18 £000
Investments	15,000	15,000	15,000

Gross Debt and the Capital Financing Requirement

The following table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement), highlighting any over or under borrowing.

Gross Debt and the Capital Financing Requirement					
	31/03/14 £000 Actual	31/03/15 £000 Estimate	31/03/16 £000 Estimate	31/03/17 £000 Estimate	31/03/18 £000 Estimate
Actual gross debt at 31 March	88,131	100,128	100,128	100,128	98,049
Capital Financing Requirement	106,054	112,143	107,075	102,672	98,473
Under / (over) borrowing	17,923	12,014	6,946	2,543	424

Police and Crime Commissioner for Northumbria Minimum Revenue Provision (MRP) Statement 2015/16

The MRP charge for 2015/16 for capital expenditure incurred before 1st April 2008 (prior to the new regulations) or which has subsequently been financed by supported borrowing will be based on the previous regulatory method of Capital Financing Requirement at 4% of the opening balance less prescribed adjustments.

For all unsupported borrowing, exercised under the Prudential Code, the MRP Policy is based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge will not be made until the asset is operational.

In 2015/16 the MRP funded from revenue increases to just over £5.1 million from £3.6 million in 2014/15. This increase reflects the capital investment decisions that were not funded in last year including the purchase of fleet and the completion of the new offices.

The estates rationalisation programme will see the sale of some £30 million of assets over the next few years. The receipts from this will be used to pay off debt and thus reduce the Capital Financing Requirement and MRP in the future. Rather than pay off the sum in full it is proposed to apply a balance of capital receipts towards the annual MRP reducing the total revenue required. This will create a short term MRP revenue budget holiday relieving the revenue budget for around 4 years.

NORTHUMBRIA POLICE AND CRIME COMMISSIONER FINANCIAL RISK ANALYSIS

General Balances

The risk is that the General Reserve balance is not sufficient. This is mitigated by:

The General Reserve will be kept at a minimum of 2% of revenue expenditure;

The projected balance on the General Reserve at the 1 April 2015 of £21.8m is 8% of the revenue expenditure budget; and

Strong financial controls have resulted in a consistent trend of the revenue outturn being delivered within budget in recent years.

Pay Increases

The risk is that pay increases may exceed the levels provided for within the budget. Estimates for future pay awards have been fully included.

Price Increases

The risk is that price increases may exceed the levels provided for within the budget.

This is mitigated by applying inflation on an individual basis to provide for contractual commitments and premises related expenditure. All other inflation will be managed

within existing budgets reflecting the current economic climate. The risk that prices may rise is mitigated by budget monitoring arrangements and the Force's current approach to efficiency in challenging and managing spend pressures.

Capital Financing

The risk is that Capital Financing Charges will be greater than budgeted. This is mitigated by:

Revenue implications are considered as part of the capital planning process and taken in to account in the MTFS; and

The principal repayment in respect of debt is the MRP, calculated on an asset by asset basis as part of the capital planning process. Any change in interest rates will not have an effect as 100% of debt is at fixed rates and any refinancing of existing debt will only take place if it will lead to a long term saving in interest charges.

Financial Planning

The risk is that a major liability or commitment is currently known but has not been taken into account in the Police and Crime Commissioner's financial planning. This is mitigated by:

The Medium Term Financial Strategy includes an assessment of spending pressures, to be assessed for inclusion in the Commissioner's budget, identified by the Chief Constable by reference amongst other sources to the Local Policing Plan; and

In addition, regular liaison by senior officers of the Force and the and Commissioner's Office help to strengthen and coordinate the financial planning of the Commissioner.

Savings

Budget savings of £16.2m have been included in the revenue budget for 2015/16. The risk is that the budget savings will not be delivered. This is mitigated by:

The strong record of delivering the budget within targets;
The Chief Constable's Programme of Change to deliver the budget savings over the next three years
Adequacy of the General Reserve and the overall reserves policy.

Loss of Deposit

The risk is that funds deposited by the Commissioner are lost due to the collapse of the financial institution with whom the deposit is placed. The risk is limited by the controls in the Treasury Management Strategy which focuses on control of deposits rather than returns. The potential impact is limited by the strategy of a diverse portfolio with top rated institutions which are either part nationalised or have credit guarantees.

Interest Rates on Deposits

The risk is that interest rates will be lower than expected and prudent assumptions on likely interest rates for 2015/16 have been incorporated into the budget.

Budgetary Control

The risk is that the budget will overspend. This is mitigated by:

Monthly budget monitoring in place;
Quarterly monitoring reports to the Commissioner;

Council Tax

The risk following the localisation of council tax support is that collection rates could be affected which would impact on billing authorities' collection fund balances and any surpluses payable to the Commissioner. To mitigate this risk, local billing authorities have factored in prudent collection rates.

Capital Programme Implications

The risk is that the capital programme may be understated, funding will not be available as planned or that over spending may occur. This is mitigated by:

Regular review of Estates Strategy and the decision to focus on key priority schemes only; together with quarterly updates of progress will provide assurance in the accuracy of forecasts;
Quarterly capital monitoring reports to the Commissioner

Risk Management

The risk is that all risks have not been identified when the budget has been set and that major financial consequences may result. This is mitigated by:

Risk management arrangements;
Comprehensive self and external insurance arrangements in place;
Adequacy of the insurance reserve; and
Adequacy of the general balances and the overall reserves policy.