

Humberside Police Authority  
Business Development Committee

Agenda Item **8**  
Joint Report of the Chief  
Constable and the Deputy  
Chief Executive and Treasurer

24 January 2012

**DRAFT MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2012/13 to 2016/17**

**PURPOSE OF THE REPORT**

1. The purpose of this report is to introduce the DRAFT Medium Term Financial Strategy (MTFS) for 2012/13 to 2016/17 that is provided to enable members to consider the document in respect of budget issues and Council Tax increases prior to the Police Authority on 14 February 2012. This will be the last occasion on which the Authority will have to make these decisions with abolition due in November 2012 when the responsibility will pass to the Police and Crime Commissioner for Humberside (PCC).

**INTRODUCTION**

2. The DRAFT MTFS attached seeks to provide comprehensive information on the backdrop against which Members will be asked to make decisions on spending plans for 2012/13, together with the level of precept and proposals for the use of reserves. At this stage, further work is being undertaken to arrive at agreed spending and savings plans for Regional working and the document will be updated for the meeting of the Police Authority on 14 February to include details to be agreed at the Joint Police Authorities' Committee, JPAC, on 2 February 2012.
3. The MTFS is as always a living document, bringing together the resource implications of key strategies such as the Estate Strategy as well as modelling the impact of Human Resources, Information Technology/Information Systems (IT/IS) and other important plans to ensure that they are deliverable against a background of increasingly significant financial constraints and even greater uncertainty that we have seen in previous years.
4. Importantly the MTFS also provides a basis for meaningful consultation with stakeholders and provides important information to support action planning with local and Regional partners.

## **BACKGROUND**

5. This is the sixth year and final year in which the Authority will consider its annual budget in the context of a fully developed MTFs for the Force and the Authority, including a multi-year financial forecast. The benefits of this approach are clear as having consistently approved annual estimates in the light of the potential influences over the medium term preparations have been made to bring spending into balance ahead of Government action to enforce spending cuts as part of the process of rebalancing the public finances. As a result, the Authority has options available to it due to prudent financial planning, as well as having well advanced savings plans in place and balances available to support business change and to help cushion the impact of cuts. This managed approach will leave a vital legacy for the incoming PCC.
6. The MTFs is and remains an essential part of the Force and Authority's financial and resource planning process. Members of the Resources Committee have been briefed regularly on issues affecting 2011/12 and the Business Development Committee have considered the changing financial landscape and factors affecting the assumptions within the forecasts set out in the MTFs at each of its meetings in 2011.
7. The DRAFT MTFs sets out a clear overarching strategy for consideration by the Authority together with details of the underlying assumptions and parameters, the level of reserves, unfunded risk and other factors.
8. This report seeks the views of members on options in respect of alternative scenarios. This covers the two options illustrated at recent briefings in respect of the level of Council Tax to be levied in 2012/13 and increases in future years. The first models an increase of 4% in 2012/13 and later years, rejecting the Government's offer of a one-off 3% compensatory grant in 2012/13 and the second scenario assumes that the grant is taken in 2012/13 and that the Council Tax is frozen with increases in future years of 4%.
9. It is of course open to members to suggest other alternatives which officers will work up prior to the meeting on 14 February 2012.
10. Since 2009 the Authority set the Chief Constable challenging targets in order to achieve a balanced budget. As a result, last year, previous initiatives including Business Workforce and Modernisation (BWFM) and the Choices Programme were incorporated into a single CSR 2015 Savings Plan. To date this has identified permanent savings and budget reductions in excess of £16m and the programme is ahead of target for the period to 31 March 2012. As a result the £6m flexible facility to allow reserves to be used to cover any shortfall in making the savings agreed last year has not been called upon.
11. Successive MTFs documents have made limited provision for growth and this has been repeated this year. Whilst the IBM process has ensured that

12. The Force and the Authority have been working together to meet the challenge of bringing permanent spending within reasonable assumptions of the likely level of permanent income in order to avoid a situation of having rapidly depleting reserves leading to the necessity for short term enforced and reactive budget cuts.
13. As a result of this activity, through which the Chief Constable has delivered business change and budget reductions, the Force and the Authority have significant experience of what is required to implement large scale efficiency programmes. The Authority has also recognised the need to support this with spend to save investment using its reserves.
14. Scenario planning in previous years has enabled the Force, in conjunction with the Authority, to develop a matrix of savings options. This matrix, the CSR 2015 Savings Plan, was the subject of discussions with members at a series of workshop and briefing sessions culminating in the proposals set out in last years MTFS.
15. This year a Strategic Planning day was held on 10 January 2012 and the outcomes of that event, which included consideration of feedback from the public and partners, generated a series of aims and objectives which will be considered elsewhere on this agenda. The proposals are contained within the DRAFT MTFS. When members formally agree these aims and objectives for the Policing Plan they will need to be reflected in the final MTFS.
16. As reported last year, the Force and the Authority have extended the focus of Regional collaboration with the other Forces and Authorities in the Yorkshire and the Humber Region beyond the initial remit of addressing gaps in Protective Services capacity and capability to examining how joint working can generate savings and efficiencies to assist individual authorities in addressing the financial challenges that they face. This work has progressed with the development of an implementation plan with projects on Scientific Support and Procurement being approved to go live. In parallel, the Humberside Force has been working closely with South Yorkshire on Human Resources and Information Technology and Information Systems.

#### **DRAFT MEDIUM TERM FINANCIAL STRATEGY 2012/12- 2016/17**

17. The DRAFT MTFS sets out the underlying information to support the financial forecasts for the period 2012/13 - 2016/17. It builds upon the formal and informal discussions with Members and stakeholders. The information contained within it confirms details of the majority of grants that the Authority will receive in 2012/13 to support revenue and capital

18. Firm information has been received on the level of police grant for 2012/13 but the indicative information on Police Grant for 2013/14 and 2014/15 has not been confirmed and could well be affected by changes to the way local authorities are financed in future, by the extension of the period of austerity and announcements that the Treasury will claw back monies as a result of the decision to cap public sector pay rises announced in the Autumn Statement.
19. Previous year's reports have remarked upon the increasing worries about the levels of general external support from Government and on the future of specific grants, both revenue and capital.
20. There are particular concerns now about the Neighbourhood Policing Fund, which provides support for Police Community Support Officers (PCSOs), which will continue to be ring-fenced for that purpose next year but will then be aggregated within General Grant from 2013/14 onwards.
21. In 2011/12, Government acted to introduce a new specific grant to enable authorities to freeze Council Tax in 2011/12 at 2010/11 levels. This also provided compensation for four years, equivalent to a Council Tax increase of 2.5%. At this stage there remains no information whether the specific grant will continue after 2014/15 when the current CSR period ends. All authorities agreed to freeze increases and took the grant in 2011/12.
22. For 2012/13 the Government have developed a further initiative by offering a one-off grant to freeze Council Tax in 2012/13. As mentioned last year there are significant risks in the medium term if authorities' do not increase their resource bases giving rise to the need for deeper cuts in spending or higher tax increases in future years.
23. There is another key change in 2012/13 in that following the enactment of the Localism Act, increases in Council tax will no longer be capped but will require a referendum if any proposed increase exceeds a predetermined limit set by Government. For police authorities for 2012/13 this limit is a 4% increase. Any increase over this amount would trigger a referendum which, it is believed, would result in the costs having to be met by the Authority,
24. The MTFS once again includes assumptions of the costs of prudential borrowing to support the capital programme. Prudential Indicators will be updated following approach to the budget and MTFS and these indicators, together with the Treasury Management Strategy, will be submitted to the full meeting of the Police Authority in March for approval.

## RESERVES

25. The DRAFT MTFS sets out the position on reserves. It recommends maintaining the requirement agreed previously that the General Reserve will be maintained at 3% of the net revenue budget and that this will be regarded as the minimum acceptable level.
26. The financial projections within the MTFS reflect the commitment to support the revenue budget from reserves in the amounts previously agreed. The efforts that have been made by the Force and the Authority in recent years have ensured that it has the advantage of being in a relatively strong financial position. This is enhanced by the fact no call has been made on the £6m facility agreed last year to underwrite any failure to deliver savings as savings targets exceeded.
27. The Authority therefore continues to have access to substantial reserves and is in a much better position to manage the impending budget cuts than some authorities who do not have the benefit of being in this position.
28. In developing savings proposals, the Chief Constable has recognised the impact on the Force's ability to maintain front line service delivery and performance and the need to protect these as far as possible with the resources that are available.
29. The Authority understands that, if the Force is unable to deliver the scale of savings required or if the release of permanent savings needs additional investment then the current level of reserves could be quickly eroded. The very prudent approach to use of reserves that has been adopted to date has proved its worth and is reflected in the level of reserves that remain available to the Authority to support the Force in delivering the required level of savings and to pass on to the PCC for Humberside as an important part of the Authority's legacy.
30. The Force has been supported by the Authority's earmarking of funding from reserves for spend to save initiatives, including meeting the costs of voluntary early retirement / redundancy and retraining and redeployment. The level of reserves in the MTFS take account of the amounts committed for these purposes.
31. The DRAFT MTFS comments on the increasing importance of partnership working and suggests that members may wish to consider topping up the Partnership Reserve and to re-designate it to reinvigorate it in order to enable the Force, the Authority and an incoming PCC to be more proactive in relation to working with partners.
32. As in previous years, the impact of the Authority's funds invested in the UK subsidiaries of two of the failed Icelandic Banks in 2008 has been incorporated into the MTFS. The position is now much clearer in terms of forecast recovery levels. Adjustments have been made to the level of

## **MTFS ASSUMPTIONS**

33. The DRAFT MTFS continues to reflect the best available information on external funding and incorporates agreed pay settlements, and provision for the 1% cap on public sector pay increases for the next two years together with reductions in Government support. The assumptions in relation to staffing cost will need to be monitored closely following the outcome of the Police Arbitration Tribunal in connection with recommendations from the Phase I of the Winsor Review of Police Officer and Staff terms and conditions as well as actions arising from Lord Hutton's report on public sector pensions.
34. It will be necessary to continuously review and revise the assumptions and to amend the MTFS as and when necessary. The Authority and the Force need to be sufficiently flexible to react to adverse changes.
35. Last year the Government sent out a clear message that they expected to see authorities freeze Council Tax in 2011/12 and that where authorities did not comply Ministers would not hesitate to cap increases that they regarded as excessive. In the event all Authorities accepted the grant.
36. For 2012/13 the Government has implemented plans to make increases above a predetermined level, approved in advance by Parliament, subject to a referendum. The level has been set at an increase of 4% for Police Authorities.
37. The options within the DRAFT MTFS assume that the Council tax precept will be frozen in 2012/13 and that the Authority will receive the specific grant in compensation with increases of 4% from 2013/14 onwards and an increase of 4% for 2012/13 reflecting the grant and with a similar increase in future years.
38. The DRAFT MTFS incorporates provision for known price increases, particularly in connection with fuel energy and utilities but no general contingency provision has been made for other non-pay inflation.
39. No provision has been made at this stage for any variations in costs associated with Regional working. Two fast track projects, Scientific Services and Procurement have been approved and a Regional Medium Term Financial Strategy has been considered by the Regional Collaboration Board and JPAC. However, planned savings have yet to be confirmed and have not therefore been 'hard-wired' into the budget and MTFS at this stage. This issue will be considered by JPAC on 2 February 2012 following which it is anticipated that the MTFS can be updated to include them.

40. The options within the DRAFT MTFS provide details of the anticipated savings from the CSR 2015 savings plan.
41. The DRAFT MTFS does not contain assumptions on the potential loss of income and external funding that may arise as a result of the cuts in funding for local authorities and other public sector partners.

### **CAPITAL PROGRAMME**

42. The DRAFT MTFS includes details of the agreed capital programme and once again recommends the continued use of prudential borrowing as the principal means of financing it.

### **COUNCIL TAX AND PRECEPT**

43. The key aim of the MTFS is to ensure that the Authority's spending is capable of being contained within the likely level of available resources in terms of grant funding and reasonable assumptions of increases in Council tax.
44. Members have been briefed on the Government's proposals for freezing Council Tax in 2012/13 and on the options referred to above in connection with rejecting or accepting the one- off grant and freezing the Council Tax. It is open to members to propose alternative options.

### **OPTIONS/RISK**

45. The DRAFT MTFS attached exemplifies a Police Authority precept/Council tax freeze in 2012/13 with increases of 4% in later years for planning purposes and compares this with a 4% increase in 2012/13 and later years. It is open to Members to propose alternative scenarios.
46. There are substantial risks that key assumptions used in the MTFS will be inaccurate, although the assumptions used are considered to be as realistic as possible in the circumstances. The position is made markedly more difficult this year as the financial policies of an incoming PCC cannot be anticipated. It is therefore recommended that the Authority retains a significant level of reserves in order to mitigate the impact of any failure to deliver anticipated savings, to provide a cushion against further reductions in Government grants or unforeseen spending pressures and to ensure that the incoming PCC has options available when he/she takes up office.
47. Savings identified from the CSR Savings Plan are set against the gaps identified for each of the options described in the document. The gaps will need to be adjusted to take account of information from the Region.
48. There is a risk that the Authority and the Force will be adversely affected by neighbouring local authorities and other public and voluntary sector partners' inability to participate in partnership activities as a result of the front-loaded budget cuts that they are also suffering. The Authority has a

limited balance remaining in its reserve specifically earmarked to support partnership activity and it is suggested that this should be topped up to the original provision of £1m. Good working relationships with partners are seen as essential to enable the early identification of problems and to look for shared enterprise in finding solutions to avoid adverse performance in the field of crime and community safety.

49. The DRAFT MTFS continues to include a contingency to support limited business development. Business development will be subject to scrutiny in Force via the IBM process.
50. Provision has been made for the Authority's contribution towards the cost of Regional working but the DRAFT MTFS will need to be updated following consideration of Regional MTFS and savings to be reported to JPAC on 2 February 2012.
51. The Resources Committee will continue to scrutinise budgets. The information in the DRAFT MTFS reflects the latest position reported in respect of 2011/12 outturn. There is a risk of forecasts being inaccurate although this has been mitigated by significantly enhanced scrutiny throughout the year. The final position reflecting Period 9 projections will be reported to the Resources Committee on 7 February 2012 prior to budget setting.
52. Information from budget monitoring will continue to inform challenges to the base budget through the budget realignment exercise.

### **FINANCIAL IMPLICATIONS**

53. The financial information in connection with options for the budget for 2012/13 and later years are set out in this report and covered in detail in the DRAFT MTFS.

### **LEGAL IMPLICATIONS**

54. The Authority has a duty to ensure that proper procedures are in place for the management of its financial affairs. When setting the budget, the Treasurer is required to confirm that the budget is robust and that the level of reserves is adequate.

### **EQUALITY AND DIVERSITY IMPLICATIONS**

55. The budget process has been the subject of an initial Equalities Impact Assessment.
56. There are no direct implications within this report in terms of the implications on the Authority's obligations in connection with Equality and Diversity although there may be issues in connection with individual business decisions which will need to be subject to separate consideration.

## CONCLUSIONS

57. The following conclusions can reasonably be drawn:

- The MTF5 remains a key tool for the Force and Authority in planning budgets within a medium term financial context. It is a significant reason why the Force and Authority are in relatively better financial health and Members have more options in budget setting for 2012/13 than their counterparts in a significant number of other police authorities.
- The CSR related challenges on the Force and Authority remain significant and, on the evidence may increase with the extension of the age of austerity by the Chancellor.
- There is a level of uncertainty in the medium term which is unprecedented in recent years. This uncertainty also spans both the mechanisms to determine how the Authority receives funding from Government and the quantum of this funding that may be made available.
- There is particular uncertainty about whether or not the specific Government funding for PCSOs will continue beyond the 2012/13 financial year. This represents a recurrent risk on the current establishment of PCSOs of £4.7m;
- The Force's and the Authority's financial management processes remain fundamentally sound
- The Force has made significant progress in meeting the savings challenge of the CSR without there being an adverse effect on performance.
- The challenges over the period covered by the MTF5 will get more severe but members should take considerable assurance from the savings made to date and the business processes that have generated these.
- The key decision for Members in the 14 February Police Authority meeting will be whether to accept the offer of a one off grant from Government to freeze the precept for 2012/13 or to levy a precept increase of up to 4%. The difference to the Authority's financial health and the Chief Constable's ability to maintain front line services within the period of the current CSR between the best and worst case scenarios within the Police Authority's discretion are very significant..

## **RECOMMENDATIONS**

58. It is recommended that:-

56.1 Members scrutinise the DRAFT MTFS and consider the options discussed within the report and suggest any alternative options regarding the level of Council Tax Increases in 2012/13 and later years that they would wish to see exemplified as part of making any recommendations to the Police Authority at its budget setting meeting on 14 February 2012 and

56.2 Members note that the DRAFT will be amended to take account of adjustments arising from any revisions to the outturn projections for 2011/12 and for information on Regional costs and savings that will be considered by JPAC on 2 February 2012.

**TIM S. HOLLIS**

Chief Constable

**JOHN BATES**

Deputy Chief Executive and  
Treasurer

Background Papers:-Medium Term Financial Strategy – 2012/13 – 2016/17 and supporting files



**HUMBERSIDE**  
POLICE AUTHORITY

**DRAFT**  
**MEDIUM TERM**  
**FINANCIAL STRATEGY**

**2012/13**

**TO**

**2016/17**

DRAFT

# HUMBERSIDE POLICE AUTHORITY

## MEDIUM TERM FINANCIAL STRATEGY 2012/13

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Appendix 1 Medium Term Financial Strategy - Financial Projections

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Appendix 1 B Freeze Council Tax and take grant in 2012/13 with 4% Council Tax increases thereafter

Appendix 1 C Performance Improvement Reserve

## **1. Purpose of the Medium Term Financial Strategy**

- 1.1. This Medium Term Financial Strategy (MTFS) for the Police Authority and the Force sets out comprehensive and detailed plans covering the period 2012/13 to 2016/17. The Strategy has been reviewed and revised to take account of the latest information following the announcement of the Government Grant settlement for 2012/13 which confirmed details of the grants announced in January 2011 and on which the budget for 2011/12 and last year's MTFS were based. Whilst there is certainty around funding levels for the coming financial year there is a great deal of uncertainty about what will happen beyond 2012/13. Government has moved to cap pay increases at 1% for 2012/13 and 2013/14 but has signalled its intent that the benefit will go back to the Treasury. Government has also moved to offer a one off grant, for all local authorities that freeze their Council Tax at 2011/12 levels, equivalent to a 3% increase in tax. In accordance with the provisions relating to local referendums within the Localism Act, the Government have indicated that an increase in Council Tax of more than 4% will be the trigger point. When this is coupled with the Authority having to set a budget in its last year, with abolition on 21 November 2012 and no details at the time the budget is set of the policies and proposals of the incoming Police and Crime Commissioner, there is more uncertainty going forward than many can ever remember. In addition, crucial issues such as the arrangements for implementing the Police Arbitration Tribunal in relation to Part 1 of the Winsor review of Police terms and conditions, whilst published, has yet to be approved and endorsed by the Home Secretary
- 1.2. The assumptions within the MTFS also reflect networking at local, regional and national level undertaken by both the Assistant Chief Officer (Support) and Deputy Chief Executive and Treasurer. For the Business Development Committee it presents two options in relation to potential decisions and offers members the opportunity to discuss these and for other alternatives to be considered before the budget setting meeting on 14 February 2012.
- 1.3. The MTFS will inform resource management within the Force and the Integrated Business Management (IBM) process and takes into account the financial implications of key strategic plans for HR, IT/IS, Estates with the overall intention of supporting delivery of the Policing Plan.
- 1.4. It will provide a basis for developing financial plans with the incoming Police and Crime Commissioner for Humberside (PCC) later in 2012. and could be used in formulating manifestos in the run up to the election on 15 November 2012. To that extent it will form an important part of the outgoing Authority's legacy.
- 1.5. As has been the established practice for the last decade, this MTFS covers a period of 5 years and, when approved, it will be reviewed regularly by the Assistant Chief Officer (Support) and Deputy Chief Executive and Treasurer and quarterly by the Force's extended Chief Officer Group (COG+). It provides information on the medium term economic outlook and members have received regular updates at meetings of the Business Development Committee where consideration of the current MTFS approved in 2011 has been a standing agenda item
- 1.6. The document reflects discussions at member briefings that have taken place during the year, as well as other formal and informal discussions with stakeholders. The review arrangements reflect the dynamic nature of policing and the need for the Force and the Authority to be able to respond in terms of the ability to resource

additional demands upon the service as well as reacting to changes emanating from external factors.

- 1.7. Importantly it incorporates details of the outcomes from the IBM process and the latest information on progress made in delivering savings as part of the CSR 2015 savings plan. The MTFS is a key component in providing the link between operational planning and financial and resource planning. It provides a framework for scrutiny to ensure that plans are robust and that resources are directed toward policy aims and objectives.
- 1.8. The MTFS is a key driver in informing the Force's approach to business change, it provides a basis for considering, quality assuring and prioritising resource allocation as part of the corporate planning process. It seeks to describe the financial direction of the Force and the Authority and attempts to capture known and estimated external funding, financial pressures and development needs as well as seeking to encompass risks with financial consequences over a 5 year period.
- 1.9. It provides options over the medium term for delivering a sustainable revenue budget and capital programme. The capital programme is principally but not exclusively funded through prudential borrowing.
- 1.10. The MTFS sets out how resources can be provided to deliver the Policing Plan which will be the last agreed by the Police Authority. The work to develop the Plan and to identify long term aims and short term prioritised objectives has been specifically aimed at providing a sound framework which the PCC can use to develop his/her Police and Crime Plan.
- 1.11. It also provides a basis for the development of specific proposals with partners and stakeholders and for consultation. As in previous years information from key partners has been considered. Members and officers took this into account when considering the aims and objectives for the Policing Plan at the Strategic Planning Day on 10 January 2012 along with the views of the public obtained from the Authority's extensive consultation and engagement arrangements.
- 1.12. The MTFS remains one of a number of key shared enterprises between the Force and the Authority. Notwithstanding the difficulties in foreseeing the future it is important that the Police Authority continues with the process of setting annual budget decisions in the context of the medium term in order to assess the impact on the Force and to assist in seeking to enhance the ability to deliver the best possible service to local communities.
- 1.13. Humberside Police is well prepared to address the financial challenges ahead. The planned approach to addressing budget shortfalls whilst seeking to minimise the detrimental impact on performance and service delivery of major financial and operational policy changes has proved to be sound and will continue to be so.

## **2. Benefits of the Strategy**

- 2.1 The MTFS assists the Authority and Force in:
  - Responding to the Chief Constable's resource requirements to deliver the aims and objectives set out in the Policing Plan.
  - Providing a basis for aligning financial resources to agreed spending priorities taking account of the risk of threat and harm to the public.

- Seeking continuous improvement in financial planning and the financial management of the Force's and the Authority's financial and other resources.
- Maximising the use of resources available, both internal and external, to be directed towards delivering the Policing Plan over the medium term.
- Ensuring that, the Police Authority responds to the challenge of ensuring that the Chief Constable provides value for money services to local communities.
- Allowing the development of longer term budgets and strategic thinking.
- Reviewing the Authority's policies in relation to its use of reserves to ensure that a balance continues to be struck between the need to deliver performance and to pump prime significant developments whilst making efficiency savings as well as cushioning the impact of budget cuts.
- Identifying financial risks and ensuring that there are sufficient reserves available to deal with unexpected events and emergencies.
- Responding to external pressures, including variations in the level of external funding announced in Government Settlements and Spending Reviews together with the impact of changes to other funding regimes and the pressures on partners.
- Developing a sustainable revenue budget and a capital programme over the medium term.
- Recognising the Police Authority is in the final stages of transition given the its impending abolition following the election of the PCCs in November 2012.
- Informing treasury management decisions and determining prudential indicators.
- Providing information to improve and influence national, regional and local partnership working and to support consultation and joint working with partners.

### **3. Principles of the Strategy**

3.1 The key principles and actions underlying the MTFs 2012/13 to 2016/17 are designed:

- (i) To direct resources using the IBM processes to objectives aimed at achieving the Authority's Policing Plan;
- (ii) To contain overall Force and Authority expenditure within original estimates each year;
- (iii) To set and deliver a balanced budget and maintain the intelligent use of reserves. Within this to maintain a General Reserve at 3% of the net revenue budget;
- (iv) To aim to manage financial risks and seek to meet the financial challenge arising from the reductions in grant support within the period covered by the financial forecasts, whilst maintaining an adequate level of overall reserves and balances;
- (v) To maintain Earmarked Reserves for specific purposes which are consistent with best practice and used in line with the principles set out in the MTFs and to review balances at least annually;
- (vi) To ensure that the Authority responds to the challenge of managing an effective service during what is now an extended period of austerity, specifically that

financial viability is maintained and the service provides the best value for money with the resources available;

- (vii) To provide a basis for setting and monitoring the achievement of efficiency targets;
- (viii) To seek to rationalise the approach to efficiency and value for money, building on the work that has already been undertaken using the CSR 2015 Savings Plan to deliver savings identified utilising the IBM process;
- (ix) To ensure that, in line with best practice there is a culture that places sustainability as a core responsibility and makes efficiency and productivity improvements key factors in the approach to integrated resource management;
- (x) To provide resources to support Regional joint working and to maximise efficiency gains through the implementation of the Regional Efficiency and Productivity Strategy;
- (xi) To recognise the impact of increases in precept levels in areas of low income and low wealth (as measured by property values) on local communities;
- (xii) To consider the Government proposals for compensation to allow for the freezing of the Council Tax in 2012/13 within the context of the medium term financial health of the Force and Police Authority;
- (xiii) To seek to balance the need for increases in precept against the delivery of service priorities and the need for continuing financial health, working within the scope of the best information on the Government's announcements associated with the procedures for holding a referendum on proposals for increases in Council Tax which exceed predetermined limits which replace the capping regime;
- (xiv) To use prudential borrowing and other means of financing to support the capital programme as part of its Treasury Management Strategy;
- (xv) To contribute to reviews of police funding and to support the work of professional associations such as the Association of Police Authorities (APA) and Association of Chief Police Officers (ACPO) and any representative body that may be created to represent PCCs at a national level;
- (xvi) To ensure that the Assistant Chief Officer (Support) and Deputy Chief Executive and Treasurer continue to prepare a rolling programme of 5 year budget forecasts;
- (xvii) To explore opportunities to secure external funding, sponsorship and other income generation to support the objectives set out in the Policing Plan and,
- (xviii) To assess and review the impact of the time expiry, withdrawal of changes to the funding from external sources as well as the impact of wider public sector funding cuts on the resources available for policing and crime and community safety.

#### **4. Reviewing the Strategy**

4.1 The development of the MTFs for 2012/13 to 2016/17 has involved consideration of the following issues:

- The financial environment in which the Force and Authority operates;
- The current financial position;
- Future budget pressures which the Force and Authority are likely to face over the period of the Strategy;
- The Shadow Strategic Policing Requirement;
- Collaboration to address gaps in the provision for Protective Services and other regional initiatives;
- Collaboration as a means of achieving budget savings;
- Partnership activity as a means of maintaining capacity and capability;
- The Capital Programme including the Estates Strategy following the development of custody facilities and D Divisional Headquarters at Clough Road in Hull;
- Treasury Management policies and strategy together with Prudential Indicators;
- The policy on the retention and use of Reserves;
- The Police Funding Formula, the Local Government Resource Review, Support for localising Council Tax Benefit and other Government initiatives on projections of levels of General Grant and reductions in the number of specific grants;
- The introduction of a one-off grant to support a further freeze in the level of Council Tax in 2012/13;
- The acceptance of the specific grant to allow authorities to freeze the Council Tax in 2011/12 which is due to end in 2014/15;
- The introduction of referendums on the level of future precepts as a result of the Localism Act;
- Local partnerships initiatives such as the piloting of Community Budgets;
- The ever increasing emphasis on efficiency, productivity and value for money in policing;
- The requirement for the Police Authority to manage through the period of transition to its abolition with the introduction of a PCC for Humberside in November 2012, together with the requirement for this Authority to agree the budget for 2012/13, to set the precept and to approve its final Policing Plan; and

- Proposals for changes to officers and staff terms and conditions and to public sector pensions (Winsor/Hutton).

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## 5. Financial Environment

- 5.1 The outlook for the global economy remains clouded with uncertainty with the UK economy struggling to generate sustained recovery that offers solid optimism for the outlook for 2012, or possibly even into 2013. Consumer and business confidence levels are low and with little to boost sentiment, it is not easy to see potential for a significant increase in the growth rate in the short term.
- 5.2 At the centre of much of the uncertainty is the ongoing Eurozone sovereign debt crisis which has intensified, rather than dissipated throughout 2011. The main problem has been Greece, where, even with an Eurozone/International Monetary Fund/European Central Bank bailout package and the imposition of austerity measures aimed at deficit reduction, the lack of progress and the ongoing deficiency in addressing the underlying lack of competitiveness of the Greek economy, has seen an escalation of their problems. These look certain to result in a default of some kind but it currently remains unresolved if this will be either “orderly” or “disorderly”. Most commentators currently view that it is now inevitable that Greece will have to exit the Eurozone in 2012.
- 5.3 There is also growing concern about the situation in Italy and the risk that contagion has not been contained. Italy is the third biggest debtor country in the world but its prospects are limited given the poor rate of economic growth over the last decade and likely difficulties in implementing the required level of fundamental reforms in the economy. The Eurozone now has a well established track record of always doing too little too late to deal with this crisis; this augurs poorly for future prospects, especially given the rising level of electoral opposition in northern EU countries to bailing out profligate southern countries.
- 5.4 The US economy has provided some encouragement with positive news around the start of 2012 but any improvement in the weak rate of growth is likely to only generate slow progress in reducing the high level of unemployment which is acting as such a dampener on the economy. With Presidential elections due in November 2012, the current administration has been hamstrung by political gridlock with the two houses split between the main parties. In quarter 3 the Federal Reserve started “Operation Twist” in an effort to re-ignite the rate of growth in the economy. However, high levels of consumer indebtedness, a moribund housing market together with stubbornly high unemployment, will continue to weigh heavily on consumer confidence and so on the ability to generate a healthy and consistent rate of economic growth.
- 5.5 Hopes for broad based recovery have, therefore, focussed on the emerging markets but these areas have been struggling with inflationary pressures in their previously fast growth economies. China, though, has maintained its growth pattern, despite a major thrust to tighten monetary policy during 2011 to cool inflationary pressures which are now subsiding. However, some forward looking indicators are causing concern that there may not be a soft landing ahead, which would then be a further dampener on world economic growth.
- 5.6 On the UK front, the Government’s austerity measures, aimed at getting the public sector deficit into order over the next four years, have yet to fully impact on the economy. However, coming at a time when economic growth has been weak and concerns at the risk of a technical recession (two quarters of negative growth) in

2012, it looks likely that the private sector will not make up for the negative impact of these austerity measures given the lack of an export led recovery due to the downturn in our major trading partner – the EU. The housing market, a gauge of consumer confidence, remains weak and the outlook is for house prices to be little changed for a prolonged period.

- 5.7 Gross Domestic Product (GDP) growth has, basically, flat-lined since the election of 2010 and, worryingly, the economic forecasts for 2012 and beyond have been revised lower on a near quarterly basis. With concerns of a potential return to recession, the Bank of England embarked on a second round of Quantitative Easing to stimulate economic activity. It appears very likely that there will be another expansion of quantitative easing in quarter 1 2012 in order to stimulate economic growth.
- 5.8 With the impact of the Government's austerity strategy resulting in steadily increasing unemployment during 2011, there are limited prospects for any improvement in 2012 given the prospects for weak growth.
- 5.9 For the last two years, the Monetary Policy Committee's contention has been that high inflation was the outcome of temporary external factors and other one offs (e.g. changes in VAT); that view remains in place with Consumer Price Inflation (CPI) starting quarter 1 of 2012 at 4.8%, having peaked at 5.2% in September 2011. They remain of the view that the rate will fall back to, or below, the 2% target level within the two year horizon.
- 5.10 The ratings agencies have recently reaffirmed the UK's AAA sovereign rating and have expressed satisfaction with Government policy for deficit reduction. They have, though, warned that this could be reviewed if the policy were to change, or was seen to be failing to achieve its desired outcome. This credit position has ensured that the UK government is able to fund itself at historically low levels and, with the safe haven status from Eurozone debt also drawing in external investment, the pressure on rates has been down, and looks set to remain so for some time.
- 5.11 The view of the Authority's treasury management advisers, Sector, is that economic forecasting remains troublesome with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains weak and whilst there is still a broad range of views as to potential performance, they have all been downgraded throughout 2011.
- 5.12 Key areas of uncertainty include:
- a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
  - the impact of the Eurozone crisis on financial markets and the banking sector;
  - the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
  - the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that increasingly seem likely to be undershot;

- a continuation of high levels of inflation ;
- the economic performance of the UK's trading partners, in particular the EU and US, with some analysts suggesting that recession could return to both;
- stimulus packages failing to stimulate growth;
- elections due in the US, Germany and France in 2012 or 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.
- The overall balance of risks remains weighted to the downside. Lack of economic growth, both domestically and overseas, will impact on confidence putting upward pressure on unemployment. It will also further knock levels of demand which will bring the threat of recession back into focus.
- Sector believe that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.
- Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before mid-2013 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

## **6. The Current Financial Position**

- 6.1 The pre-emptive action to modernise systems and processes, to set in motion plans for savings and to build up and preserve the level of reserves and balances in anticipation of impending reductions in grant funding is now proving its worth. The Authority remains in a position where it has options and can look to meet the financial challenges ahead in a managed way.
- 6.2 Savings targets have been delivered and are anticipated to exceed the level set for 2011/12 and there has been no call on the flexible facility to use up to £6m in reserves to support the Revenue Budget agreed last March.
- 6.3 IBM has instilled a process to manage budget cuts and the change in culture where managers now look to be more nimble and the practice of working within existing resources to address demands for service has become embedded.
- 6.4 The MTFS contains the most up to date and detailed estimates of the realistic costs and savings information on the CSR 2015 Savings Plan, considered by the CSR Implementation Board and Integrated Reconciliation stage of the IBM Process.
- 6.5 The latest projections incorporate an assessment of the period 8 budget monitoring report for 2011/12 and the likely level of requests for carry forward of planned under spends in line with the Authority's Governance Rules to establish the level of reserves set out in the PIR at Appendix 1C. The budget report to the 14 February police Authority meeting will include the results for period 9 of the current financial year.**

- 6.6 A budget realignment exercise is being carried out to assess areas of repeated under spending in 2011/12 and to review where this replicates what has happened in previous years to identify opportunities to take permanent savings and to rebase the approved budgets, as well as identifying one-off savings in the current financial year which will result in increased levels of balances. The exercise is inevitably complicated by the fact that in response to the challenges of the CSR significant structural and resourcing change are being made which clearly affect the use and performance of the budget.
- 6.7 The information on the predicted outturn will be considered in detail at the Resources Committee on 7 February 2012 which will be based on period 9 information and will therefore be available before final decisions on the budget will be made.

## **7. Medium Term Budget Pressures**

- 7.1 In the past the MTFs has recognised that it would be inevitable that there will be requests for new growth and whilst the IBM process has led to only limited requests for additional funding coming forward a Business Development Fund provision has been maintained in the financial projections within this report. As part of the research underpinning the production of this MTFs it has been found that a number of public sector bodies that have been independently accredited as being well managed financially have made similar modest medium term provision for financing change and development
- 7.2 In addition to this modest level of growth, the options set out in this document continue to provide for amounts approved in previous years included within approved business cases.
- 7.3 Provision is included for pay awards at the level proposed by Government with adjustments being made for potential reductions in Government Departmental spending levels in the years ahead.
- 7.4 Budget provision has been made for known price increases but there is no general contingency for inflation.
- 7.5 The projections include provision for both the capital financing and revenue consequences of capital spending.
- 7.6 In terms of cost pressures, no specific additional provision has been made at this stage for any additional spending arising from policing the Olympics in terms of the torch carrying and mutual aid.

### **Protective Services/Regional Working**

- 7.7 At this stage, costs and savings arising from the Force and the Authority's involvement in Regional working across the Yorkshire and the Humber Region, and collaborations with South Yorkshire Police on Human Resources and Information Technology/Information Systems are still in the process of being agreed. This will cover both operational policing activities and the agreed programme of back office efficiency measures being undertaken.
- 7.8 Details will be provided to the Joint Police Authorities' Committee, JPAC, at its meeting on 2 February 2012 after which agreed adjustments will be made to the budgets and medium term financial strategies of each of the four authorities involved in advance of budget setting later in the month.

## **Neighbourhood Policing**

- 7.9 The funding settlements for 2011/12 and 2012/13 confirmed that the Neighbourhood Policing Fund (NPF) would continue at £4.8m in 2011/12, the same as in 2010/11, and at £4.7m for 2012/13. From 2013/14 NPF will be aggregated into the main Police Grant. The level of funding currently being received is based on this Authority decision to take its share of the Government's initial national target of 24,000 PCSOs. Having committed to taking its share of this number (over 300) the national target was reduced to 16,000 with a corresponding reduction in grant. The amount of £4.7m therefore relates to two thirds of the Authority's PCSOs with the balance being funded from mainstream resources other than for a small local town council initiative.
- 7.10 PCSOs continue to be well received by our local communities and partners and have made a significant contribution to improvements in Neighbourhood Policing.
- 7.11 The Authority has maintained the number of PCSO posts at the establishment originally agreed.
- 7.12 In light of the lengthening of the period of austerity beyond the life of this Parliament, there are serious concerns that the changes to local government funding, the potential changes to the funding formula and damping arrangements could put this funding in jeopardy post 2012/13. Authorities are lobbying to seek to ensure that the distribution of this important and substantial funding stream remains transparent.

## **CSR 2015 Savings Plan**

- 7.13 The implementation of the CSR 2015 Savings Plan had been overseen by a Force Board on which the Police Authority has been represented at both officer and member level.

## **Integrated Business Management (IBM)**

- 7.14 The Force has continued to use the IBM process as the means to make decisions on how best to achieve business change. The process identifies significant matters that will affect the force in the 4 to 48 month timescale. It forecasts the likely demand on the force and, where appropriate, redistributes resources to re-shape the organisation to meet those demands. To ensure a holistic approach IBM was extended in 2011 to underpin the delivery of the CSR 2015 savings plan.

## **Budget Management/Monitoring**

- 7.15 Budget monitoring has continued to be improved with the centralisation of pay budgets mid-2011. It has been accredited by the Audit Commission as being of a high standard. The cumulative information held within the Force has been invaluable in informing the 4-weekly Review and Revise process of commentaries and financial projections from budget holders. This intelligence has provided a basis for the Budget Realignment exercise.
- 7.16 Budget monitoring information has been considered at each meeting of the Resources Committee and is made available to Members through the secure area of the Police Authority website.

- 7.17 Work has continued to support Divisions and Branches and resource issues have featured in the DCC's Performance Conferences.
- 7.18 In addition to the in-year budget monitoring, the Business Development Committee has received updated information on progress in achieving MTFS savings targets via the CSR 2015 Savings Plan and the staffing implications of those decisions. The latest forecasts of under spending against approved budgets in 2011/12 have led to monies being returned to reserves and emerging in-year budget pressures to be addressed.
- 7.19 This enables the Authority to continue to 'buy time' in the face of the tremendous uncertainty surrounding future financial projections.
- 7.20 The level of under spend in 2011/12 has been swelled by the over-achievement of in year CSR2015 spending targets and as a result of decisions made by the Police Authority in respect of Special Priory Payments.
- 7.21 As well as identifying savings, the budget monitoring process identified two significant spending pressures that have now been incorporated in to the MTFS. Monitoring uncovered the fact that changes in staffing arrangements resulting from the implementation of cuts and a freeze on recruitment had affected the Police Pay Holding Account, a mechanism to recharge officer costs at a standard rate. The led to an under recovery on the account having to be addressed and estimates for future years having to be addressed. It was also identified that and the level of savings assumed for vacancy management i.e. assumptions about savings arising from the delay in filling vacant posts, could no longer be met, requiring a further adjustment to the MTFS.

## 8. Capital and Prudential Borrowing

### Impact of Capital Programme

- 8.1 The following table outlines the estimated costs of the current programme over the next five financial years.

<b>Capital Scheme</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Estate Strategy	15,995	3,637	6,165	3,955	552
IT Equipment	3,462	3,452	2,362	2,442	4,950
Vehicle and equipment	540	784	930	870	870
<b>TOTAL</b>	<b>19,997</b>	<b>7,873</b>	<b>9,457</b>	<b>7,267</b>	<b>6,372</b>

- 8.2 The capital programme will continue to be important in assisting in the delivery of front line policing services. The Estate Strategy has been refreshed. The scheme for new custody facilities and D Division Headquarters at Clough Road has progressed at a significant pace with handover of the shell expected in the Autumn and completion on schedule for Spring 2013. This is in line with the programme envisaged when the contract was let last March.
- 8.3 The Estates Board has received regular updates on the progress of property-related Capital Schemes. In addition, the Clough Road Scheme has been overseen by a Sub-Board and a Working Group with Police Authority involvement in both. Consultants, Jacobs have continued to provide professional support in connection

with the Clough Road Scheme throughout the process. The Lead Member for Estates has also received regular briefings on these issues.

- 8.4 The Authority's main source of funding for capital will be prudential borrowing. Capital grant and available capital receipts from the disposals of surplus properties will also be used to finance expenditure.
- 8.5 It should be noted that the level of Capital Grant for 2012/13 has been reduced as part of the rationalisation of Air Support with the creation of the National Police Air Service (NPAS) scheduled to go live from 1 April 2012.
- 8.6 The Force and the Authority will continue to examine the possibility of leasing of equipment, vehicles and IT and to compare this with prudential borrowing to identify the cheapest option for funding the capital programme.

#### **Impact of Prudential Borrowing on the Budget Position**

- 8.7 As well as the use of capital receipts, capital grants and other resources which could be available, the Authority will as indicated above utilise prudential borrowing as the principal means of funding capital programme proposals.
- 8.8 Taking account of anticipated slippage to be carried forward from 2011/12, the estimated capital budget requirement for 2012/13 is shown at £19.997m.
- 8.9 The assumptions in relation to capital funding from Government in the form of capital grant reflect the announcements at the time of the Settlement and the 'top-slicing' to fund NPAS.
- 8.10 As outlined in the Treasury Management Mid-Term Review Report, the Authority has borrowed £10m from the Public Works Loans Board (PWLB) to finance capital expenditure. However, day to day cash balances have continued to be used as a cost-effective way to finance capital spending in the short term. As previously explained, the Authority retains the capacity to borrow to fund its capital expenditure as and when necessary to replace the cash that has been temporarily used to fund capital spend in this way. It still has substantial cash balances that are invested in the money markets. Members have access to information on a monthly basis on treasury management activity and have been briefed by external advisers, Sector.
- 8.11 Cash flow forecasting at a detailed level has continued. The MTFS information is supported by high-level projections of the Authority's cash flows. Assumptions of interest payable and interest receivable included within the MTFS are based on these cash flow forecasts. Detailed cash flow information is essential as the basis for determining when the Authority will have to borrow.
- 8.12 Members will be aware that the Authority is required to agree its Treasury Management Strategy, Policy and Prudential Indicators for 2012/13 prior to the start of the financial year. These matters will be subject to a separate report which will be submitted to the full Police Authority for approval in March. The reports will outline the borrowing and lending strategy for the year. Borrowing activity in 2011/12 has been strictly in accordance with the strategy for borrowing agreed last March utilising PWLB loans with maturities of up to 10 years.

## 9. Reserves, Provisions and Contingency Fund

### Reserves Policy

- 9.1 Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. In establishing reserves, the Authority must also comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).
- 9.2 The Force and Authority review the reserves policy and the holding of contingencies as part of the budget process on an annual basis. This reflects in medium term financial plans and forms part of the annual budget setting process. It is important that the use and retention of the Police Authority's reserves is visible and that consideration of their use is placed at the forefront of the decision making process. Revenue reserves are balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be used once, and should not be part of the base budget.
- 9.3 The Authority's balance sheet reserves are held for three main purposes:
- a) A contingency to cushion the impact of unexpected events or emergencies for example, a change in protection arrangements in the police funding formula.
  - b) A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
  - c) A means of building up funds to meet known or predicted liabilities or to smooth expenditure requirements – known as earmarked reserves (the Risk Management Reserve is a good example).
- 9.4 Some years ago the Police Authority simplified its approach to holding reserves for the benefit of all stakeholders. The General Reserve and Performance Improvement Reserve (PIR) can now meet the purposes under a) and b) above, although the main aim of the PIR is to pump prime spend to save initiatives.
- 9.5 The Partnership Reserve originally stood at £1m. The balance has reduced to £295K following allocations approved in previous years. The Reserve was originally created in response to the potential for loss of funding for police service as a result of changes to local grant regimes. However this could be used in future as a means through which to secure partnerships projects acknowledged to make a significant contribution to the Police authority's objectives against a background where all partner organisations are being challenged by the CSR.
- 9.6 In the last two years no additional contributions have been made to this Reserve but it was agreed that the balance should be retained and available. However, in view of the discussions regarding the importance of seeking to increase capacity through partnership and collaboration members may wish to transfer funds from the Performance Improvement Reserve to top up the Partnership Reserve to its original level and to re-designate it to enable the Authority, and potentially the incoming PCC, to have resources available to be more proactive in the partnership arena particularly in relation to crime reduction.

9.7 The PCC will be able to awards grants, have responsibilities for supporting victims of and receive a range of grants that currently go to LSPs and other agencies at the moment.

9.8 Clearly, access to this funding will have to be tightly controlled and strict criteria for awards will need to be developed. As this is a reserve, then any criteria must recognise that funding should not commit the Authority or the PCC to any long term support. Nor should it be a simple substitute for existing funding that is being withdrawn as a result of budget cuts elsewhere. However, it is considered that funding of this nature could be a powerful driver to encourage partnership working aimed at supporting delivery of the Authority's Policing Plan and sustaining infrastructure that has been and will continue to support the progress that has been made in reducing crime. It could be particularly important in allowing new and innovative initiatives to be progressed and evaluated.

9.9 The Risk Management Reserve (RMR) is retained for specified issues.

9.10 There is no statutory guidance on the right level of reserves. Guidance from the Chartered Institute of Public Finance and Accountancy confirms that authorities, on the advice of their Treasurers, should make their own judgements on such matters, taking into account relevant local circumstances and an assessment of risk. Initial guidance in respect of the Comprehensive Performance Assessment for local authorities which ceased several years ago suggested a figure of 5% of net revenue budget was appropriate to achieve an excellent score. This was subsequently removed and Police Authorities are generally now working on figures between 2% and 5%. Networking around the Police Service has showed that a General Reserve equivalent to 3% of its net revenue budget is widely regarded as appropriate. In particular this takes into account the fact that when the Home Office provides support for major incidents, Forces are routinely expected to be able to meet up to 1% of the net Revenue Budget from their own resources.

9.11 The Authority's policy on reserves as reflected in the MTFS principles is as follows:

- To hold a General Reserve of a minimum of 3% of the net revenue budget in any financial year to cover any major unforeseen expenditure.
- To maintain earmarked reserves for specific purposes which are consistent with best practice to review the level of reserves at least annually

9.12 The Authority must retain adequate reserves so that unexpected demand-led pressures on its budgets and known areas where financial implications are uncertain, such as is currently the case with major incidents, regional collaborative working and more widely in respect of risks associated with assumptions of external support and income from Council tax increases, can be met without adverse impact on the achievement of the key aims and objectives set out in the Policing Plan.

9.13 The policy for reserves and balances should be based on a thorough understanding of its needs and risks. Part of this process is to give clearer explanation of the existing and proposed use of reserves and this is addressed in the paragraphs below.

**9.14 A key objective of successive years' MTFS has been to seek to ensure that over the medium term the Authority's base level of spending is capable of being contained within the likely level of available resources in terms of grant funding**

**and reasonable assumptions of income from Council Tax without relying on reserves.**

9.15 As a result of the actions taken in previous years the Authority has a level of reserves that can cushion against the severity of the front loaded cuts in Government grants that have been announced.

**Provisions**

9.16 A provision is an amount set aside from revenue funds to provide for a liability which is likely to be incurred but the exact amount and date on which it will arise is uncertain. The Authority retains a number of provisions as detailed below.

**Compensatory Grant Provision**

9.17 This provision is maintained to allow the Force and Authority to meet obligations under Police Regulations to reimburse income tax paid on rent allowances by that minority of officers still in receipt of this. The provision is reviewed annually in April each year after payments in arrears have been made.

**Contingency Funds**

9.18 The Authority also retains a number of contingency items described below.

9.19 Pay budgets are cash limited and the Contingency Fund is maintained to meet the annual pay and price inflationary costs incurred by the Force. Each year, as part of the Annual Accounts closedown procedure, the Contingency Fund is cleared to zero with any surplus funding now being transferred to the Performance Improvement Reserve. The Chief Constable also has access to one contingency sum within the base budget in the form of his Performance Fund.

**Budgeted reserves Position for 2011/12 and future years**

9.20 The reserves held are as follows:-

<b>Reserve</b>	<b>Balance at 1 April 2011 £'000</b>
Performance Improvement Reserve	26,303
General Reserve	5,429
Risk Management Reserve	1,800
Partnership Reserve	335
<b>TOTAL (£'000s)</b>	<b>33,867</b>

9.21 The table below shows the anticipated level of the PIR, after taking account of usage previously approved, on the assumption that the CSR 2015 Savings Plan will generate the necessary savings to balance the budget over the medium term.

<b>PERFORMANCE IMPROVEMENT RESERVE</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Balance Carried Forward	21,996	21,971	21,880	21,944	22,091

9.22 From the above it can be seen that on the basis of the above assumption, the balance will fall to £22.091m by 2016/17. Whilst this is substantial, given the level of uncertainty and risk in relation to future funding settlements, particularly in relation to the NPF which is particularly significant for this Authority, coupled with substantial risks associated with achieving the savings within the CSR2015 Savings Plan there is a need for a sizeable cushion. The level of reserves available will also form an important part of the legacy to be passed on to the PCC for Humberside.

9.23 If savings targets are not achieved then reserves will be needed to cover any shortfall. This principle was agreed when approval was given to a flexible facility to use up to £6m in reserves in this way. To date there has been no call on this facility.

9.24 The Home Office are emphasising the need for strong partnership working, including with criminal justice, community safety and health partners to ensure the best outcomes for communities in terms of reducing crime and improving community safety. Members may therefore wish to consider reviewing the level of the Partnership Reserve to support enhanced partnership working.

9.25 The General Reserve will be maintained at 3% of the Net Revenue Budget. The level of reserves will continue to be reviewed as the year progresses.

## **10. Funding**

10.1 The Provisional Grant Settlement is a consultation document. Consultation ends on 16 January 2012 but based on previous years there are likely to be few changes for the details announced in December with final. The amounts of grant are expected to be confirmed by Parliament at the beginning of February.

10.2 The amounts estimated for the purposes of the draft MTFS reflect the Provisional Settlement for 2012/13 and the indicative information provided last year on Police Grant for 2013/14 and 2014/15 adjusted to take account of monies being returned to Government as a result of the cap on pay increases of 1%.

10.3 If the Authority decides to freeze the Council Tax in 2012/13, then the Government has indicated that a one-off grant of £1.448m will be payable in the year which equates to an increase of 3%.

## **11. Indicative Budget Forecasts 2011/12 to 2015/16**

11.1 The presentations to members in recent weeks have concentrated on two alternative scenarios. These are exemplified within the draft MTFS. The first option shows the impact of a 4% increase in Council Tax in 2012/13, rejecting the grant, and 4% increases in future years. The second option assumes that Council Tax is frozen, taking the compensatory grant, with 4% increases from 2013/14 onwards.

11.2 It is of course open to members to propose other alternatives and officers have developed a template for any combination of assumptions to be modelled.

## **12. Funding Gap and Financial Strategy**

12.1 Budget forecasts based on the above assumptions are set out in Appendix 1A which shows forecasts of spending and income based upon a 4% increase in Council Tax

in 2012/13 and later years with the rejection of the one-off grant offer to freeze Council Tax at the level for 2011/12.

12.2 This identifies the gap between spending and income from grants and Council Tax as follows after taking account of CSR2015 savings already identified as follows:-

4% Council Tax increase in 2012/13 and in future years					
	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000
Savings target	(9,241)	(2,108)	(3,305)	(874)	
Estimated Savings from CSR 2015 Plan	6,956	3,809	4,080	1,104	
Regional/Collaborative Savings					
<b>(Balance)/Surplus</b>	<b>(2,285)</b>	<b>1,701</b>	<b>775</b>	<b>230</b>	<b>631</b>

12.3 An alternative scenario is detailed at Appendix 1B based on freezing the Council Tax in 2012/13 and taking advantage of the one-off Government Grant

Council Tax freeze in 2012/13, taking the grant with 4% increases in future years					
	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000
Savings target	(9720)	3,639	(3,392)	(966)	
Estimated Savings from CSR 2015 Plan	6,956	3,809	4,080	1,104	
Regional/Collaborative Savings					
<b>(Balance)/Surplus</b>	<b>(2,764)</b>	<b>170</b>	<b>688</b>	<b>138</b>	<b>536</b>

12.4 Clearly any lower assumptions of Council tax increases in future years would give rise to an even greater tariff in respect of the level of extra savings that need to be generated to sustain the viability of the budget over the medium term.

12.5 The gap can only be closed by examining the following:-

- Additional savings and efficiencies
- Precept increases
- Reassessment of priorities
- Further use of reserves
- External funding / increases in income
- Refinancing/re-phasing of the Capital Programme.

#### **Savings and Efficiencies**

12.6 The Police Authority has consistently set challenging efficiency targets and has monitored activity to ensure that these are delivered.

- 12.7 Whilst savings targets have been achieved to date, it is increasingly difficult to generate further savings as illustrated by the shortfall in the CSR2015 Savings Plan when set against the medium term savings targets set last year.

### **Council Tax /Precept**

- 12.8 The Police Authority agreed to freeze the Council tax in 2011/12 and took advantage of the compensatory grant equivalent to a 2.5% increase which is payable for 4 years. However there is still no guarantee that this will be paid beyond 2014/15. All authorities took advantage of this grant last year.
- 12.9 For 2012/13, the Government announced a further initiative to encourage authorities to freeze again. This initiative involves a compensatory payment once again but on this occasion, the grant is a one-off and is only payable next year.
- 12.10 As indicated last year, the payment of a grant means that the benefit of building increases into the underlying tax base is lost. The 2011/12 initiative recognised this to some extent but this is not the case for 2012/13 with only a single payment equivalent to a 3% increase in Council Tax being payable.
- 12.11 Members are very familiar with the arrangements in previous years where the Government has moved to “cap” increases in Council tax that were regarded as “excessive”. From 2012/13, in accordance with the provisions of the Localism Act 2011, Ministers have to prescribe the level of increase which they will regard as excessive and which will trigger a referendum. Whilst details of how any referendum would be conducted, it is anticipated that the costs of the referendum and any re-billing would fall on the Police Authority.
- 12.12 For 2012/13 the level of increase that would require a referendum for a police authority would be an increase in Council tax in excess of 4%. This is higher than the level for other classes of authority. The implications of a 4% increase for Council Taxpayers is as follows:

BAND	Annual Increase £	Weekly Increase p
A	4.43	9
B	5.17	10
C	5.91	11
D	6.65	13
E	8.13	16
F	9.61	18
G	11.18	21
H	13.30	26

### **Use of Reserves**

- 12.13 The Reserves Strategy continues to be the subject of review as part of the revision of the MTFs and the budget setting process. The basic principle remains i.e. that using reserves to support permanent spending within the base budget is not sustainable in

the medium to long term and therefore that reliance on the use of reserves to support the base level of spending should be reduced.

12.14 The principle of the PIR supporting “spend to save” initiatives and to underpin and support performance during the period of implementation of the CSR 2015 Savings Plan has also been established. This has been particularly important given the Plan involves significant staffing changes which take time to implement and carry with them substantial additional one-off costs.

12.15 The Partnership Reserve is discussed above and it is suggested that consideration should be given to transferring funds from the PIR to top this up to £1m once again. Use of the Reserve will need to be the subject of strict criteria. Members may also wish to re-designate the reserve to place greater emphasis on a proactive approach towards crime reduction and community safety.

12.16 It is recommended that the other reserve, the Risk management Reserve is retained at its current level and that the balance should be kept under review as the year progresses.

### Reassessment of Priorities

12.17 At the Strategic Planning Workshop on 10 January 2012, Members determined draft proposals for the aims and objectives for 2012-16. Details are set out below:-

<p><b>Aim: By 2016 Humberside is a safer place in which to live, work, visit due to reductions in overall crime and anti-social behaviour.</b></p>	<p><b>Aim: By 2016 the public, including victims of crime, will experience improved levels of trust, confidence and satisfaction in Humberside Police and that policing is responsive to local needs.</b></p>
<ul style="list-style-type: none"> <li>• Reduce violence with injury, including domestic violence</li> <li>• Prevent re-offending</li> <li>• Address, with partners, alcohol related crime / harms</li> <li>• Tackle protective services in accordance with the Strategic Policing Requirement</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance dialogue and engagement with local communities</li> <li>• Improve contact management and provide a timely and effective response to calls for service</li> <li>• Improve visibility, availability and accessibility of officers/staff</li> <li>• Solve crime and community problems</li> </ul>
<p><b>Aim: By 2016 Humberside Police will be known for offering quality and value for money in all core services through priority led resource allocation that balances risk and sustainable financial viability.</b></p>	<p><b>By 2016 Humberside Police will be recognised as a modern and flexible service committed to developing staff to realise their full potential and where staff are well led and managed.</b></p>

<ul style="list-style-type: none"> <li>• Maximise efficiencies (procurement, streamlined systems and processes)</li> <li>• Optimise the level of public facing staff (including utilisation of the extended policing family)</li> <li>• Increase capacity through partnerships and collaboration</li> <li>• Improve the utilisation of technology</li> </ul>	<ul style="list-style-type: none"> <li>• Empower staff and encourage greater use of professional discretion</li> <li>• Develop workforce planning to manage service demand</li> <li>• Align Learning and Development with operational aims and objectives</li> <li>• Develop leadership and management capability</li> </ul>
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12.18 The Force is now developing its Corporate Plan 2012-16, which will incorporate the aims and objectives when they have been approved.

### **External Funding**

12.19 In previous years the Authority and Force have generally been successful in securing external funding and outcomes required by the funding agencies. Specific and general funding will continue to be sought in line with the principles set out in this strategy. However, it is clear that with the whole of the public sector continuing to face severe cuts and the general economic downturn it will inevitably be more difficult to obtain additional external funding. As public sector cuts take effect it is also likely that demands on the service will increase. Close partnership working will be essential in seeking solutions.

12.20 The Authority has good relationships with the Local Strategic Partnerships (LSPs) and Community Safety Partnerships (CSPs) and is therefore in a good position to address this wider agenda. Financial monitoring of partnership funding together with the identification and mitigation of associated financial risk will continue.

12.21 The Police Authority will continue to seek to maximise the benefits of Regional Improvement and Efficiency Partnership funding.

### **Income Generation**

12.22 The Force will continue to maximise opportunities to generate extra income and will implement the recommendations from a recent review of income generation activities. Nevertheless, as accepted at the Strategic Planning day, without the income that can be realised from policing football matches with a Premier League team, the opportunities for additional income generation are limited.

## **13. Risk Assessment**

13.1 The MTFs contains the most up to date information at the time of drafting but the Force and Authority financial position is dynamic. Significant work has continued with colleagues within the Region and the MTFs will be updated to incorporate the latest

information on costs and savings associated with collaboration when these have been considered by JPAC on 2 February 2012. It remains to be seen if all Authorities will include financial information relating to regional working in their MTFS. However Humberside officers have remained in the vanguard of securing quality assured information from the region and that included in this MTFS has undergone a significant due diligence process.

- 13.2 The Authority faces a number of significant financial uncertainties however it remains in a relatively strong position to respond to the challenges ahead.

### **General Balances**

- 13.2 There is a risk that the General Reserve is not sufficient. This is mitigated by:

- The policy governing the level of General Reserve held by the Authority is to maintain this at 3% of net revenue spending. As previously stated, if it is considered prudent to reduce the level of General Reserve below this level then this will be considered as the year progresses but at the present time this seems unlikely.
- The Force and the Police Authority have once again continued to strengthen financial controls to ensure that revenue outturn remains within approved budgets. The challenge remains to ensure that the maximum amount of financial resources is made available to drive operational and business performance.

### **Pay Increases**

- 13.3 Current assumptions reflect the two year pay freeze and the recently announced cap of 1% on increases in the next two years. External funding has been adjusted to reflect the announcement that the benefits of the cap will go to the Treasury.
- 13.4 Whilst the outcome of the Police Arbitration Tribunal in relation to the Winsor review of police pay and conditions has been published, the Home secretary has yet to endorse any changes and the timing of her decision is still not clear at this time.

### **Price Increases**

- 13.5 At this stage no provision has been made for non pay inflation other than for known increases in costs already identified. This is mitigated by:
- the non pay elements of the MTFS having been reviewed and increased in previous years.
  - the revised arrangements for centralising pay budgets coupled with the devolution of controllable budgets acting as an incentive to achieve savings at a local level with planned under spends and any over spends contained within devolved budgets. This promotes proactive local budget management and allows for some flexibility of operation.

### **Capital Financing**

- 13.6 The risk is that capital financing charges will be greater than forecast. This is mitigated by:

- The MTFS provides for the best estimate of the cost of borrowing;
- additional borrowing may be required to be made in 2011/12 and will definitely be needed in 2012/13 and later years and every effort will be made to ensure that borrowing decisions are made at the most advantageous terms through regular monitoring of market rates and advice from the Authority's treasury management consultants and
- although the level of interest is subject to change, currently any change in the variable rate will have minimal effect initially as all of our current debt is at fixed rates. New borrowing is reviewed as part of an increasingly proactive approach to Treasury Management and the possibility of seeking to gain financial advantages through re-financing of existing debt and debt redemption will be considered on an ongoing basis in line with the approved Treasury Management Strategy. These issues will again be the subject of advice from the Authority's external consultants.

### **Financial Planning**

13.7 The risk is that a major liability or commitment is currently known but has not been taken into account in the financial planning of the Force and Authority. This is mitigated by:

- the MTFS including limited contingency for growth identified by the Chief Constable which will be managed in IBM;
- regular liaison by senior officers of the Force and the Authority and the existence of the Chief Officer Group COG Plus, Strategic Development Team together with reporting to the Resources Committee and Business Development Committee help to strengthen and coordinate the financial planning by both the Authority and Chief Constable;
- enhanced arrangements to ensure that Chief Officers, Divisional Commanders and Branch Heads are aware of and are carrying out their duties to discharge their obligations in terms of budget monitoring and control.
- Using the Deputy Chief Constable's Performance Conference to enhance the overall internal control environment;
- Oversight of the implementation of business change and savings from the CSR 2015 Savings Plan by a Project Board including representation from the Police Authority, together with regular Committee reports and
- an officer group comprising of the Chief Executive, the Treasurer and Deputy Chief Executive and Assistant Chief Executive from the Police Authority and the Deputy Chief Constable and Assistant Chief Officer (Support) from the Force, the Joint Corporate Governance Forum, overseeing the production of the annual governance statement and the Corporate Governance Framework.

### **National Funding**

13.8 The MTFS incorporates the information contained within the grant Settlement announcement and information on other Government support. This includes the

damping mechanism on the operation of the funding formulae to ensure that reductions have been limited for all police authorities to 6.7% in 2012/13. There is uncertainty beyond 2012/13 as the Government intend to review the whole spectrum of funding for Local Government later this year. Any proposals to change the formula and the review will be monitored through the ACPO/APA and associated groups such as the Police Authority Treasurers Society (PATS) and the ACPO Business and Finance Group.

- 13.9 The Force will need to continue to consider changes at a national level to charging arrangements for services provided by the NPIA and other policing bodies and proposals in connection with national IT products.
- 13.10 The Authority may also have to consider the financial implications of the cutbacks being made by other public sector partners in response to their funding cuts.
- 13.11 The Authority is developing a detailed Transition Plan in connection with the abolition of the Authority and creation of the Office of Police and Crime Commissioner for Humberside.

### **Capital Programme Implications**

- 13.12 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:
- the Estate Strategy has been refreshed and is based on external professional advice;
  - IS/IT strategies are regularly reviewed centred around developing information systems and data solutions for the Force and work to harmonise long term strategies at a regional level is progressing along with South Yorkshire Police;
  - explicit work on capital funding sources and affordability underpins capital programme planning. Clear decisions are made about the level of prudential borrowing and internal capital resources to be made available in fixing the Reserves Strategy of the Force and Authority;
  - monthly capital monitoring reports are considered by the Force and by the Authority's Resources Committee;
  - the Police Authority is represented on the Force's Estates Programme Board and the Clough Road sub groups;
  - the Prudential Borrowing regime gives added flexibility in terms of financing the capital programme but requires professional judgments to be made on affordability and appropriate control measures as detailed in prudential indicators set annually to be adhered to; and
  - the revenue consequences of the capital programme, including the costs of borrowing, have been included in the MTFS.

### **Risk Management**

- 13.10 There is a danger that all risks have not been identified in the MTFS and that major financial consequences may result. This is mitigated by:
- internal risk management arrangements within the Force and the Authority;
  - comprehensive self and external insurance arrangements in place; and
  - the adequacy of the general balances and the overall reserves policy.

13.12 The consequences of the investments held in the UK subsidiaries of the Heritable and Kaupthing Singer and Friedlander Icelandic banks in the MTFs reflect the latest assessment of recovery and accounting requirements in line with the advice from the LGA and APA. Updates on recovery of monies in respect of these investments have been provided to members on a regular basis in treasury management reports.

13.13 Officers will use local, regional and national working groups to seek to ensure that the potential implications of future levels of funding, interest rates and inflations can be fed into the MTFs as the position becomes clearer.

#### **14. Impact Assessment**

14.1 The IBM process, through which decisions will be taken regarding the scale and timing of savings to be delivered from the CSR 2015 Plan, includes separate impact assessments on demand for and supply of resources. These assessments are then reconciled and recommendations made on the basis of the findings before any management decisions are taken.

#### **15. Conclusions**

15.1 The following conclusions can reasonably be drawn:

- The MTFs remain a key tool for the Force and Authority in planning budgets within a medium term financial context. It is a significant reason why the Force and Authority are in relatively better financial health and Members have more options in budget setting for 2012/13 than their counterparts in a significant number of other police authorities.
- The CSR related challenges on the Force and Authority remain significant and, on the evidence may increase with the extension of the age of austerity by the Chancellor.
- There is a level of uncertainty in the medium term which is unprecedented in recent years. This uncertainty also spans both the mechanisms to determine how the Authority receives funding from Government and the quantum of this funding that may be made available.
- There is particular uncertainty about whether or not the specific Government funding for PCSOs will continue beyond the 2012/13 financial year. This represents a recurrent risk on the current establishment of PCSOs of £4.7m;
- The Force's and the Authority's financial management processes remain fundamentally sound
- The Force has made significant progress in meeting the savings challenge of the CSR without there being an adverse effect on performance.
- The challenges over the period covered by the MTFs will get more severe but members should take considerable assurance from the savings made to date and the business processes that have generated these.
- The key decision for Members in the 14 February Police Authority meeting will be whether to accept the offer of a one off grant form

Government to freeze the precept for 2012/13 or to levy a precept increase of up to 4%. The difference to the Authority's financial health and the Chief Constable's ability to maintain front line services within the period of the current CSR between the best and worst case scenarios within the Police Authority's discretion are very significant..

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**HUMBERSIDE POLICE AUTHORITY**  
**REVENUE BUDGET FORECAST 2012/13 TO 2016/17**

Appendix 1A

		2012/13	2013/14	2014/15	2015/16	2016/17	
<b>BUDGET REQUIREMENT</b>		notes	£k	£k	£k	£k	
Previous Year's Budget Requirement			180,630	172,867	174,210	173,332	175,704
Pay & Prices			557	1,236	1,909	2,414	3,098
Additions			3,079	1,475	803	1,142	1,134
Reductions			(2,158)	740	(285)	(310)	
Regional Savings\Costs							
Target			(9,241)	(2,108)	(3,305)	(874)	
<b>TOTAL BUDGET REQUIREMENT</b>			<b>172,867</b>	<b>174,210</b>	<b>173,332</b>	<b>175,704</b>	<b>179,936</b>

		2012/13	2013/14	2014/15	2015/16	2016/17	
<b>FUNDING POSITION</b>		notes	£k	£k	£k	£k	
Police Revenue Grant			69,459	68,619	65,464	65,877	66,573
Revenue Support Grant			1,014				
NNDR			51,124	52,138	52,138	52,920	53,979
Council Tax Grant			1,199	1,199	1,199		
Council Tax			50,070	52,253	54,530	56,906	59,385
<b>TOTAL PERMANENT FUNDING</b>			<b>172,866</b>	<b>174,209</b>	<b>173,331</b>	<b>175,703</b>	<b>179,937</b>
Other Sources of Original Funding							
Funding From Reserves							
Other Funding							
<b>TOTAL TEMPORARY FUNDING</b>							
<b>TOTAL PROJECTED FUNDING</b>			<b>172,866</b>	<b>174,209</b>	<b>173,331</b>	<b>175,703</b>	<b>179,937</b>

<b>Budget Deficit\Surplus</b>		1	1	1	1	-1
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		2012/13	2013/14	2014/15	2015/16	2016/17
<b>SAVINGS PLAN SUMMARY</b>		notes	£k	£k	£k	£k
CSR Target from MTFs			(9,241)	(2,108)	(3,305)	(874)
Estimated Savings from CSR Plan			6,956	3,809	4,080	1,104
Regional / Collaborative Working Savings						
<b>TOTAL BUDGET REQUIREMENT</b>			<b>(2,285)</b>	<b>1,701</b>	<b>775</b>	<b>230</b>

**Council Tax increased by 4% in 2012/13 and later years**

**HUMBERSIDE POLICE AUTHORITY**  
**REVENUE BUDGET FORECAST 2012/13 TO 2016/17**

		2012/13	2013/14	2014/15	2015/16	2016/17
<b>BUDGET REQUIREMENT</b>		£k	£k	£k	£k	£k
<b>Previous Year's Budget Requirement</b>		180,630	172,388	172,200	171,235	173,515
<b>Pay &amp; Prices</b>						
	Pay & Prices	557	1,236	1,909	2,414	3,098
<b>Additions</b>						
	Additions	3,079	1,475	803	1,142	1,039
<b>Reductions</b>						
	Reductions	(2,158)	740	(285)	(310)	
<b>Regional Savings\Costs</b>						
	Regional Savings\Costs					
<b>Target</b>						
	Target	(9,720)	(3,639)	(3,392)	(966)	
<b>TOTAL BUDGET REQUIREMENT</b>		172,388	172,200	171,235	173,515	177,652

		2012/13	2013/14	2014/15	2015/16	2016/17
<b>FUNDING POSITION</b>		£k	£k	£k	£k	£k
<b>Police Revenue Grant</b>						
	Police Revenue Grant	69,459	68,619	65,464	65,877	66,573
<b>Revenue Support Grant</b>						
	Revenue Support Grant	1,014				
<b>NNDR</b>						
	NNDR	51,124	52,138	52,138	52,920	53,979
<b>Council Tax Grant</b>						
	Council Tax Grant	2,647	1,199	1,199		
<b>Council Tax</b>						
	Council Tax	48,144	50,243	52,433	54,718	57,101
<b>TOTAL PERMANENT FUNDING</b>		172,388	172,199	171,234	173,515	177,653
<b>Other Sources of Original Funding</b>						
<b>Funding From Reserves</b>						
	Funding From Reserves					
<b>Other Funding</b>						
	Other Funding					
<b>TOTAL TEMPORARY FUNDING</b>						
<b>TOTAL PROJECTED FUNDING</b>		172,388	172,199	171,234	173,515	177,653
<b>Budget Deficit\Surplus</b>			1	1		-1

		2012/13	2013/14	2014/15	2015/16	2016/17
<b>SAVINGS PLAN SUMMARY</b>		£k	£k	£k	£k	£k
<b>CSR Target from MTFs</b>						
	CSR Target from MTFs	(9,720)	(3,639)	(3,392)	(966)	
<b>Estimated Savings from CSR Plan</b>						
	Estimated Savings from CSR Plan	6,956	3,809	4,080	1,104	
<b>Regional / Collaborative Working Savings</b>						
	Regional / Collaborative Working Savings					
<b>TOTAL BUDGET REQUIREMENT</b>		(2,764)	170	688	138	

Scenario 2 - Freeze Council Tax and take grant in 2012/13 with 4% Council Tax increases thereafter

**HUMBERSIDE POLICE AUTHORITY  
PERFORMANCE IMPROVEMENT RESERVE**

	notes	2011/12 £k	2012/13 £k	2013/14 £k	2014/15 £k	2015/16 £k	2016/17 £k
<b>Balance brought forward</b>		26,302	22,570	21,996	21,971	21,880	21,944
Adjustment for holding account balances		(51)					
<b>Revised balance brought forward</b>		26,251					
Base budget funding from reserves		(438)					
<b>Reserve balance available</b>		25,813					
<b>Actioned from reserve</b>							
Approved Carry forwards		(1,539)					
IBM Funding approved Information Factory		(123)					
Body Amour Funding		(52)					
Citizens Focus Project funding, slippage from previous year		(96)					
IBM Funding approved lease cost Scientific Support		(80)					
Impact Project funding, slippage from previous year		(137)					
<b>Total Actioned from reserves</b>		(2,027)	22,570	21,996	21,971	21,880	21,944
<b>Transfers Actioned to reserves</b>							
Carry Fwd for Anti Corruption software not fully required		47					
<b>Balance as per the Finance System</b>		23,833	22,570	21,996	21,971	21,880	21,944
<b>Approved Commitments from and transfers to reserves</b>							
Work Force Modernisation		(165)	(277)				
Body Amour Funding		(51)					
Iceland Bank estimated loss		(1,040)	15				
IBM Funding approved lease cost Scientific Support			(80)	(66)	(66)		
<b>Total Approved Commitments from and transfers to reserves</b>		(1,256)	(342)	(66)	(66)	0	0
<b>Transfers from Revenue Balances</b>							
Under/(Over) spend - Month (8)							
<b>Transfers to/from other Reserves</b>							
Transfer from/to General Reserve (3% of Budget settlement)		(7)	(232)	41	(25)	64	147
<b>Total Transfersto/from other Reserves</b>		(7)	(232)	41	(25)	64	147
<b>Balance Carried Forward</b>		22,570	21,996	21,971	21,880	21,944	22,091

	notes	2011/12 £k	2012/13 £k	2013/14 £k	2014/15 £k	2015/16 £k	2016/17 £k
<b>CASH FLOW AFFECT OF RESERVES</b>							
Movement in PIR between years		(3,732)	(574)	(25)	(91)	64	147
Add back In Year Support to/from reserves		(438)	0	0	0	0	0
Transfer to other reserves balance		7	232	(41)	25	(64)	(147)
Approved commitments from reserves		1,256	342	66	66	0	0
<b>Cash Movement due to reserves</b>	1.	(2,907)	0	0	0	0	0