



BUDGET

2007/2008

MERSEYSIDE POLICE AUTHORITY

BUDGET REPORT 2007/08

CONTENTS

RESOLUTION OF THE MERSEYSIDE POLICE AUTHORITY.....	3
PART 1. INTRODUCTION.....	5
PART 2. REVISED ESTIMATE 2006/07.....	8
2.1. Introduction.....	8
2.2. Specific Grants 2006/07.....	8
2.3. Pay and Prices and Police Reform.....	9
2.4. Projected Outturn Position 2006/07.....	9
2.5. Summary of Revised Estimate 2006/07.....	12
2.6. Performance against budget for 2006/07.....	12
PART 3. BUDGET 2007/08 AND BEYOND.....	14
3.1. Local Government Finance Settlement.....	14
3.2. Specific Revenue and Capital Grants.....	15
3.3. Revised Base Budget 2007/08.....	16
3.4. Staffing.....	18
3.5. Pensions.....	20
PART 4. BUDGETARY SAVINGS AND FINANCING MEASURES.....	21
4.1. Potential Budgetary Options.....	21
4.2. Option 1 : 5% Precept Increase.....	22
4.3. Option 2 : 8% Precept Increase.....	24
4.4. Impact of the precept options.....	25
4.5. Linkage between the 2007/08 Budget and the Policing Plan Targets 26	
PART 5. BALANCES, PROVISIONS AND RESERVES.....	27
5.1. Overall Strategy.....	27
5.2. General Balances.....	27
5.3. Pensions Reserve.....	28
5.4. Compensatory Grant Provision.....	29
5.5. Insurance Fund.....	29
5.6. Other Funds, Balances and Reserves.....	30
PART 6. CAPITAL PROGRAMME AND PRUDENTIAL CODE.....	31
6.1. Capital Outturn 2006/07.....	31
6.2. Capital Plan 2007/08 to 2009/10.....	31
6.3. The Prudential Code.....	32
PART 7. FUTURE FINANCIAL STRATEGY.....	38
PART 8. KEY RISKS AFFECTING THE FINANCIAL POSITION.....	40
8.2. Future Funding Settlements.....	40
8.3. Use of One-off Funding.....	40
8.4. Potential Emerging Budgetary Pressures.....	41
8.5. Capital of Culture 2008.....	42
PART 9. CONCLUSION AND RECOMMENDATIONS.....	43
9.1. Conclusions.....	43
9.2. Recommendations.....	43
Appendix A – Illustrative Budget Summary.....	45
Appendix B – Projected Outturn 2006/07, Variance Analysis.....	47

Appendix C – Capital Programme	49
Appendix D - Proposed Efficiency Plan 2007/08 – 2009/10	51
Non Cashable savings	52
Appendix E - Links between the 2007/08 Budget and the Policing Plan	57
Appendix F – Anti Social Behaviour (ASB) Task Force and the case for further investment	63
Appendix G – Risk Analysis of General Balances	66
Appendix H – Other Funds, Balances and Reserves	67
Appendix I – Medium Term Financial Strategy – Range of Scenarios	68
Appendix J – Analysis of Pensions Transaction 2007/08 and 2008/09	70

RESOLUTION OF THE MERSEYSIDE POLICE AUTHORITY

THE BUDGET 2007/08

1. That following detailed consideration of the Joint Report on the Budget by the Treasurer and the Chief Constable, and in accordance with Sections 43-48 of the Local Government Finance Act, 1992 the Authority:-
 - (a) note the Revised Estimate for 2006/07 as set out in **paragraph 2.5.1**;
 - (b) approve the Capital Programme and financing arrangements as set out in **Appendix C** and the prudential indicators outlined in **Section 6.3** of this report;
 - (c) approve in broad terms the Medium Term Financial Plan as set out in **Part 7** of this report, and contained in detail in **Appendix I**;
 - (d) approve the Revenue Budget for 2007/08 of **£343,357,007**;
 - (e) issue an appropriate precept requirement of **£54,147,150** an increase of £2,668,370 equivalent to **5%**, (after deduction of specific police grants, revenue support grant and business rate income) on the five Billing Authorities in the Merseyside area, to be levied as part of the Council Tax for the purposes of Police Authority expenses for the financial year beginning 1st April 2007 and ending 31st March 2008.
 - a precept of **£85.02** for properties in Band A
 - £99.19** for properties in Band B
 - £113.36** for properties in Band C
 - £127.53** for properties in Band D
 - £155.87** for properties in Band E
 - £184.21** for properties in Band F
 - £212.55** for properties in Band G
 - £255.06** for properties in Band H;

(f) requires the five Billing Authorities in the Merseyside area to pay to the Treasurer the amounts due from them respectively in pursuance of paragraph (e) above, by ten, equal instalments payable on or before:-

the 18th day of April 2007
the 25th day of May 2007
the 3rd day of July 2007
the 8th day of August 2007
the 14th day of September 2007
the 22nd day of October 2007
the 27th day of November 2007
the 7th day of January 2008
the 11th day of February 2008
the 17th day of March 2008

TO: THE CHAIRMAN AND MEMBERS OF THE POLICE AUTHORITY
MEETING: 22nd FEBRUARY 2007

**JOINT REPORT OF THE TREASURER AND CHIEF
CONSTABLE**

BUDGET 2007/08 AND

MEDIUM TERM FINANCIAL PLAN 2007/08 TO 2009/10

PART 1. INTRODUCTION

1.1.1 The purpose of this report is to: -

- Provide an updated report on the Revised Estimate for 2006/07;
- Seek agreement on the Medium Term Financial Plan (MTFP) in broad terms, pending the updating of the strategy and further reports to the Authority following publication of the Government's Comprehensive Spending Review 2008; and
- Seek approval for the Revenue and Capital budgets of the Authority for 2007/08.

1.1.2 The Authority has been awarded a net increase in general grants of 3.616% in the Local Authority Finance Settlement 2007/08. This is in accordance with the indications as to grant increases given as part of last year's settlement and allows the Authority to continue the financial strategy as set out in the MTFP, which was included in last years budget document. In itself however, this still falls significantly short of the requirements to balance the base budget and provide the committed service levels incorporated within the 2007/08 policing plan.

1.1.3 Members will recall that last year saw the introduction of a new funding formula for Police Authorities. This formula is used to determine the Police Grant and the Relative Needs Amount of the grants from the Department of Communities and Local Government (DCLG), i.e. the Revenue Support Grant and National Non-Domestic Rates. However, as anticipated, the settlement again uses the concept of "Floors" to help smooth out the effects of the changes to the funding formula. The floor has again cost the Authority in grant terms compared with the unadjusted grant formula. If the "Floor" had not been in place for 2007/08, the Authority's grant would have been £1.840m higher, i.e. a general grant increase of 4.37%.

- 1.1.4 This has left the Authority with an underlying deficit to the tune of £3.542m, assuming a 5% precept increase. This financial position is broadly as predicted and reported to the Authority in last years budget document and has been presented and discussed since that date with Resources and Strategy Committee on 2nd November 2006 and the Financial Planning Sub-Committee on 1st November 2006. In order to balance the budget in the medium term the report suggests that it will be necessary to continue with the package of savings, cost reductions and financing measures set out in previous reports. The proposals in this regard are designed to minimise the impact of these measures on performance, although it is likely that in future years there will have to be significant changes in the way in which administrative and support services are organised to achieve the level of savings that may be required. Work has commenced on how these savings could be achieved, and a preliminary report on this issue was presented to the Resources and Strategy Committee on 14th December 2006.
- 1.1.5 A significant issue with regard to the preparation of the MTFP is the lack of any indication as to the level of grant settlements from 2008/09 and beyond. The Police Service had been promised a move towards three-year settlements and this process commenced with the move to a two-year settlement agreement last year and it is exactly this process that allowed last year's MTFP projections to materialise into this year's budget. However, this process has now been deferred and there are no indications as to settlements beyond 2007/08. This makes planning beyond this point speculative and hinders the Authority's longer term and strategic decision making. Indications are that the settlements in future years will increase budget pressures and Members need to be aware of this when deciding upon the budget and precept for next year.
- 1.1.6 However, in approving the budget and the MTFP, Members need to take account of the extent of the use of 'one-off' funding in this budget. In particular, Members will recall that the balancing of the 2006/07 budget at a precept level of 5% relied upon one-off funding of £3.481m. As per the MTFP, the underlying reliance on these one-off sources is reduced in 2007/08 to £2.492m.
- 1.1.7 In order to address the policy aspirations of the Authority and Force, produce a sustainable budget position and meet current committed service levels, the Chief Constable and Treasurer have formulated spending proposals and a resourcing plan which are set out later in this report. The Chief Constable also wishes to propose service developments focussed on neighbourhoods, which will require additional investment and therefore will impact upon the precept requirement. This is also set out later in the report.
- 1.1.8 The budget continues to develop further the links between financial and operational performance and focuses developments on the priorities set out in the Local Policing Plan, and identified as high priority by the Authority Members.

- 1.1.9 As Members will be aware, the Authority holds General Balances in order to ensure commitments arising from unforeseen and unplanned circumstances can be met. Following the Audit Commission's PURE assessment, the Audit Commission has recommended that the Authority should undertake a full risk assessment of needs and financial risks of its level of General Balances, in order to ensure that they are at an appropriate level. Consequently, this exercise has been undertaken and the findings are contained within **section 5.2** of this report.
- 1.1.10 The Chief Constable has recently revised his Blueprint to reflect the Force's Total Policing Strategy and ensure consistency with the Policing Plan, resulting in the 'Blueprint for Total Policing'. The budget report has been prepared taking account of the Blueprint. In addition, in arriving at the out-turn position for 2006/07, the Chief Constable has identified a number of potential spending pressures, which may have an ongoing impact in 2007/08. These are referred to later in the report, and are included in the Authority's 2007/08 risk assessment.
- 1.1.11 Since the abandonment by the Government to amalgamate Police Forces, the Authority has been able to move forward issues that were being somewhat delayed due to merger discussion. Particularly, in the areas of the Estates Strategy development, which forms a major part of the Authority's Capital programme, and the refocusing on service priorities, with a focus in the neighbourhoods, which has led to the Chief Constable seeking funding for a programme of service developments.
- 1.1.12 The report has been jointly prepared by the Treasurer and the Chief Constable to enable Members to gain assurance over the balance taken between local and strategic service priorities and the financial considerations regarding the precept and the medium to longer term financial position.

PART 2. REVISED ESTIMATE 2006/07

2.1. Introduction

- 2.1.1 The Original Budget for 2006/07 totalled £324.586m after adjustments for the planned contributions from General Balances and movements in provisions and reserves of £3.181m. Devolved budgets for 2006/07 were reduced by a net £0.040m resulting from the net carry over of overspends by budget holders from 2005/06. Whilst this net figure is low a number of departmental and area budgets started the year with significant and challenging brought forward overspend positions.
- 2.1.2 These individual overspends have to be taken into account when planning services in the affected areas and create additional budget pressure. Coupled with this, the accumulated savings in services over recent years, including the £2.500m in 2006/07, have reduced financial resilience within budgets and the impact of these savings has been felt more acutely across all areas and departments. This further constrained budgets and made 2006/07 a very challenging year for all devolved budget-holders.

2.2 Specific Grants 2006/07

- 2.2.1 The 2006/07 budget included provision for a number of specific grants, totalling £23.917m. This amount subsequently increased to £27.845m as a result of success in attracting new grants and increases in the level of existing grants. This overall increase of £3.928m allowed for a net increase in budgets in the corresponding areas and departments. Where grants were reduced or withdrawn budgets were reduced by a similar amount. **Table 1** provides a summary of the significant movements in specific grants based on the latest available data for 2006/07.

Table 1: Movement in Specific Grants 2006/07

Specific Grant	Movement	£m
Drug Testing on Charge	Increase	0.762
Local Criminal Justice Board	Increase	0.153
No Witness No Justice	Increase	0.179
Initial Police Learning & Development	Increase	0.780
Reflex Grant	Increase	0.405
St Helens NRF	Increase	0.296
Sefton Prolific and Priority Offenders	Increase	0.154
Sefton Goldzone	Increase	0.518
Other	Increase	0.681
TOTAL		3.928

2.2.2 A number of the additional grants received following the preparation of the 2006/07 budget relate to Criminal Justice initiatives. Drug Testing on Charge is aimed at identifying and supporting problem drug users. The Local Criminal Justice Board grant provides a support team to assist delivery of criminal justice targets, analysis of offenders and provision of CCTV evidence. No Witness No Justice supports the provision of witness care units.

2.2.3 The IPLDP grant is in relation to providing funding for training of probationer constables following the withdrawal of CENTREX training and the Reflex grant funds investigations into illegal immigration. The other grants listed are in relation to local crime reduction initiatives, including the Sefton Goldzone officers and various other local initiatives.

2.3 Pay and Prices and Police Reform

2.3.1 A Contingency for Pay and Prices is included in the budget to accommodate changes to costs that occur during the year, this totalled £8.017m for 2006/07. The Police and Police Staff pay settlements during the year amounted to 3%. Additional price increases based upon the costs in the budget were applied and fell broadly within the range of inflationary pressures seen nationally. After these budget adjustments have been applied it is anticipated that a saving of £0.280m will be available for 2006/07 from this provision.

2.3.2 In addition to the contingency for pay and prices, a provision of £2.843m was held to cover the additional costs arising from Police Pay Reform. These sums are used to fund Special Priority Payments and budgets are adjusted to take account of these costs in the areas where the payments are utilised. Following revision of the criteria for eligibility of these payments it is anticipated that this sum will be fully utilised during 2006/07.

2.4 Projected Outturn Position 2006/07

2.4.1 The net half-year budget position, as reported to Resources and Strategy Committee on the 2nd November 2006, indicated a potential overspend of £1.048m. Budget holders have been projecting their likely out-turn positions for 2006/07 since October 2006. The initial out-turn projections showed an estimated overspend at the year-end of around £2.000m. However, steps have been taken to contain this overspend, including limitations on purchase orders and review of budgets and action plans with budget holders via a "Star Chamber" process. As a result it is now anticipated that overall net spending will be on or within the overall budget at year-end, with the only caveat being any unexpected and significant incidents between now and the financial year-end. The out-turn position was also mitigated by the

recoveries from the Home Office in relation to the visit by the US Secretary of State (£0.226m) and the aborted merger costs (£0.100m).

Carry Over

2.4.2 The position with regard to carry-over of over or under-spend for individual budget holders is dependent upon their budget performance for 2006/07. It is anticipated that overspend and under-spend positions will be carried forward by a number of budget holders to 2007/08 under the Authority approved scheme and this will amount to a net total of £0.304m under-spend. After account is taken of the permitted carry-over, the surplus under-spend on individual budget allocations and the variations in central budgets there is an expected over-spend in these areas of £0.066m.

Table 2 : An analysis of the overspends

	£m	£m
Overspends		
- Forensics	0.701	
- Pensions	0.212	
- Other	0.169	
Total Overspends		1.082
Underspends		
- Income	(0.191)	
- Supernumeraries	(0.127)	
- Other	(0.201)	
Total Underspends		(0.519)
Excess Underspends		(0.184)
Capital Charges Net Saving		(0.313)
Total Overspend/(Underspend)		0.066

Forensics

2.4.3 As reported to the Resources and Strategy Committee on 2nd November 2006, significant pressures have arisen within the Force forensics budget in recent years. The report to the Committee highlighted the fact that the overspend in this area amounted to £1.700m for each of the years 2004/05 and 2005/06. Measures have been taken to address the volume and cost of submissions, with the result that the estimated position as reported for 2006/07 was at that time an overspend of £1.000m. It is now envisaged that barring any large volume or significant major incidents this estimated overspend can be further reduced to £0.700m for 2006/07. This shows significant progress from previous years, the growth in costs having been contained in 2005/06 and reduced substantially during 2006/07.

2.4.4 As also noted in the report to the Resources and Strategy Committee the forensic budget has now been re-assessed to recognise the increasing demands of forensic evidence, including the number of new and expensive techniques that have been developed over recent years. With this in mind there is the opportunity to address a proportion of this shortfall with the under-spend projected on the pay and prices contingency, as shown in **paragraph 2.3.1** above. This would partially reflect the impact of rising costs brought about by new demands, recognise the significant efforts that have been made to reduce this budget pressure and alleviate some of the financial risk this presents for future years.

Pensions

2.4.5 The year 2006/07 is the first where the uncertainty over the number of police officer retirements and the substantial impact upon the revenue account from commutation payments has been removed. The only remaining risks in this area are the number of ill-health retirements and injury gratuities during the year. The level of ill-health retirements assumed in the budget amounted to 25. This compares to a level within the Home Office actuarial assumptions of 28.7 and recognises the strict management and targets applied to these arrangements within the Force. The estimated number of ill-health retirements during 2006/07 is likely to be on budget at 25. Overall the pensions budget is anticipated to show over-spend of £212k, mainly due to there being a lower number of secondments than expected during the year. This overspend represents less than 0.6% of the overall pensions budget and has been included in the central budgets position referred to in **paragraph 2.4.2**.

Dangerous Dogs Legislation

2.4.6 One area where there is some uncertainty as to the position leading up to the financial year-end is with regard to the response to incidents relating to Dangerous Dogs Legislation. Following the high profile incident in St Helens a number of dogs were seized across Merseyside throughout January and have been destroyed or are being kennelled pending review. The cost of the response to this chain of events is likely to be £0.160m in the year, of which it is estimated £0.065m will be met from the Force Contingency Fund. This additional spending will need to be met from the savings highlighted in **Table 3** below.

Special Constables

2.4.7 A sum of £0.200m was included, as an Authority approved development, in the budget for 2006/07 to cover payment of a bounty to Special Constables. During the year this scheme was reconsidered and the decision was taken not to proceed with the proposal. As a

result the £0.200m provided by the Authority has not been utilised and gives rise to a saving for 2006/07.

2.5 Summary of Revised Estimate 2006/07

2.5.1 A summary of the anticipated budget position for 2006/07 is shown in **Table 3** below:

Table 3: Estimated Net Budget Outturn Position 2006/07

	£m
Contingency for Pay and Prices/Police Reform	(0.280)
Devolved and Central Budgets – Net under-spend	(0.029)
Proposed use of Pay and Prices savings within Forensic budget	0.280
Response to Dangerous Dogs Incidents	0.095
Total Overspend	0.066
Saving on Special Constable Payments	(0.200)
Total Net Underspend	(0.134)

2.5.2 **Appendix A** provides an analysis of the revised estimate for 2006/07 split across operational areas. **Appendix B** provides a summary and explanation of variances from original budget across the various units.

2.5.3 The final outturn position will be carried forward in the Authority's General Balances account.

2.6 Performance against budget for 2006/07

2.6.1 In the current year, the Force has made some strong improvements on the performance front, which should continue to embed into 2007/08, and this is reflected in the policing plan targets shown at **Appendix E**. These improvements have been implemented with no increased resources during 2006/07, and place the Force in a stronger position when compared to the Most Similar Forces performance charts from the Home Office. For example, the Force has increased its position from fifth to third in the MSF comparison group for overall crime levels in 2006/07.

2.6.2 This performance improvement has been made against the backdrop of making savings within the budget to meet the financial plan target, and to facilitate the recruitment of an extra 60 officers without affecting the cost to the Merseyside taxpayer.

2.6.3 Performance is reported in detail against the targets and policing plans to the Performance and Scrutiny Committee, although it is worth illustrating some of the key achievements in the current year in the light

of some of the changes in deployment of resources, and against a reducing budget. The 2006/07 highlights include:

- Overall crime reduced by 8%;
- Sanction detections increased by 9.5%;
- 90% of calls answered within targets over 90% of the time;
- Improvements in response performance for all grades of response deployments; grade 2 calls for service performance has improved by over 33%;
- Reduction in firearms offences of 30%;
- Significant improvement (400%) in ANPR performance across BCU's, following the Chief's 'blueprint' technology deployment;
- Increase in illegal vehicle seizures following Operation Tango, with a range of positive impacts across Force performance; and
- Anti-Social Behaviour incidents reduced by an average of at least 7% across the Force since October 2006.

2.6.4 The Authority receives full details of performance covering the highlights shown above, and also areas for improvement, at its specialist Performance and Scrutiny Committee; however, as part of considering the budget options for 2007/08, Members who are not part of that committee will wish to be reassured that the Force is continuing to improve the level of service and value for money to the people of Merseyside.

PART 3. BUDGET 2007/08 AND BEYOND

3.1 Local Government Finance Settlement

3.1.1 The provisional Local Government Finance Settlement for 2007/08 was announced on 28th November 2006, with the final figures announced on 18th January 2007. The Settlement for the current year, 2006/07, had already included a provisional announcement on grant for the year 2007/08, in line with the desire to move towards three-year announcements on grant settlements.

3.1.2 To this extent the increase in grant for Merseyside of 3.616% was in line with expectations and the figures included in the budget report for 2006/07. However the Government failed to announce a multi-year settlement as part of this announcement and so the Authority has no indication of future year's funding levels. The Government announced that it intends to move to three year settlements from 2008/09 but this leaves a great deal of uncertainty when setting the budget for 2007/08 and is a step backwards from even the two year settlement announced this time last year.

3.1.3 Details of the settlement announcement were presented to Members at the meeting of the Resources and Strategy Committee on 14th December 2006 and Members have also been supplied with financial scenarios of the implications of the settlement and the potential funding for future years at the Resources and Strategy Meeting on 2nd November 2006.

3.1.4 The main points to note from the settlement announcement are:

- The headline increase in Government funding to the police service is 3.1%;
- The floor damping methodology has again been used and sets a minimum "floor" increase of 3.6%, with Authorities above the floor having grant increases reduced to move those below the floor up to this minimum level;
- The Floor damping formula has reduced the settlement for Merseyside from 4.37% to 3.616%, amounting to a sum of £1.840m; and
- The overall formula grant for Merseyside for 2007/08 is £253.849m.

3.1.5 The Authority is still faced with the challenge of being part way through its financial strategy to close an underlying budget gap that in recent years stood as high as £12.734m. In the last two years the Authority and the Force have worked diligently to reduce this shortfall, which in 2007/08 stands at some £3.5m. In the year 2006/07 alone, savings totalling £2.500m were found in addition to the identification of a further

£2.774m enabling an increase of 60 Police Officers for Merseyside. At the same time, the Authority has responded to a number of additional Government requirements and budget pressures, so reducing the opportunity for the funding of any locally determined developments.

3.2 Specific Revenue and Capital Grants

3.2.1 The Authority receives a number of specific revenue grants in addition to the general grant settlement. These are aimed at particular initiatives, some new and others that have been in place for some time. Within the budget, specific grants are treated as additional funding and where these grants increase, the relevant budget headings are increased in line with the grant and vice versa where grants are reduced or cease.

3.2.2 New specific grant funding can sometimes be made available by the Government throughout the year. The detail of the position as at the time of writing the report and, therefore included in the budget for 2007/08 is shown in **Table 4** below.

Table 4: Specific Revenue Grants 2007/08

Grant	£m	Details
Special Formula Grant	4.072	Replaces four specific grants, two of which relate to Merseyside, Forensic Grant (£1.751m) and Special Priority Payments Grant (£2.321m).
Crime Fighting Fund	9.499	Funding based on maintaining police officer numbers recruited between 2000/01 and 2002/03
Counter Terrorism Fund	5.099	Introduced as a specific grant in 2006/07 replacing general grant for dedicated security posts.
PCSOs (Rounds 1 to 3)	1.491	Continued funding for PCSOs recruited under rounds 1 to 3.
Neighbourhood Policing Fund	9.234	Anticipated funding for recruitment of PCSO posts in 2006/07, includes £1.598m carried forward from 2006/07.
BCU Fund	1.392	Grant directed at BCUs to deliver crime reduction initiatives
IPLDP	0.780	Funding for training of probationer constables.
Drug Testing on Charge	1.065	Drug testing scheme to identify and provide help to drug users.
Other Grants	0.819	Various other smaller grants.
Total Specific Grants	33.451	

3.2.3 The Authority also receives General Capital Grant to support capital schemes. This amounted to £3.506m in 2006/07 and has again decreased, to £2.784m for 2007/08. The impact of capital grant fluctuations is less pronounced on the revenue budget given the introduction of the Prudential Code but a reduction in the grant nonetheless increases future costs by increasing the need to borrow to finance capital schemes. The reduction of £0.722m from the 2006/07 level was noted in the last budget report, where it was also noted that this represents a total reduction from the 2005/06 level of £1.155m. This reduction will require a financing requirement of some £0.070m in 2007/08.

3.2.4 The proposals in relation to capital spending for 2007/08 and beyond are described in **Section 6.2** and summarised at **Appendix C**. Details of the proposed funding arrangements for these proposals are also included together with the required indicators with regard to the use of the Prudential Code.

3.3 Revised Base Budget 2007/08

3.3.1 The revised base budget reflects a number of changes that have occurred during the year, these include:

- The effects of inflation;
- Committed growth in spending and income on items agreed during the year;
- Committed growth arising from charges on capital spending;
- Adjustments to cover variations in the specific grants; and
- Final declared Collection Fund positions and tax base changes.

3.3.2 These items were all included in the budget report last year or have been reported to the Members of the Financial Planning Sub-Committee and the Resources and Strategy Committee throughout the year.

3.3.3 **Table 5** below provides a summary of the revised base budget and the movements from 2006/07. This table shows the extent of the budget shortfall to be addressed assuming a 5% increase in the precept.

Table 5: Summary Base Budget with a 5% precept increase

Description	£m	£m
Approved Base Budget	338.511	
Inflation	8.466	
Net Committed Growth	0.513	
Target savings 2006/07	(2.500)	
Revised Base Budget 2006/07		344.990
Government Grants		
General Police Grant	(127.674)	
Revenue Support Grant	(18.132)	
National Non-Domestic Rate Income	(108.043)	
Specific Grants	(33.452)	(287.301)
Collection fund deficit		0.676
Precept including 5% uplift		(54.147)
Budget Shortfall		4.218

- 3.3.4 The base budget above is based on the current committed level of service. In addition, the policing plan targets for 2007/08 are being constructed based upon the above budget. Therefore, in considering the options to finance the shortfall in the base budget, Members need to take account of the impact upon policing plan targets should alternative options be taken.
- 3.3.5 As Members can see, the resources available to the Authority fall £4.218m short of the base budget for 2007/08. To fund this shortfall from the precept alone would require an additional increase, over the assumed 5%, of a further 8.2%, resulting in a total increase of 13.2%. For Members information a 1% increase in the precept equates to £0.515m.
- 3.3.6 It is noted that the budget shortfall has increased since last reported to the Resources & Strategy Committee on 14th December 2006 primarily due to the declaration of the Collection Fund deficits/surpluses by the districts. These declarations are 'one-off' in nature and have resulted in a cumulative deficit of £0.676m that the Authority has to finance in 2007/08. To the extent that this sum cannot be contained within the MTFP, given its 'one-off' nature, it is proposed that any resulting deficit be financed using General Balances. It is estimated that this will amount to some £0.393m **(see Table 7 below)**.
- 3.3.7 The options illustrated within this report include a precept increase of 5%, which will address the budget shortfall in line with the budget strategy set last year. In addition, an enhanced proposal is also

presented by the Chief Constable to Members that would achieve the above, plus provide for greater investment in neighbourhood policing, but would require a precept increase of 8%.

3.3.8 Once the Authority has approved a budget and determined the appropriate precept requirement, this will be translated into individual cash limits for each budget holder. Budget holders will then be required to prepare detailed budgets against which their financial performance will be measured throughout the year. This ensures that proper budget management and monitoring is maintained. The cash limits agreed with budget holders will incorporate any savings agreed by the Authority and the Chief Constable.

3.4 Staffing

3.4.1 The Police Authority established a policy, as part of the 2004/05 budget process, to increase police officer numbers by 600. The first phase of this expansion was implemented in 2004/05 and resulted in an extra 250 officers working in the neighbourhoods, being 150 new officers and 100 redeployed as a result of civilianisation. The budget for 2005/06 protected these additional officers and worked towards building a platform for future expansion of numbers.

3.4.2 As part of the budget for 2006/07, the Chief Constable set out ambitions for the expansion of police officer numbers by an additional 180 officers, the funding for these officers to be found from savings throughout the Force. The plan set out in last year's budget was for the recruitment of an additional 60 officers and the Savings and Investment Panel within the Force subsequently identified the funding for these additional posts. The savings and the recruitment of the officers was approved by the Resources and Strategy Committee in August 2006.

3.4.3 The anticipated number of officers within the Force for the years 2006/07 and 2007/08 is shown in the following table.

Table 6 : Anticipated movements on police officer numbers

	2006/07	2007/08
Police officer numbers at start of year	4,421	4,487
Movement in Post Numbers		
Additional Police Officers	60	0
Estimated Movement in Externally funded posts	6	5
Reduction in seconded officer levels	0	-35
Estimated Wastage:		
Retirements	-195	-180
Resignations	-77	-70
Recruitment:		
Transfers from other forces	45	40
Recruitment levels	227	210
Police Officer Numbers at end of year	4,487	4,457

- 3.4.4 The Government continues to support police officer posts through the provision of the Crime Fighting Fund. This funding, in place since 2000/01, has paid for a total of 332 recruits from that date and remains in place. There is a risk that if police officer numbers start to fall this funding would be withdrawn. However this is not seen as a significant risk given the commitment of the Authority and the Chief Constable to maintaining police officer numbers. This funding for 2007/08 remains at the same level as last year, £9.499m, the third year in which the grant has not shown any increase.
- 3.4.5 During 2006/07 the number of officers on secondments has consistently fallen short of the planned numbers in the establishment. This is mainly as a result of the establishment of the SOCA and the reductions in officers at CENTREX and overseas placements. Whilst on secondment these officers costs are met by the external agency and so any reduction in numbers requires a reduction in the overall police officer establishment. The revised target will bring the establishment for seconded officers down to 40.
- 3.4.6 Police Community Support Officers (PCSOs) are additional front-line resources and numbers have grown steadily over recent years. However, in September the Authority approved the appointment of a

further 275 PCSOs by 30th April 2007. This recruitment will bring the total of Merseyside PCSOs up a target of 466. Initial plans from the Home Office to expand numbers beyond this level have been abandoned and they have informed Police Authorities that there will be no additional funding beyond these targets. The situation with regard to PCSO recruitment was subject of a detailed update at the Resources and Strategy Committee on 14th December 2006.

3.5 Pensions

- 3.5.1 Since April 2006 new financial arrangements with regard to police pensions have been in place. These changes introduced a standard employer's contribution rate rather than the previous arrangements whereby pension costs were met directly from the Authority revenue account. The main benefit of this arrangement has been to remove the significant financial uncertainty that surrounded the old arrangements with regard to costs as officers retired and opted for large commutation payments.
- 3.5.2 All pensions transactions are now handled through a discrete pensions account, the deficit or surplus on this account being topped up by grant or repaid. For 2007/08 we estimate that the account will require a top up grant of £23.704m rising to £25.066m for 2008/09. A summary of the estimated pensions transactions within the revenue account (the operating account) and the separate pensions account for 2007/08 and 2008/09 is included at **Appendix J**.

PART 4. BUDGETARY SAVINGS AND FINANCING MEASURES

4.1 Potential Budgetary Options

4.1.1 The options available to address the budget shortfall and identify any new resources required to support initiatives and developments are limited to:-

- Increased precept levels, though flexibility in this regard is restricted given the potential for capping;
- Efficiency savings and other service reductions. Again this option presents difficulties given the fact that savings identified in the efficiency plan need to be demonstrably reinvested in services and the fact that there have been sizeable reductions in budgets in each of the last two years with further proposed reductions for 2007/08; and
- Use of one-off savings including the use of balances, reserves and other financing measures. By their very nature these savings are not sustainable over the longer term and will need to be replaced by other measures in the medium term.

4.1.2 With regard to precept levels, guidance has been sought from the Home Office as to whether the threat of capping will apply to 2007/08 and it seems that the threat of capping will remain should increases exceed 5%.

4.1.3 However, there is also confirmation that in 2006/07 a further criteria applied of an increase not greater than 6% of budget and the higher of these two measures was applied. This was not made clear until the recent guidance which now suggests that “the Government has made it clear that for 2007/08 precepts/council tax is expected to be below 5%.” The guidance suggests that an “acceptable budget level” measure will be decided after all precept information is received. This may of course be more or less than the 6% applied for 2006/07.

4.1.4 Had the Authority been aware of the 6% budget increase guidance last year, a precept increase in excess of 5% may have been considered by the Authority. In addition, the advice from the Treasurer and senior officers may have been different and the precept increase could have been different. Members should note that a limited number of Police Authorities have in recent years exceeded the 5% without falling victim of capping, although other than the Met, these increases have been less than 5.9%. Members of the Authority will need to weigh up this risk of exceeding the 5% cap against the longer term implications of agreeing a budget which again includes one-off funding, imposes further cost reductions, contains potential financial risk areas, and is set against a backcloth of complete uncertainty regarding 2008/09 and beyond.

4.2 Option 1 : 5% Precept Increase

4.2.1 At a 5% precept increase the budget shortfall that needs to be addressed by other measures is £4.218m. The proposals for financing this sum are shown in **Table 7** below.

4.2.2 The service savings planned for 2007/08 amount to £1.250m, and each of the Chief Constable's proposed savings has been designed to limit the impact on staff. In particular none of the proposals impact upon the overall number of police officers. In addition the Authority has identified savings of £0.083m in 2007/08. The savings proposals are explained further in **paragraph 4.2.4** below.

4.2.3 Beyond these savings measures there is a need to fund the remaining shortfall from one-off contributions from balances and reserves. As planned there are one-off contributions from the Pensions Reserve of £1.992m and the Insurance Fund of £0.500m. These amounts are in line with the financial strategy set out last year. Given the underlying nature of the shortfall the Force will continue to identify recurrent savings to replace these one off items in the medium term. In addition, the collection fund deficits declared by the Districts have been mitigated by additional Police Authority savings and a small increase in the tax base. However, the Authority will need to release £0.393m from General Balances to balance the budget in 2007/08.

Table 7 : Proposed Financing of Base Budget Deficit in 2007/08

	£m	£m
Budget Deficit assuming 5% precept increase (as per Table 5)		4.218
Chief Constable's Proposed Savings: -		
Conversion of existing Traffic CSOs to PCSOs	(0.600)	
Net Income Generation Target	(0.150)	
Savings from FMT disbanding	(0.200)	
Savings in Special Constable developments	(0.300)	(1.250)
Additional Savings: -		
Police Authority Staff Costs	(0.060)	
Reduction in Grant to Fire & Rescue Service	(0.023)	(0.083)
Planned Contribution from the Pension Reserve		(1.992)
Planned Contribution from the Insurance Fund		(0.500)
Proposed Contribution from General Balances		(0.393)
Balanced Base Budget		0.000

4.2.4 The savings proposed by the Chief Constable and the Authority as part of the commitment to the Authority's financial strategy are explained in more detail below:

- **Conversion of existing Traffic CSOs** – The existing traffic CSOs, formerly traffic wardens, are part of the funded force establishment. The proposal is to convert these posts into PCSOs funded under the Neighbourhood Policing Fund. This will release a proportion of the existing budgets for these posts. The strategy runs some risk should funding be withdrawn in future but the strategy will be to move the posts into existing funded PCSO posts as these become available thus alleviating this risk over time;
- **Net Income Generation Target** – The Force intends to pursue vigorously opportunities for increasing income. This will include the latest proposals to install advertising hoardings at the Headquarters site as well as looking for other opportunities to recover overheads, seek sponsorship or make charges for services. Proposals are currently being considered for the best way to achieve these ambitions;
- **Savings from FMT** – As mentioned earlier in this report the Force Modernisation Team has achieved many of the ambitions set out in the Blueprint for Service and as a result the team has now dispersed and reduced in size. As a result, savings have been achieved. Savings of £0.108m in 2006/07 were put towards the additional officers, a further £0.200m saving is anticipated in 2007/08 being the full year effect of the changes;
- **Special Constables Bounty Payment Scheme** – The Authority approved additional development monies of £0.200m in 2006/07 and a further £0.100m in 2007/08 for payments to Special Constables. During the year this strategy was revisited and did not commence in 2006/07. As a result, the monies were not required and can be returned to the Authority. An alternative less costly scheme is under consideration and will be reported back to the Authority in due course;
- **Police Authority Support Unit Savings** – recurring savings of £0.026m have been identified in respect of the deletion of a vacant post and a permanent reduction in hours of one post. An additional £0.034m of one off savings in 2007/08 have been identified due to the non filling of a vacant post. The need for this post is to be reviewed during the year, dependent upon the service improvement review strategy and
- **Reduction in grant to Merseyside Fire & Rescue** – on 13th April 2006 the Authority approved the gradual withdrawal of the grant funding for the Mersey Inshore Rescue Service, resulting in savings of £0.023m in 2007/08.

4.2.5 The proposed efficiency plan for 2007/08 which illustrates the cashable and non cashable savings to be incorporated into the budget and annual policing plan is attached at **Appendix D**.

4.3 Option 2 : 8% Precept Increase

4.3.1 An enhanced proposal is also presented to Members by the Chief Constable that would achieve the above, plus provide for greater investment in neighbourhood policing and safeguard the performance improvements secured to date. In order to make a real difference the Chief Constable believes that an additional £1.550m would be required. This could be raised through increasing the precept by a further 3% to 8%.

4.3.2 The rationale for seeking an 8% increase in the Authority precept is to invest in the maintenance and further development of the force Anti Social Behaviour Taskforce.

4.3.3 The tackling of anti-social behaviour has been placed at the heart of the government's community safety strategy. Merseyside Police has responded with the creation of a unique Anti Social Behaviour Taskforce, which directly supports a number of national and local aims and initiatives, including:

- The National Community Safety Plan;
- The Respect Agenda;
- Audit Commission report on Neighbourhood Crime and Anti Social Behaviour;
- The Chief Constable's Blueprint for Service Improvement; and
- The force "Total Policing" philosophy, delivering total war on crime and total care for victims.

4.3.5 In addition, the task force upholds the established principles of problem solving in partnership, by combining its resources with the Merseyside Fire and Rescue Service, and working with councils and other partners to tackle anti social behaviour and examine sustainable solutions.

Resourcing and Methodology

4.3.6 Since its establishment in November 2006, and without a budget of its own, the task force has drawn its resources from Areas, bringing in a range of operational experience from neighbourhood, patrol and support functions. An organisational chart, showing all 150 staff, including partners, is attached at **Appendix F**.

4.3.7 The task force delivers its activity on the following principles:

- Enforcement – robust use of legislative provision to consistently challenge and bring to justice those whose conduct has an adverse effect upon communities;

- Prevention – developing initiatives and reviewing existing practices to promote and encourage the positive development of those who engage in Anti-Social Behaviour, to divert them from this type of activity; and
- Problem Solving – targeting offenders and vulnerable locations using “IDPartners”, a computer based problem-solving tool developed by the force.

4.3.8 A combination of the National Intelligence Model, the force performance improvement process and the tasking & coordinating structure are utilised to ensure that the task force is deployed in a timely and effective manner to address the force’s top five priority anti social behaviour problems.

4.3.9 Merseyside Police has consistently led in the national development of the neighbourhood policing philosophy and the early work of the anti social behaviour task force has shown that it can have a positive impact on the neighbourhood policing principles of visibility, public reassurance and enforcement. Performance has shown an improvement in those areas where the task force has been deployed, offering the Authority a potential opportunity to enhance targets in the future. **Appendix F** details the results and achievements so far.

4.3.10 The task force is currently sustained by resources drawn from Areas, which naturally reduces the capacity of Areas to deploy to their own local incidents. The sustainability of the task force would be strengthened by a dedicated budget and to this end, the force requests that £1.5m in additional funding is sought as part of the Police Authority precept.

4.4 Impact of the precept options

4.4.1 The impact of these precept options on Band A, i.e. the majority of Council Taxpayers on Merseyside, and on Band D Council Taxpayers is shown in **Table 8** below.

Table 8 : Impact of Budgetary Options on Council Taxpayers

	Band A £ (pa)	Band D £ (pa)
2006/07 precept level	80.97	121.46
2007/08 level after 5% (Annual increase)	85.02	127.53
2007/08 level after 8% (Annual increase)	87.45	131.18
Effect of a 1% Precept Increase	0.81	1.21

4.5 Linkage between the 2007/08 Budget and the Policing Plan Targets

- 4.5.1 The Policing Plan Statutory Performance Indicators / targets were agreed in November 2006 by the Authority and assumed a budget in accordance with the MTFs, including the planned achievement of efficiency savings at a 5% precept level. To achieve this enhanced level of performance will require a reinvestment of £9.31m efficiency savings to resource the priority service areas. These savings form part of the reinvestment element of the 2007/08 efficiency plan contained in **Appendix D**.
- 4.5.2 A summary of the links between the Efficiency Plan contained in these budget proposals and the Policing Plan are included at **Appendix E**. More detailed information on the breakdown of the reinvestment is provided in the Policing Plan.
- 4.5.3 Should the approved budget option require an 8% precept increase, i.e. increasing the resource base by £1.55m, the targets impacted upon will be amended to reflect this investment.

PART 5. BALANCES, PROVISIONS AND RESERVES

5.1 Overall Strategy

5.1.1 The Authority retains a number of reserves in order to ensure that adequate financial resilience is maintained. The amounts retained in these balances, provisions and reserves are shown in the sections below, together with an explanation as to their use and necessity.

5.1.2 As part of last year's budget and in the light of the Authority's first two year financial settlement, the overall strategy determined was to utilise the Pension Reserve gradually to underpin a review and realignment of the revenue budget, with the aim being to realise recurrent savings and align the budget by the end of a three-year planning period. The strategy has been to reduce the reliance upon reserves by making reduced contributions year on year, e.g. from some £3m in 2006/07 to £0.784m by 2008/09. This strategic use of the Pension Reserve was seen as the best way forward giving sufficient time to achieve recurrent savings and to balance the budget. Its application should be viewed in conjunction with the Authority's use of the Insurance Fund detailed below.

5.1.3 The Treasurer and the Chief Constable have adopted a risk based approach to determining the appropriateness of the Authority's levels of balances, reserves and provisions. All balances, reserves and provisions are reviewed annually, and a report will be submitted to the Resources and Strategy Committee during the year setting out the strategy going forward.

5.2 General Balances

5.2.1 The police service, as one of the major emergency services, is required to respond to incidents of an unexpected nature and over which it has little or no control. A major incident or a series of events could put extraordinary pressure on the budget in a particular year. As a result financial prudence dictates that a level of General Balances should be retained to provide resilience against the effect of such a situation. This area is explored further in the Treasurer's accompanying report on the adequacy of financial reserves.

5.2.2 The HMIC and the Audit Commission expect a robust and prudent approach be taken to the level of balances held. It has been the case in recent years that the recommended level of such balances is a sum broadly equivalent to 2% of the Net Budget Requirement. However, the Treasurer and the Chief Constable have undertaken a review of the level of these balances taking into account the risks included on the Authority and Force risk plans. A breakdown of this analysis is included at **Appendix G**. This risk based review has concluded that by

the end of 2007/08 General Balances, if no further contributions are made, will be some £0.5m below the required level. To address this situation during the year the Treasurer will review the requirements of the Compensatory Grant provision, which is likely to be below the current budgeted level and will utilise any available excess in conjunction with the review of the Insurance Fund. This will ensure a level of General Balances that are in line with the risk assessment, i.e. £6.110m.

- 5.2.3 The anticipated level of General Balances for 2006/07 and 2007/08 are shown in **Table 9** below:

Table 9 : General Balances

	2006/07 £m	2007/08 £m
Balance at beginning of year	5.924	6.058
Budget Contribution to Revenue (see Table 7)	0.000	(0.393)
Contribution from Revenue (see Table 3)	0.134	0.000
Contribution from Compensatory Grant Provision & Insurance Fund	0.000	0.445
Balance at end of year	6.058	6.110

5.3 Pensions Reserve

- 5.3.1 Up until the end of the 2005/06 financial year the Authority earmarked a reserve for the impact of officers opting to take a commutation payment in lieu of part of their pension on retirement. However, with effect from the 1st April 2006 commutation payments in relation to normal retirements are met from the Pensions Account and do not impact upon the Authority Revenue Account.
- 5.3.2 Ill-health and injury commutation payments remains a potential risk in that should such payments exceed budgeted levels there will be an additional charge to the revenue account. For this reason it is proposed that the balance of the existing pension reserve be retained to provide resilience against such an eventuality. A risk assessment will be undertaken during 2007/08 to assess the appropriate level for the residual balance on this Pension Account. A view will be taken by the Treasurer as to whether it needs to be increased, with the most likely source being from the Insurance Fund. This will be reported to Members during the year.
- 5.3.3 The remainder of the balance of this reserve is to be used in accordance with the budget strategy set out in last years budget report and the MTFP shown above. They will be used to smooth the transition of closing the budget deficit and gradually remove the dependence of the budget on one-off financing measures. The

balances in the pensions reserve are anticipated to be as shown in **Table 10**.

Table 10 : Pensions Reserve

	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m
Balance at beginning of year	5.573	2.780	0.854	0.070
Contribution from/(to) revenue	(2.981)	(1.992)	(0.784)	0.000
Interest	0.188	0.066	0.000	0.000
Balance at end of year	2.780	0.854	0.070	0.070

5.4 Compensatory Grant Provision

5.4.1 The provision for compensatory grant in respect of transitional rent allowances was first established during 2002/03. The allowance is to meet the individual's tax liabilities introduced on rent allowances. The sum required reduces each year as officers entitled to the allowance leave the Force. The sum is paid each April and in April 2006 amounted to £1.834m. It is estimated that the contribution made during 2007/08 will enable us to be fully provided at the end of that year, with the possibility of a saving given the anticipated fall in amounts due. Any surplus at the end of 2007/08 will be transferred to General Balances, in accordance with the strategy in **paragraph 5.2.2**. From 2008/09 there is no longer the need to provide for increases in this provision and this will be reflected in the updated MTFP once the Comprehensive Spending Review 2008 is announced. **Table 11** below shows the anticipated movements on the provision with the balance being used in 2007/08 to provide for a creditor in the year end accounts, reflecting the amount due in respect of that year but paid in April 2008.

Table 11 : Compensatory Grant Provision

	2006/07 £m	2007/08 £m	2008/09 £m
Balance at beginning of year	1.300	1.600	0.000
Contribution from revenue	0.300	0.300	0.000
Utilised in year / transfer to General Balances	0.000	(1.900)	0.000
Balance at end of year	1.600	0.000	0.000

5.5 Insurance Fund

5.5.1 The Authority has historically held an insurance fund to finance internal insurance claims. This self insurance policy currently substantially

assumes the risk in respect of public, employer and motor liabilities. The Authority continually reviews the level of the Insurance Provision to ensure it is at an appropriate level. Since 2004/05 the Authority has identified that due to its risk management strategies and improved claims experience the provision was in excess of the anticipated level of obligations. Consequently, the Authority agreed to the release of £0.500m from the Insurance Fund in 2005/06 and a further release of £0.500m over the next three years. This in line with the strategy endorsed by the Financial Planning Sub Committee in 2005/06. It is proposed to conduct a further review of the fund during 2007/08 with a view to releasing further resources from the Fund to replenish General Balances to its risk assessed level, and provide a residual Pension Reserve balance to meet any excess number of ill-health retirements.

Table 12 : Insurance Fund

	2006/07	2007/08	2008/09	2009/10
	£m	£m	£m	£m
Balance at beginning of year:	7.054	6.554	6.054	5.554
Contribution from Revenue	2.586	2.664	2.743	2.825
Interest	0.313	0.258	0.000	0.000
Expenditure	(2.899)	(2.922)	(2.743)	(2.825)
Release of provision	(0.500)	(0.500)	(0.500)	(0.000)
Balance at end of year:	6.554	6.054	5.554	5.554

5.6 Other Funds, Balances and Reserves

- 5.6.1 A table of the amounts retained in other funds, balances and reserves is included at **Appendix H**. These balances will be reviewed throughout the year and where appropriate, surpluses will be used to support the revenue account.

PART 6. CAPITAL PROGRAMME AND PRUDENTIAL CODE

6.1 Capital Outturn 2006/07

The Capital Plan for 2006/07 was set out as part of the Authority budget document. Changes and variations in spending patterns on the Capital Plan are more likely than with the revenue account as projects have long development lives that cross over financial years. The main changes to the plans for 2006/07 are likely as follows:

- Plans for introduction of crime recording and call handling technology were postponed and will now be deferred until 2007/08. The expenditure on these projects carried over into 2007/08 amounts to £1.700m;
- Investment in accordance with the Estates Strategy was the subject of review during 2006/07 and this delayed any substantial progress on schemes. As a result only £1.000m of the original budget of £7.000m is now likely to be spent during 2006/07; and
- Grants in respect of capital expenditure for the helicopter and equipment within ISB were received and expenditure of £0.594m will be incurred on these schemes.

These changes have been included in the revised capital plan attached at **Appendix C**.

6.2 Capital Plan 2007/08 to 2009/10

6.2.1 For 2007/08 the Authority will receive a capital grant of £2.784m, this is £0.722m less than the previous year as set out in **paragraph 3.2.3**. The balance of funding for capital schemes can be met by borrowing within the terms of the Prudential Code and capital receipts received from the sales of assets. For the sake of these calculations it has assumed that the Prudential Code will be used for funding all capital expenditure over and above the capital grant, any use of capital receipts would reduce borrowing accordingly.

6.2.2 The capital plan attached at **Appendix C** shows the plans for capital spending for the next three financial years. The plan builds on the initiatives included in the Force blueprint. At the time of preparing the budget, the Estates Strategy is under review; as a result, sums have been included to accommodate likely estates capital schemes over the next three years. Projects included in the revised Estates Strategy will be the subject of reports and approval by the Authority. The alterations and adaptations budget of £0.435m provides for improved access for the all service users, security of buildings, plant replacement and energy conservation measures.

- 6.2.3 The investment in IT is in line with plans previously presented to Members. The planned strategy includes implementation of further modules of the NICHE Records Management System which will further integrate operational systems. This will include crime recording, intelligence and incident handling modules. Further improvements are planned to call handling and dispatch as well as a number of projects in preparation for the introduction of the police national database.
- 6.2.4 The vehicle replacement budget is utilised to purchase vehicles across the force fleet. Replacements are undertaken according to age and mileage and in accordance with a vehicle replacement policy. Moves are being made to further standardise the fleet in order to achieve savings in maintenance and servicing costs and switch to diesel where possible as a further cost saving and environmental measure. Vehicles are purchased using a national framework agreement assuring best value in procurement is obtained. The vehicle replacement capital budget has increased to £3.500m for 2007/08 as a number of vehicles bought with revenue funds in recent years are now requiring replacement. Following on from a report to the Service Improvement Review Committee on Vehicle Fleet, a full report on the findings and financial implications of the review will be submitted to the Resources & Strategy Committee. The report will detail the strategy for developing the fleet and will particularly focus on the appropriate levels of the replacement programme for 2008/09 onwards. For the purposes of the Capital programme in this budget, the requirements set out in **Appendix C** will be subject to review following this report.

6.3 The Prudential Code

- 6.3.1 The Local Government Bill 2003 introduced a new system of capital financing and control. This system allows the Authority to set its own overall level of borrowing to finance capital schemes, and is governed by a set of regulations known as the Prudential Code.
- 6.3.2 The standards to be applied to this process are contained within the CIPFA Prudential Code for Capital Finance. This Code sets out a number of indicators that have to be calculated and approved by the Authority. The Code stresses that these indicators are designed to support local decision-making and are not designed to be comparative performance indicators.

Affordability and Associated Indicators

- 6.3.3 The first measures calculated look at affordability and address the impact on the revenue account and budgets of the Authority's capital strategy.

Capital expenditure

6.3.4 The first indicator is an estimate of capital expenditure for 2006/07 to 2009/10 and actual capital expenditure in 2005/06. This is set out in **Table 13** below. Details of the schemes making up these figures are set out in the Capital Plan at **Appendix C**.

Table 13 : Actual and Estimated Capital Expenditure 2005/06 to 2009/10

2005/06 £m Actual	2006/07 £m Estimate	2007/08 £m Estimate	2008/09 £m Estimate	2009/10 £m Estimate
10.923	11.277	16.840	18.055	18.205

Revenue Costs

6.3.5 To give an indication as to whether the proposed borrowings and the associated revenue costs are affordable the following indicators are calculated for consideration by the Authority:-

- Ratio of financing costs to net revenue stream
- Impact of capital investment decisions on the precept

6.3.6 For the purpose of these indicators, financing costs are calculated on a prudent basis and defined as total interest payable for short and long term borrowing, the Minimum Revenue Provision (a sum to reflect the capital repayment element of any borrowing), premiums in respect of prematurely repaid debt, less any interest and investment income. An estimate of the financing costs has been included within the budget. This is applied as a ratio to the net revenue stream, an estimate of the amount met from Revenue Support Grant, Business Rate Income and the Precept.

6.3.7 Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2005/06 are as follows:

Table 14 : Ratio of financing costs to net revenue stream

	2005/06 Actual £m	2006/07 Estimate £m	2007/08 Estimate £m	2008/09 Estimate £m	2009/10 Estimate £m
Financing costs	1.050	1.007	1.967	2.581	3.784
Net Revenue Stream	307.315	297.488	307.320	317.558	327.439
Ratio (%)	0.34%	0.34%	0.64%	0.81%	1.16%

6.3.8 The estimates of the incremental impact on the precept of the expected capital borrowing are shown in **Table 15**. However, it is anticipated that savings in running costs and capital receipts can be made to support the Estates Strategy, which will offset this impact.

Table 15 : Impact of borrowing on Precept

	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
Actual Increase (£m)	0.513	0.242	1.203
% Precept Increase	1.0%	0.47%	2.34%
Impact £ on Band D property	1.21	0.57	3.13

Capital Financing Requirement

6.3.9 In order to measure the Authority's underlying need to borrow to finance capital expenditure, a measure known as the Capital Financing Requirement is used. A number of financing options are available by which to fund capital investment:

- Use of capital receipts;
- Direct revenue financing; and
- Capital grants.

6.3.10 Capital expenditure not financed by one of the above will increase the capital financing requirement of the Authority. It is important to understand that there is no direct relationship between this sum and the actual external borrowing undertaken. The Authority, through the integrated treasury management strategy, takes account of overall planned cash flow and this will reduce the amount of borrowing required to fund capital investment. The Capital Financing Requirement is thus a reflection on the underlying sums required to finance the capital programme rather than the actual borrowings.

6.3.11 Estimates of the end of year Capital Financing Requirement for the current and future years, together with the actual Capital Financing Requirement at 31 March 2006 are detailed in **Table 16** below. The Capital Financing Requirement can be considered to be the net amount of long term borrowing which would be required to finance capital spend to date if the Authority did not have sufficient cash reserves.

Table 16: Capital Financing Requirements 2005/06 to 2009/10

2005/06 Actual £m	2006/07 Estimate £m	2007/08 Estimate £m	2008/09 Estimate £m	2009/10 Estimate £m
32.122	36.910	48.621	62.091	75.173

6.3.12 In order to ensure that medium term net borrowing will only be utilised for capital purposes, external borrowing should not, except in the short term, exceed the total of Capital Financing Requirement for the current and next 2 financial years.

Authorised Borrowing Limit

6.3.13 The authorised borrowing limit reflects the level of borrowing which the Authority deems suitable given the estimated capital plans and affordability. It is not an upper limit for borrowing for capital purposes alone since it must also encompass temporary borrowing for cash flow purposes. Any unanticipated revision to this limit would be considered an exceptional event and would trigger a review of the affordability indicators.

6.3.14 The proposed authorised limits for the Authority's total external debt are as follows.

Table 17 : Authorised Borrowing Limits 2006/07 to 2009/10

2006/07 Estimate £m	2007/08 Estimate £m	2008/09 Estimate £m	2009/10 Estimate £m
34.500	46.500	60.500	73.500

6.3.15 These limits are consistent with the Authority's current commitments and plans. They also accord with the approved treasury management policies and practices. Whilst they represent the most likely and prudent scenario they should also allow sufficient headroom for operational management matters, for example, unexpected cash flow movements.

Operational Boundary

6.3.16 The Authorised Limit is set to establish an ultimate boundary of the Authority's borrowing, it does not form part of routine financial management. For this purpose an Operational Boundary is set. This is designed to estimate the level of borrowing based upon the probable events projected by the estimates and makes no allowance for any headroom. It is designed to alert the Authority to any imminent breach of the Authorised Limit.

6.3.17 The following are the proposed operational boundaries for the Authority's total external debt.

Table 18 : Proposed Operational Boundary 2006/07 to 2009/10

2006/07 Estimate £m	2007/08 Estimate £m	2008/09 Estimate £m	2009/10 Estimate £m
32.500	44.500	58.500	71.500

Affordability

6.3.18 In considering the programme for capital investment the Authority should have regard to a measure of affordability. As a rough indication the full year interest cost of borrowing an additional £1m to invest in the programme would be approximately £0.060m. This rises in the subsequent year as the Minimum Revenue Provision applies and becomes a total of £0.100m per £1.000m borrowed.

Prudence and Associated Indicators

6.3.19 There are a number of prudential indicators in respect of Treasury Management, the first of which is that the Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Authority has already adopted this code and this is enshrined in its own Financial Regulations, i.e. Financial Regulation 6.3.2.

6.3.20 In addition, there are a number of treasury management indicators designed to ensure that external debt is kept within sustainable limits and is addressed year on year. It is possible that, while the financial strategy may be affordable in the short term, it is unsustainable in the medium term because it relies on borrowing to fund revenue expenditure.

6.3.21 In order to monitor this, except in the short term, net borrowing should not exceed the total Capital Financing Requirement in the previous year plus the estimates of any additional Capital Financing Requirements for the current and next two financial years. Monitoring procedures are in place to ensure this requirement is complied with.

6.3.22 A number of measures are also required for treasury management, to recognise the key implications of the borrowing and investment strategies. The Prudential Code identifies a number of indicators to monitor these risks and limit and monitor exposure to interest rate risks. These are set out below.

Upper limits for fixed rate exposure

6.3.23 The Authority to borrow under the Prudential Code commenced in 2004/05 and at first there was no need to undertake long term borrowing for capital expenditure as this was absorbed by the offsetting of balances held within existing funds and reserves. It is anticipated

that this position will switch to a net borrowing position shortly and as a result the Authority needs to set upper limits for borrowing for 2007/08, 2008/09 and 2009/10 of 100% of its net outstanding principal sums. This will enable the Authority to take out any required initial long term borrowing at a fixed rate if this is the most favourable option. It is thought that over time this indicator will reduce to 95%.

Upper limits for variable rate exposure

6.3.24 It is recommended that the Authority also sets an upper limit on its variable interest rate exposures for 2007/08, 2008/09 and 2009/10 of 40% of its net outstanding principal sums.

6.3.25 The Director of Resources, in conjunction with the Treasurer, will thus manage fixed interest rate exposures within the range 60% to 100% and variable rate exposures within the range 0% to 40%.

Maturity Structure

6.3.26 In order to minimise the risk of large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates, it is recommended that the Authority sets the following upper and lower limits for the maturity structure of its borrowing. These limits are unchanged from last year.

Table 19 : Maturity Structure Limits for Borrowing

	Upper limit	Lower limit
Under 12 months	10%	0%
12 months and within 24 months	10%	0%
24 months and within 5 years	20%	5%
5 years and within 10 years	35%	10%
10 years and above	100%	30%

PART 7. FUTURE FINANCIAL STRATEGY

- 7.1.1 The budget proposals for 2007/08 form part of the three year financial strategy agreed as part of last year's budget, which aims to achieve a financially sustainable position by 2008/09. This strategy remains on course though the significant uncertainty over future years funding is of concern. The prudent approach adopted by the Authority in setting out a sustainable financial strategy, the significant reductions achieved in spending and the investment in additional police officers are threatened by the potential of significantly reduced levels of grant increase in 2008/09 and beyond.
- 7.1.2 The uncertainty in the Authority's budget plans for the next few years is due to the lack of any guidance as to funding for the years 2008/09 and beyond. The Police Service has been promised a move to three-year settlements and this will provide far more certainty over the future financial position and would enable a much more reliable and strategic approach to decision making. Until this is announced the Authority can only use estimates of the likely funding position for future years.
- 7.1.3 A report setting out the broad principles in producing a MTFP was submitted to the Resources and Strategy Committee on 2nd November 2006. The report highlighted a range of potential scenarios for future years. The scenarios have been revisited in light of the latest intelligence and consequently, the two alternative versions of the Medium Term Financial plan have been produced within this report. These are as follows:-
- **The Best Case Scenario (Appendix I)** illustrates the impact of a 2.5% grant increases in grant funding in 2008/09 and in future years. An increase in the precept of 5% and an average rise in pay and prices of 2.8%; and
 - **The Worst Case Scenario (Appendix I)** illustrates the potential effect of a 2.0% increase in grant funding in 2008/09 and in future years, an increase in the precept set at 5.0% and an average rise in pay and prices of 3.0%.
- 7.1.4 It has been assumed that the precept cap will remain at 5%. This could in itself be optimistic, as the Government may wish to tighten the capping regime further in future years.
- 7.1.5 **Table 20** below shows that under both scenarios the Authority will face significant deficits even after the application of £1.284m of reserves and provisions in 2008/09.

Table 20 : Range of Scenarios

	2008/09 £m	2009/10 £m
Best Case Scenario:-		
Base Budget Deficit at 5% Precept Level	2.729	2.635
Planned Contribution from Reserves	(1.284)	0.000
Estimated Budget Deficit	1.445	2.635
Worst Case Scenario:-		
Base Budget Deficit at 5% Precept Level	4.658	4.660
Planned Contribution from Reserves	(1.284)	0.000
Estimated Budget Deficit	3.374	4.660

- 7.1.6 The above scenarios take no account of the financial impact of changing legislative requirements, the ability to raise increased levels of income locally and the financial implications of continued service improvements.
- 7.1.7 Once the situation becomes clearer with regard to 2008/09 and beyond, a further report will be presented to the Resources and Strategy Committee on the MTFP.
- 7.1.8 Clearly, neither scenario above sees an end to the requirement for further service savings to bridge the underlying funding gap. This is particularly serious under the worst case scenario, where the underlying gap increases to over £4.5m per year, which the Force would find impossible to bridge without a fundamental review of staffing levels and structures. Members will be aware that preliminary work is already underway regarding this issue (Resources and Strategy Committee 14th December 2006) in preparation for 2008/09 and beyond.

PART 8. KEY RISKS AFFECTING THE FINANCIAL POSITION

8.1.1 There are a number of underlying factors that have to be considered when determining the budget and precept as these have the potential to impact the Force's ability to meet the budget and strategy. These risks have been considered in setting out these budget proposals but Members need to be aware of these risks when making their decisions.

8.2 Future Funding Settlements

8.2.1 The level of government funding for 2007/08 was announced as part of the 2006/07 settlement. This gave a clearer indication of the budget position for two years and enabled a more strategic approach to be adopted towards financial planning. Whilst there are no indications as to the settlement for the years 2008/09 and beyond, the indications are that these could be challenging. Most informed debate suggests settlements in the range of 2.0% to 2.5%. This is considerably lower than previous years and would present the Authority with a significant challenge in securing a balanced budget and maintaining services, if inflationary pressures and particularly pay inflation is not kept under significant control.

8.2.2 The extent of the challenge will be dependent upon where in the range settlements fall, the pressures brought about by pay and price increases, and the financial burden of further legislative requirements. However, given the budget cuts imposed in recent years it is difficult to see how a further deficit could be adequately addressed without impacting staff numbers.

8.3 Use of One-off Funding

8.3.1 The financial strategy outlined is again designed to utilise one-off funding as a short-term investment to allow ongoing savings to be identified within the Force. These savings will eliminate the dependence upon one-off funding within the medium term. This has proved a highly successful strategy over the last five years.

8.3.2 The risk that ongoing savings cannot be achieved in the medium term would put at risk the financial strategy as a whole. However the Force has a good record of delivery of agreed savings, and this process will again be managed by the Savings and Investment Panel. The Force has successfully delivered over £6.1m of savings since 2005/06 as well as delivered savings for investment in additional police officers, complementing the utilisation of £3.981m contributed by the Authority from its reserves, balances and provisions.

8.4 Potential Emerging Budgetary Pressures

8.4.1 Following budget cuts in previous years the level of Force contingency and consequently financial resilience has been reduced. As a result the ability to accommodate the cost of responses to unplanned operational and budget pressures has diminished. Consequently, a number of budget pressures have been included as part of this report as they represent an increasing risk as budgets become ever tighter. The risks being:

- **Forensics Budget** – A report presented to the Resources and Strategy Committee in November 2006 set out the pressures arising within the forensics budget as a result of scientific and technological advances. Increasingly forensic techniques are used in investigation of crime and as a means of securing convictions. Measures have been taken to control forensic spending and these will result in savings during 2006/07 of around £0.700m. At the time of the report in November the estimated level of overspend amounted to £1.000m during 2006/07. This has been mitigated to some extent by the utilisation of the £0.280m savings arising from the pay and prices contingency (**see Table 3**) and the ongoing budget shortfall in forensics is now in the region of £0.420m;
- **Witness Care Funding** – Following a review by external consultants on the national No Witness No Justice project, the scheme was deemed to have been a success and to have achieved its objectives. Nonetheless, in October 2006 it was announced that specific grant funding for the scheme would not be continued into 2007/08. This scheme has been successful in not only increasing witness attendance at court but also releasing frontline officers from the role of witness care. Without the funding and the posts it supports there is a risk of a fall in conviction rates. The Force would like to continue with this scheme despite the withdrawal of funding and are looking at ways in which it can be continued during 2007/08. The loss of funding amounts to £0.300m per annum;
- **Bichard Response** – Following on from the publication of the Bichard Report all Forces have been required to review intelligence data and look towards combining the various data sources, whilst also ensuring records are accurate and relevant. Nationally, a scheme under the name IMPACT has commenced to look at the creation of a standard intelligence sharing scheme. The costs of this scheme are as yet unknown but work has already been ongoing to review and compile data within the Force. No additional funding has been received for this essential work and the estimated costs for 2007/08 are £0.150m. This figure is thought likely to rise in future years as the IMPACT programme develops, dependent upon the approach recommended by the ACPO working group;

- **Firearms Training Facility** – The existing firearms training facilities are seriously outdated and will place the Force firearms training licences under threat. There are also concerns regarding health and safety issues and links into cultural issues, which are influenced by the poor facilities at Altcar and were a factor quoted at the recent inquest of the suicide of a Merseyside Police Officer. The facility is due to be updated during the next 12 months as part of the Capital Programme, but given the current state of accommodation this could lead to additional running costs as the facility is brought up to modern standards, if a permanent solution is not found. These costs have been estimated at an additional £0.100m per annum; and
- **Lightning 3 Control Room** – The Force was successful in attracting a grant of £1.000m from the Government Office North West towards the cost of establishing a new control room within headquarters. This unit will combine intelligence gathering across the Force area, including CCTV, and provide a facility for management of investigations and incidents. The facility has led to additional revenue costs of £0.100m and a further £0.100m to relocate staff and provide the necessary space required within headquarters. It is likely that the redirection of policing efforts following the availability of the new intelligence driven control room, will lead to further improvements in performance.

8.4.2 In total these financial risks amount to £1.450m. Of interest, had the additional £1.840m grant been received rather than being lost under the 'Floors' reallocations these items would have been catered for within the grant. The Authority and Force will look to control these risks throughout the year. This risk has been recognised in the Force Risk register. It must be emphasised that the utilisation of any available General Balances can only be a sustainable solution to funding costs of a one off nature. The use to fund recurring expenditure merely adds significant pressure to future budgets and should be resisted unless a sustainable financing solution is in place.

8.5 Capital of Culture 2008

8.5.1 Members will be aware that a bid for additional Police Officers in preparation for Liverpool's Capital of Culture 2008 celebrations has been submitted to the Home Office. Deliberations are still ongoing with the Home Office, but clearly if there is not a positive outcome this will place a significant financial risk on the Force and will present clear risks around the ability of the Force to adequately police the various events and functions without having an impact on other areas of policing on Merseyside. This is clearly a major issue facing the Authority and the outcome of the deliberations with the Home Office and the implications of such will be reported to the Authority as soon as possible.

PART 9. CONCLUSION AND RECOMMENDATIONS

9.1 Conclusions

- 9.1.1 This budget continues the strategy set out in the MTFP and incrementally addresses the underlying deficit that as recently as 2005/06 amounted to £12.7m. The current underlying gap set out in this budget is now reduced to £2.5m, which has been achieved by a prudent mix of the utilisation of reserves, provisions and balances, along with significant service savings achieved by the Force over this period, and achieved within a precept increase at the 5% capping level.
- 9.1.2 This budget document presents a spending plan at a 5% precept increase which will achieve the current committed levels of service and through reinvestment of efficiency savings will achieve the proposed targets within the Policing Plan. There is a further enhanced budget option being put forward by the Chief Constable, which implies an 8% increase in the precept to adhere to the above and invest in the maintenance and further development of the Force Anti Social Behaviour Task Force.
- 9.1.3 Unfortunately, the Government have not published the 2008 CSR at the time of writing this report, and consequently there is much uncertainty surrounding the financial environment in 2008/09 and beyond. This report has modelled a range of scenarios which clearly indicate that significant service savings will be required in future years and to this end work is underway in the current year to prepare for what appears to be a tough financial environment over the next planning period.

9.2 Recommendations

- 9.2.1 The Authority is recommended to:-
- (f) note the Revised Estimate for 2006/07 as set out in **paragraph 2.5.1**;
 - (g) approve the Capital Programme and financing arrangements as set out in **Appendix C** and the prudential indicators outlined in **Section 6.3** of this report;
 - (h) approve in broad terms the Medium Term Financial Plan as set out in **Appendix I**;

- (i) approve the Revenue Budget for 2007/08 at a level it thinks most appropriate, having taken account of the advice and information set out in this report, in particular in respect of:-
- the precept level;
 - the measures needed to balance the base budget at service levels proposed within the Policing Plan;
 - the proposed savings requirement.
- (j) issue an appropriate precept requirement (after deduction of specific revenue grants, revenue support grant and business rate income) on the five Billing Authorities in the Merseyside area, to be levied as part of the Council Tax for the purposes of Police Authority expenses for the financial year beginning 1st April 2007 and ending 31st March 2008.

PAUL JOHNSON,
Treasurer to the Authority

BERNARD HOGAN HOWE,
Chief Constable

**MERSEYSIDE POLICE
2007/08 BUDGET**

ILLUSTRATIVE SUMMARY BUDGET 2007/08 ASSUMING 5% PRECEPT INCREASE

ORIGINAL ESTIMATE 2006/07 (1)	PROBABLE OUTTURN 2006/07 (2)	LINE No. (3)	FINANCIALLY ACCOUNTABLE UNITS (4)	ORIGINAL ESTIMATE 2007/08 (5)
£	£			£
			STRATEGIC DEVELOPMENT	
16,063,183	10,859,687	1	Strategic Development	16,552,495
			CITIZEN FOCUS	
-	7,762,593	2	Citizen Focus	7,799,837
7,607,566	7,373,417	3	Call Handling	7,503,871
			ADMINISTRATIVE SUPPORT	
8,514,374	12,430,226	4	Personnel and Development	12,618,849
23,366,887	25,743,539	5	Resources Directorate	25,922,479
			OPERATIONS	
159,305,850	159,096,371	6	Basic Area Operations	156,170,269
1,279,514	1,720,522	7	Area Co-ordination	2,819,433
323,534	214,444	8	Special Constabulary	124,986
795,054	777,812	9	Community Relations	748,031
			OPERATIONAL SUPPORT	
25,634,846	27,833,111	10	Operational Support	27,441,030
17,043,858	17,990,999	11	Crime and Intelligence	17,686,554
14,635,395	14,896,346	12	Force Crime Operations	14,943,703
			OPERATIONAL CONTINGENCY FUND	
611,937	693,786	13	Operational Contingency Fund	566,157
			POLICE SUPPORT SERVICES UNIT	
1,294,691	1,283,825	14	PSSU Administration	1,270,411
639,294	658,474	15	PSSU Finance	656,888
			NON RECHARGEABLE FINANCING ITEMS AND LEVIES	
40,306,000	40,818,021	16	Police Pensions	41,880,000
148,159	340,751	17	Attachments	202,316
1,718,980	1,588,633	18	Forcewide Services	1,727,394
176,623	176,623	19	Underwater Search Unit	180,062
9,585,680	9,924,700	20	Capital Charges	8,499,120
(646,453)	(1,564,383)	21	Income	(1,823,453)
666,550	684,487	22	PNC Charges	684,487
(2,500,000)	-	23	Savings schedule agreed by Chief Constable	-
326,571,522	341,303,984	24	NET COST OF SERVICES	344,174,919

**MERSEYSIDE POLICE
2007/08 BUDGET**

ILLUSTRATIVE SUMMARY BUDGET 2007/08 ASSUMING 5% PRECEPT INCREASE

ORIGINAL ESTIMATE 2006/07 (1)	PROBABLE OUTTURN 2006/07 (2)	LINE No. (3)	FINANCIALLY ACCOUNTABLE UNITS (4)	ORIGINAL ESTIMATE 2007/08 (5)
£	£			£
326,571,522	341,303,984	27	Net Cost of Services	344,174,919
8,017,156	280,000	28	Contingency for Pay and Price Increases	7,635,600
2,843,664	-	29	Provision for Police Reform Pay and Conditions	2,843,664
<u>337,432,342</u>	<u>341,583,984</u>	30	Net Cost of Services at Outturn Prices	<u>354,654,183</u>
(9,440,396)	(9,544,001)	31	Transfer from Asset Management Revenue Account	(9,265,764)
(208,966)	(250,840)	32	Interest and Investment Income	(146,874)
<u>327,782,980</u>	<u>331,789,143</u>	33	Net Operating Expenditure	<u>345,241,545</u>
			Appropriations	
	40,264	34	Net Carry Over from 2005/06	
	304,343	35	Net Carry Over to 2007/08	
		36	Expected surplus	
			Contribution to/(from) Capital Reserves	
		37	-Financing of Capital Expenditure	
(3,197,374)	(3,753,689)	38	-Adj. to provision for repayment of external loans	(1,884,538)
		39	Contribution from the Robbery Initiative Reserve	
	133,919	40	Contribution (from)/to the General Balances	(393,000)
300,000	300,000	41	Contribution (from)/to Compensatory Grant Provision	300,000
(2,981,000)	(2,981,000)	42	Contribution (from)/to Pensions Reserve	(1,992,000)
(500,000)	(500,000)	43	Contribution (from)/to Insurance Provision	(500,000)
		44	Contribution (from)/to Property Act Fund	
		45	Essential Developments	
		46	Savings to be identified	
<u>321,404,606</u>	<u>325,332,980</u>	47	TOTAL NET EXPENDITURE TO BE MET FROM GOVERNMENT GRANTS AND TAXATION	<u>340,772,007</u>
			Less : Specific Home Office Revenue Grants :	
(125,466,447)	(125,466,447)	48	General Grant	(127,673,757)
(23,917,259)	(27,845,249)	49	Specific Grants	(33,451,874)
(1,060,974)	(1,060,974)	50	Amending Adjustment	-
(19,339,252)	(19,339,252)	51	Revenue Support Grant	(18,131,947)
(100,184,894)	(100,184,894)	52	Business Rate Income	(108,043,616)
43,000	42,616	53	Deficit/(Surplus) on Collection Fund	676,337
<u>51,478,780</u>	<u>51,478,780</u>	54	PRECEPT REQUIREMENT	<u>54,147,150</u>
423,833	423,833	55	Council Tax Base (Number of Band D Properties)	424,585
£121.46	£121.46	56	Council Tax - Band D	£127.53
5.00%	5.00%	57	Increase on Previous Year (£6.07)	5.00%

APPENDIX B : PROJECTED OUTTURN 2006/07 VARIANCE ANALYSIS

FINANCIALLY ACCOUNTABLE UNITS	ORIGINAL ESTIMATE 2006/07	PROJECTED OUTTURN 2006/07	EXPLANATION OF THE VARIANCE
	£	£	
<u>STRATEGIC DEVELOPMENT</u>			
Strategic Development	16,063,183	10,859,687	Pay awards and price inflation, re-organisation of Chief Officer Directorates to Citizen Focus and Personnel and Development and Chief Constable's savings
<u>CITIZEN FOCUS</u>			
Citizen Focus	-	7,762,593	Re-organisation of Chief Officer Directorates introducing Citizen Focus Directorate
Call Handling	7,607,566	7,373,417	Carry Over from 2005/06, Payaward and Prices Inflation and impact of Neighbourhood Policing Model
<u>ADMINISTRATIVE SUPPORT</u>			
Personnel and Development	8,514,374	12,430,226	Pay awards and price inflation and re-organisation of Chief Officer Directorates. Additional IPLDP costs and Grant Funding and Chief Constables Savings
Resources	23,366,887	25,743,539	Carry over from 2005/06, Pay awards and price inflation and transfer of the PNC Bureau into Directorate
<u>OPERATIONS</u>			
Basic Area Operations	159,305,850	159,096,371	<i>Items reducing Expenditure:</i> Carry over from 2005/06, Re-organisation of Chief Officer's Directorate to Citizen Focus, Chief Constable's Savings and introduction of Anti Social Behaviour Task Force. <i>Items increasing expenditure:</i> Increase in Specific Grants, Pay award and price inflation, Increase in the Number of Police Officers
Area Co-ordination	1,279,514	1,720,522	Carry over from 2005/06, Pay award and price inflation, Utilisation of Property Act Fund and introduction of Anti Social Behaviour Task Force
Special Constabulary	323,534	214,444	Additional Grant Funding, Carry Over from 2005/06 and price inflation, return of Special's Bonus Payment Budget
Community Relations	795,054	777,812	Carry Over from 2005/06 and Price Inflation
<u>OPERATIONAL SUPPORT</u>			
Operational Support	25,634,846	27,833,111	Carry over from 2005/06, Pay award and price inflation, Increase in Number of Traffic Police Officers for Roads Policing, Chief Constable's savings schedule, introduction of the Gun Crime Unit
Crime and Intelligence	17,043,858	17,990,999	Carry over from 2005/06, Pay award and price inflation, increased cost of Forensic Investigation and Chief Constable's Savings Schedule
Force Crime Operations	14,635,395	14,896,346	Pay award and price inflation, additional grant funding and Chief Constable's Savings Schedule

APPENDIX B : PROJECTED OUTTURN 2006/07 VARIANCE ANALYSIS

FINANCIALLY ACCOUNTABLE UNITS	ORIGINAL ESTIMATE 2006/07 £	PROJECTED OUTTURN 2006/07 £	EXPLANATION OF THE VARIANCE
<u>OPERATIONAL CONTINGENCY FUND</u>			
Operational Contingency Fund	611,937	693,786	Carry Over from 2005/06. Increase due to Pay award and price inflation off set by Chief Constable's Savings Schedule
<u>POLICE SUPPORT SERVICES UNIT</u>			
PSSU Administration	1,294,691	1,283,825	Inflationary Increase offset by budgetary savings achieved
PSSU Finance	639,294	658,474	Inflationary Increase
NON RECHARGEABLE FINANCING ITEMS AND LEVIES			
Police Pensions	40,306,000	40,818,021	Inflationary Increase and reduced income from the pension contributions of Seconded Officers
Attachments	148,159	340,751	Police Officers seconded to SOCA
Forcewide Services	1,718,980	1,588,633	Underspend against the budget brought about by reducing the number of employees to be re-deployed by posting staff to substantive posts
Underwater Search Unit	176,623	176,623	Cost of Consortium expected to be consistent with previous years
Capital Charges	9,585,680	9,924,700	Variation has been caused by a change in the depreciation of plant and equipment. This has no impact on the overall revenue charge as offset by balance sheet adjustments
Income	(646,453)	(1,564,383)	Transfer of income for Proceeds of Crime Act from Operational Support and re-imbursment of costs received in respect of US Secretary of State visit
PNC Charges	666,550	684,487	Inflationary Increase
Savings to be identified by Chief Officers	(2,500,000)	-	Savings allocated to Budget Holders in 2006/07 and reflected in above out-turn position
Net Cost of Services	326,571,522	341,303,984	

APPENDIX C - Capital Programme

	2006/07 Revised £m	2007/08 £m	2008/09 £m	2009/10 £m	2006/07 Revised £m	2007/08 £m	2008/09 £m	2009/10 £m
CAPITAL FINANCING								
Home Office Allocations								
Government Grant - General	3.506	2.784	2.784	2.784	5.725	5.030	3.910	3.650
- Technology	0.594	0.720	0.000	0.000	0.730	0.100	0.100	0.100
Total Home Office Allocations	4.100	3.504	2.784	2.784	0.070	0.000	0.000	0.000
IT/Technical								
IT Strategy					1.100	0.000	0.000	0.400
Technical Equipment					0.000	0.775	0.000	0.000
Helicopter Spotterscope								
Airwave								
Project Lighting								
Total IT/Technical	2.319	2.319	2.319	2.319	7.625	5.905	4.010	4.150
Borrowing								
Supported Capital Expenditure	2.319	2.319	2.319	2.319	0.452	0.435	0.445	0.455
Unsupported Borrowing	3.758	11.017	12.952	13.102	1.000	7.000	10.000	10.000
Total Borrowing	6.077	13.336	15.271	15.421	1.452	7.435	10.445	10.455
Internal Financing								
Airwave Reserve	1.100	0.000	0.000	0.000				
Total Internal Financing	1.100	0.000	0.000	0.000	2.200	3.500	3.600	3.600
Vehicles								
Vehicle Replacements								
Total Vehicles	11.277	16.840	18.055	18.205	11.277	16.840	18.055	18.205

Notes

* subject to report on vehicle fleet to Resources and Strategy Committee as per paragraph 6.2.4

Appendix D - Proposed Efficiency Plan 2007/08 – 2009/10

Introduction

The Home Office requires police authorities to demonstrate increasing efficiency in the services they provide. This efficiency is measured in terms of either **cashable**, where the same or better output is achieved for less financial cost, or **non-cashable** gains, where better output, quality or quantity, is achieved for the same cost.

Since 2005/06, the target has been to create annual efficiency savings equivalent to **3%** of net revenue expenditure (NRE), half of which (**1.5%**) must be cashable.

For non-cashable savings, there is a requirement to show how the efficiencies help to maintain or improve performance by linking in with the force performance measures. Non-cashable savings linked to areas where performance is only fair or where performance has deteriorated over the year cannot be counted towards the force target.

Plans are prepared on a three year basis although those for future years, in this case 2008/09 and 2009/10, are not required to be in detail – only initiatives already identified for future years need be included.

For gains in excess of £0.100m that are not linked to the FLP measure, authorities are required to identify risks to performance arising from the initiative.

Performance on the 2006/07 Efficiency Plan

The forecast outturn for 2006/07 shows a total saving of **£10.231m** compared with a revised plan of **£8.461m**. This outturn represents an overall saving of over 3.41% of NRE, ahead of the revised target figure of £9.010m.

The additional savings compared with the revised plan have been achieved from a number of initiatives such as a reduction in the number of redeployments, procurement savings from national and regional contracts and a number of local initiatives including such things as increased capacity within IT support, the delivery of uniforms to areas and the delivery of additional training courses in-house.

The projected outturn of the 2006/07 Efficiency Plan would produce a saving of £1.221m in excess of the 3% target. This will be added to the £5.717m brought forward from 2005/06 to give a total carry forward to the 2007-08 plan of £6.938m. Of this total available for carry forward, £2.216m is cashable and £4.722m non-cashable.

Efficiency Plan 2007/08 – 2009/10

The three-year plan for 2007/08 – 2009/10 indicates that the authority will be required to demonstrate savings of around **£28.630m** over the next three years including £14.315m cashable gains.

For 2007/08, a level of savings at 3% of planned NRE equates to £9.280m which includes a cashable target of £4.640m. The plan for 2007/08 is to deliver savings of **£9.310m** giving a surplus for the year of £0.030m which when added to the forecast brought forward balance of £6.937m from the 2005/06 gives a total of **£6.968m** to be carried forward into subsequent years.

Summary of Efficiency Plan 2007/08 - 2009/10

	Revised Plan 2006/07	Plan 2007/08	Estimate 2008/09	Estimate 2009/10
	(£m)	(£m)	(£m)	(£m)
NRE (estimated)	305.212	309.312	317.557	327.439
Efficiency Target (3%)	9.156	9.280	9.526	9.824
Projected Outturn	10.231	9.310	9.526	9.824

Some of the more significant initiatives have been mentioned within the budget report as follows:

- Quality Control of Forensic Submissions
- Conversion of TCSOs into CSOs
- Savings from FMT
- Review of Support Services

Other savings have been achieved through national and regional procurement contracts (£0.250m) and from other local initiatives.

Non Cashable savings

Within the non cashable savings are a number of initiatives which ensure that better use is made of staff resources. These include benefits from the use of the Lightning 3 control room, extended functionality of mobile data terminals, the use of customer service desks within areas to grade calls and the Force initiative to reduce sickness levels of both police and staff across the Force.

Re-Investment of Efficiency Savings 2007/08 – 2009/10

Of the £4.669m cashable savings identified in the 2007/08 efficiency plan, £1.899m will be used to fund the full year effect of the additional officers, £0.375m for the accommodation and running costs of the new Crime Faculty,

£0.408m on premises to alleviate pressure on the existing estate and the balance of £1.967m towards addressing the budget shortfall.

Non-cashable savings of £4.641m will be re-invested in the formation of the Anti-Social Behaviour Taskforce the Embar gun crime operation and supporting neighbourhood policing.

EFFICIENCY PLAN 2006/07

	2006/07 Revised Plan £m	2006/07 Forecast Outturn £m
NRE:	305.212	300.335
1.5% Cashable Target:	4.578	4.505
1.5% Non-Cashable Target:	4.578	4.505

SAVINGS

Cashable Savings

Reduction in number of vacant posts
Savings from Service Review to fund investment in New Officers
Cuts Targeted at Supplies and Services Budgets
Additional Overtime Savings
Reduction in redeployment
Savings from Procurement
Other Local Initiatives

Total savings achieved in year
Cashable Balance Brought Forward
Total Cashable Savings Available
Excess Savings over 1.5% target c.fwd

Non Cashable Savings

Mobile Data
ANPR
Crime Fighters
Additional Volunteers
Neighbourhood Policing Model
Local Initiatives

Total Non-Cashable Savings achieved in year
Non-Cashable Balance Brought Forward
Total Non-Cashable Savings Available
Excess Savings over 1.5% target c.fwd
Total Savings achieved in year
Total Excess Savings over 3% target c.fwd

	Revised Plan 2006/07 £'m	Outturn 2006/07 £'m
	1.186	1.186
	0.533	0.533
	1.070	1.070
	0.000	0.250
	0.000	0.445
	0.000	0.228
	0.719	0.789
	3.508	4.501
	2.220	2.220
	5.728	6.721
	0.804	2.216
	0.300	0.242
	0.383	0.315
	1.355	0.271
	0.115	0.152
	2.800	2.873
	0.000	1.877
	4.953	5.730
	3.497	3.497
	8.450	9.227
	3.526	4.722
	8.461	10.231
	4.331	6.938

RE-INVESTMENT

Use of Cashable Savings

Investment in Technology including Niche, Mobile Data and ANPR
Investment in New Officers

Use of Non Cashable Gains

Increase in Front Line Policing and other Baseline Measures

	Revised Plan 2006/07 £'m	Outturn 2006/07 £'m
	2.712	3.705
	0.796	0.796
	3.508	4.501
	4.953	5.730
	4.953	5.730
	8.461	10.231

EFFICIENCY PLAN 2007/8

	2007/08 Plan		2008/09 Plan		2009/10 Plan	
	£m	£m	£m	£m	£m	£m
NRE:	309.312	317.557	327.439			
1.5% Cashable Target:	4.640	4.763	4.912			
1.5% Non-Cashable Target:	4.640	4.763	4.912			

SAVINGS

Cashable Savings

Quality Control of Forensic Submissions
 Conversion of existing TCSOs to CSOs
 Reduction in Overtime
 Review of Support Services
 Use of Redeployment
 Savings from FMT
 Reduction in Special Constables Development
 Regional/National Procurement Savings
 Other Local Initiatives
 Savings to be identified 2008/09 onwards
 Total savings achieved in year
 Cashable Balance Brought Forward
Total Cashable Savings Available
 Excess Savings over 1.5% target c.fwd

Non Cashable Savings

Use of Lightning 3 Control Room
 Mobile data input
 Review of shifts within CRB
 Telecoms and IT support
 Call handling
 Reduction in sickness levels
 Customer service desks
 Other Local Initiatives
 Savings to be identified 2008/09 onwards
Total Non-Cashable Savings achieved in year
 Cashable Balance Brought Forward
Total Non-Cashable Savings Available
 Excess Savings over 1.5% target c.fwd
Total Savings achieved in year
 Total Excess Savings over 3% target c.fwd

	Plan		
	2007/08 £'m	2008/09 £'m	2009/10 £'m
	0.700	4.763	4.912
	0.600	4.763	4.912
	0.600	2.245	2.245
	0.250	7.008	7.157
	0.350	2.245	2.245
	0.200		
	0.300		
	0.250		
	1.419		
	4.669	4.763	4.912
	2.216	2.245	2.245
	6.885	7.008	7.157
	2.245	2.245	2.245
	0.294		
	0.818		
	0.361		
	0.229		
	0.227		
	0.680		
	0.877		
	1.154		
	4.641	4.763	4.912
	4.722	4.763	4.912
	9.363	9.486	9.635
	4.723	4.723	4.723
	9.310	9.526	9.824
	6.968	6.967	6.968

RE-INVESTMENT

Use of Cashable Savings

Investment in crime faculty
 Full year effect of additional officers
 Additional space to relieve pressure on force estate
 Addressing force savings targets

Use of Non Cashable Gains

Reinvestment within ASB Taskforce
 Embarr Gun Crime Team
 Increase in Front Line Policing and other
 Baseline Measures

	Plan		
	2007/08 £'m	2008/09 £'m	2009/10 £'m
	0.375		
	1.899		
	0.408		
	1.987		
	4.669	0.000	0.000
	1.803		
	2.495		
	0.343	4.763	4.912
	4.641	4.763	4.912
	9.310	4.763	4.912

Appendix E - Links between the 2007/08 Budget and the Policing Plan

This table shows the level of improvement which has been determined in the Policing Plan, which is underpinned by planned reinvestment of efficiency savings.

Efficiency Plan Reinvestment	Policing Plan Priority	SPIs impacted	Performance Improvement for 2007/08	Aspirational Performance Improvement to 2009/10
Investment in Crime Faculty £375,000	Professionalising the Workforce	SPI 1a – Satisfaction with making contact	Increase by 2%	Increase by 2%
		SPI 1b – Satisfaction with action taken	Increase by 5%	Increase by 6%
		SPI 1c – Satisfaction with being kept informed	Increase by 12%	Increase by 14%
	Improving Public Satisfaction and Confidence	SPI 1d – Satisfaction with treatment from staff	Maintain level	Increase by 1%
		SPI 1e – Satisfaction with overall service	Increase by 3%	Increase by 4%
		SPI 2a – Public confidence	Increase by 7.5%	Increase by 9.5%
		SPI 3a – Satisfaction for victims of racist incidents	Deferred Target	Deferred Target
		SPI 3b – Comparative satisfaction of racial minority groups	Improve by 9%	Improve by 14%
		SPI 3c – Parity of Stop and Search arrests	Improve by 5%	Improve by 5%
		SPI 3d – Parity of detections for violent crime	Improve by 2%	Improve by 7%
	SPI 6b – Offences brought to justice	Increase by 2%	Increase by 4%	
	SPI 7a – Sanction detection rates	Increase by 2.5%	Increase by	

Efficiency Plan Reinvestment	Policing Plan Priority	SPIs impacted	Performance Improvement for 2007/08	Aspirational Performance Improvement to 2009/10
				4.5%
		SPI 10ai – Fear of burglary	Improve by 5.5%	Improve by 7%
		SPI 10aii – Fear of car crime	Improve by 6%	Improve by 8%
		SPI 10aiii – Fear of violent crime	Improve by 13%	Improve by 14%
		SPI 10 b – Perception of Anti-social behaviour	Improve by 7.5%	Improve by 9%
		SPI 10c – Perception of drug use	Improve by 8%	Improve by 12%
		SPI 1a – Satisfaction with making contact	Increase by 2%	Increase by 2%
		SPI 1b – Satisfaction with action taken	Increase by 5%	Increase by 6%
		SPI 1c – Satisfaction with being kept informed	Increase by 12%	Increase by 14%
		SPI 1d – Satisfaction with treatment from staff	Maintain level	Increase by 1%
		SPI 1e – Satisfaction with overall service	Increase by 3%	Increase by 4%
		SPI 2a – Public confidence	Increase by 7.5%	Increase by 9.5%
		SPI 3a – Satisfaction for victims of racist incidents	Deferred Target	Deferred Target
		SPI 3b – Comparative satisfaction of racial minority groups	Improve by 9%	Improve by 14%
		SPI 3c – Parity of Stop and Search arrests	Improve by 5%	Improve by 5%
Full Year Effect of Additional Officers £1,899,000	Blitzing ASB Improving Public Satisfaction and Confidence			

Efficiency Plan Reinvestment	Policing Plan Priority	SPIs impacted	Performance Improvement for 2007/08	Aspirational Performance Improvement to 2009/10
		SPI 3d – Parity of detections for violent crime	Improve by 2%	Improve by 7%
		SPI 6b – Offences brought to justice	Increase by 2%	Increase by 4%
		SPI 7a – Sanction detection rates	Increase by 2.5%	Increase by 4.5%
		SPI 10ai – Fear of burglary	Improve by 5.5%	Improve by 7%
		SPI 10aii – Fear of car crime	Improve by 6%	Improve by 8%
		SPI 10aiii – Fear of violent crime	Improve by 13%	Improve by 14%
		SPI 10 b – Perception of Anti-social behaviour	Improve by 7.5%	Improve by 9%
		SPI 10c – Perception of drug use	Improve by 8%	Improve by 12%
		SPI 11a - Front Line Policing	Increase by 1.5%	Increase by 4.5%
		SPI 1a – Satisfaction with making contact	Increase by 2%	Increase by 2%
		SPI 1b – Satisfaction with action taken	Increase by 5%	Increase by 6%
Additional Space to Relieve	Improving our Estate	SPI 1c – Satisfaction with being kept informed	Increase by 12%	Increase by 14%

Efficiency Plan Reinvestment	Policing Plan Priority	SPIs impacted	Performance Improvement for 2007/08	Aspirational Performance Improvement to 2009/10	
Pressures on Force Estate £408,000	Improving Public Satisfaction and Confidence	SPI 1d – Satisfaction with treatment from staff	Maintain level	Increase by 1%	
		SPI 1e – Satisfaction with overall service	Increase by 3%	Increase by 4%	
		SPI 2a – Public confidence	Increase by 7.5%	Increase by 9.5%	
	Professionalising the Workforce	SPI 3a – Satisfaction for victims of racist incidents	Deferred Target	Deferred Target	
		SPI 3b – Comparative satisfaction of racial minority groups	Improve by 9%	Improve by 14%	
		SPI 12a - Delivery of Efficiency targets	N/A	N/A	
		SPI 13a - Officer sickness absence	Improve by 0.4%	Improve by 0.8%	
		SPI 13b – Staff sickness absence	Improve by 0.9%	Improve by 1.3%	
	Reinvestment into ASB Taskforce £1,803,000	Blitzing ASB	SPI 1a – Satisfaction with making contact	Increase by 2%	Increase by 2%
			SPI 1b – Satisfaction with action taken	Increase by 5%	Increase by 6%
SPI 1c – Satisfaction with being kept informed			Increase by 12%	Increase by 14%	
Improving Public Satisfaction and Confidence		SPI 1d – Satisfaction with treatment from staff	Maintain level	Increase by 1%	
		SPI 1e – Satisfaction with overall service	Increase by 3%	Increase by 4%	
		SPI 2a – Public confidence	Increase by 7.5%	Increase by 9.5%	

Efficiency Plan Reinvestment	Policing Plan Priority	SPIs impacted	Performance Improvement for 2007/08	Aspirational Performance Improvement to 2009/10
		SPI 10aiii – Fear of violent crime	Improve by 13%	Improve by 14%
		SPI 10 b – Perception of Anti-social behaviour	Improve by 7.5%	Improve by 9%
		SPI 10c – Perception of drug use	Improve by 8%	Improve by 12%
		SPI 11a - Front Line Policing	Increase by 1.5%	Increase by 4.5%
		SPI 5b – Violent crime rate	Deferred target	Deferred target
		SPI 5e – Life threatening and gun crime rate	Deferred target	Deferred target
		SPI 6b – Offences brought to justice	Increase by 2%	Increase by 4%
		SPI 10aiii – Fear of violent crime	Improve by 13%	Improve by 14%
		SPI 1a – Satisfaction with making contact	Increase by 2%	Increase by 2%
		SPI 1b – Satisfaction with action taken	Increase by 5%	Increase by 6%
		SPI 1c – Satisfaction with being kept informed	Increase by 12%	Increase by 14%
		SPI 1d – Satisfaction with treatment from staff	Maintain level	Increase by 1%
		SPI 1e – Satisfaction with overall service	Increase by 3%	Increase by 4%
		SPI 2a – Public confidence	Increase by 7.5%	Increase by 9.5%
EMBAR gun Crime Team £2,495,000	Tackling Gang Related Crime Improve our Use of Forensics Using Technology to Fight Crime			
Increase in Front Line Policing and other Baseline measures £343,000	Improving Public Satisfaction and Confidence			

Efficiency Plan Reinvestment	Policing Plan Priority	SPIs impacted	Performance Improvement for 2007/08	Aspirational Performance Improvement to 2009/10
		SPI 11a - Front Line Policing	Increase by 1.5%	Increase by 4.5%

The following performance areas have improvement which is planned to be achieved within existing levels of resources.

SPI	Performance Improvement for 2007/08	Performance Improvement to 2009/10
SPI 3e Percentage of police recruits from black and racial minority groups	Improve by 1.5%	Improve by 1.5%
SPI 3g Percentage of female officers	Improve by 1.5%	Improve by 5%
SPI 4a BCS prevalence of personal crime	Improve by 0.4%	Improve by 1.3%
SPI 4b BCS prevalence of household crime	Improve by 1.6%	Improve by 2.6%
SPI 5f Acquisitive crime per 1000 population	Improve by 3 crimes – (4,850 crimes in total)	Improve by 7 crimes – (9,700 crimes in total)
SPI 8a Percentage of domestic violence events where arrest was made	Improve by 2.5%	Improve by 4.5%
SPI 9a Number of people killed or seriously injured in road traffic collisions	Improve by 1 (80 incidents)	Improve by 2 (160 incidents)

Appendix F – Anti Social Behaviour (ASB) Task Force and the case for further investment

Results and Achievements

The following are some of the many examples of successful interventions by the task force:

- **Mischief and Bonfire Night (Operation Firecalm)** – a multi agency approach to reduce the rising trend of crime and disorder on these 2 nights achieved the following results:
 - Y 60 tonnes of fireworks removed from the retail chain
 - Y 15% reduction in anti social behaviour incidents compared to 2005
 - Y 89 arrests and 65 PNDs issued for related offences
 - Y 1330 retail outlets visited to enforce fireworks registrations
- **Stockbridge Village (Operation Albert)** – a response to a series of hate crimes against several local families. The task force combined enforcement with reassurance and community work to ensure the following excellent results across the spectrum and crime and disorder:
 - Y 55% reduction in calls for service for anti social behaviour issues
 - Y 17% reduction in general calls for service
 - Y 47% reduction in auto crime
 - Y 21% reduction in burglary
 - Y 12% reduction in criminal damage
- **Childers Street/Bibby Street** – a “Gold” rated hotspot for repeat victims and calls, and one that the media had billed as “lawless”.

The task force tackled this in conjunction with 14 partner agencies resulting in a 65% reduction in anti social behaviour incidents. This was a true multi-agency success, drawing on partner-based legislation to impact upon drugs, fraud, crime and environmental issues.

Local and National Impact

The chart overleaf shows the reduction in incidents of anti social behaviour across the force since the introduction of the task force. The incidents have remained consistently below the force target since November.

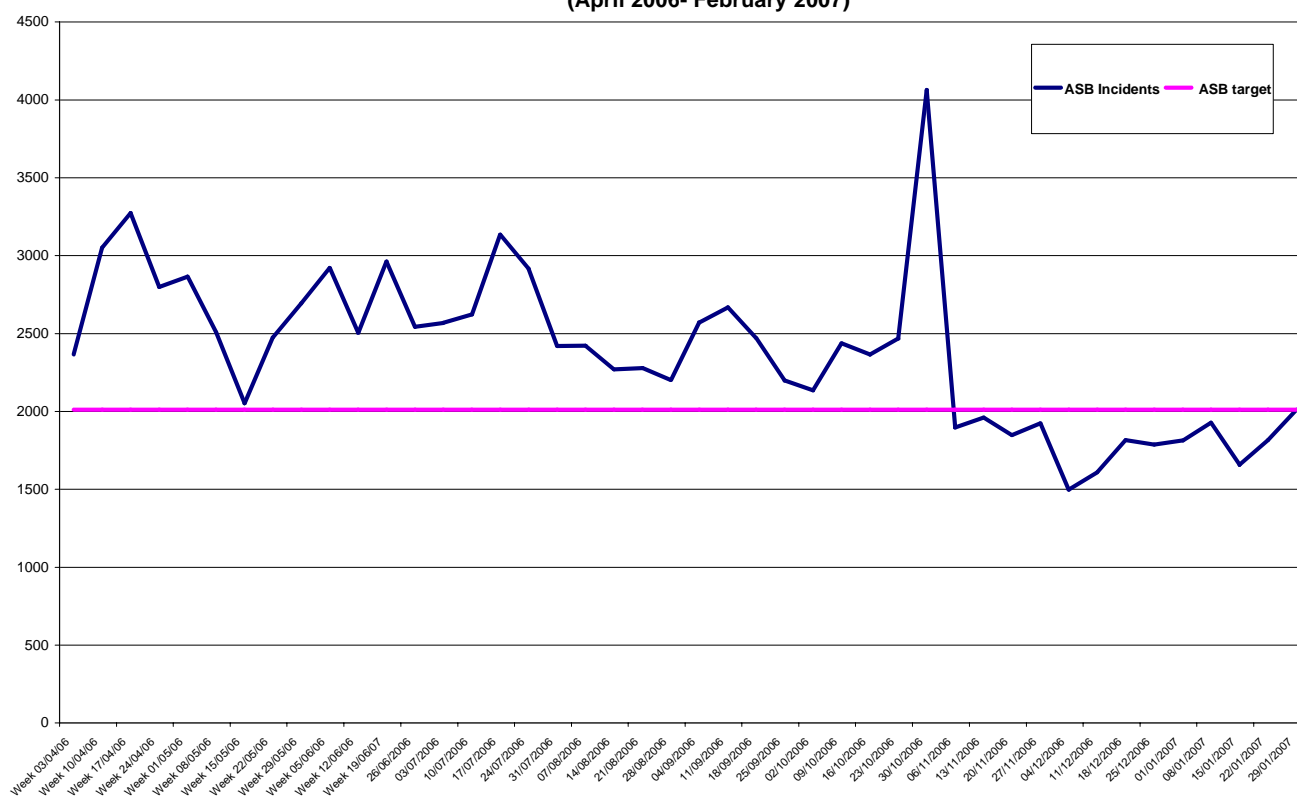
The personal performance of the task force staff is shown below. Their productivity in terms of stop searches and use of mobile data checks is well above the force average.

Arrests	363
Stops Searches	1887
Penalty Notices for Disorder	72
FPN/EFPN	192
Vehicles Seized	22
Mobile Data checks	4690

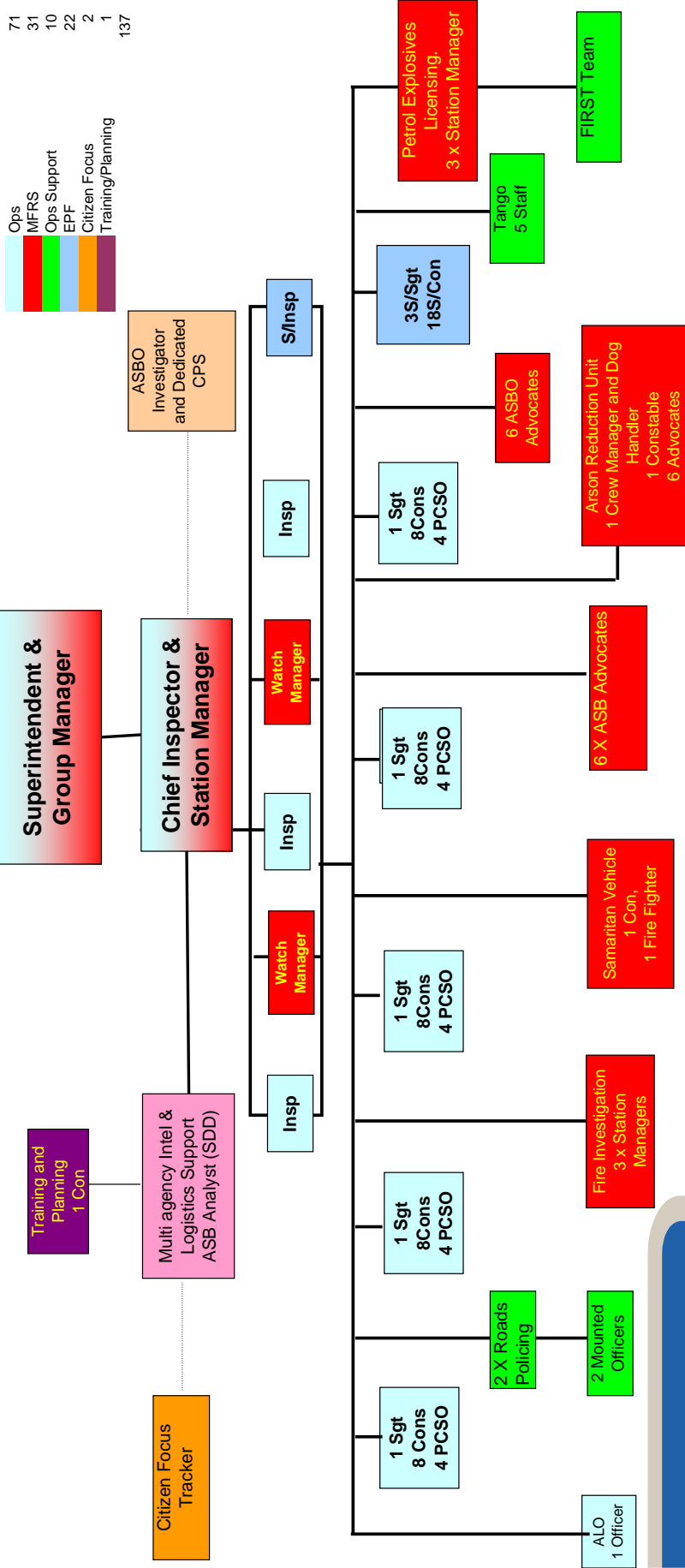
Nationally, the concept and development of the task force has attracted interest and endorsement at the highest levels, and is cited as best practice by Louise Casey, the Government Anti-Social Behaviour tsar. This has encouraged the force to make an application, in conjunction with the Fire and Rescue Service, for “Beacon” status for the task force. If the bid is successful, it will open doors to funding, as well as opportunities to develop and share best practice, and will be a recognition of the value placed upon the force’s approach to tackling anti social behaviour.

Force level Weekly ASB and Criminal Damage (inc weekly target)
(April 2006- February 2007)

Appendix A



APPENDIX F



MERSEYSIDE POLICE

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Appendix G – Risk Analysis of General Balances

Risk Register Ref No.	Brief Description	Residual Risk Score from Risk Register	Estimated mid-point Cost £m	Financial Requirement £m
1	Financial Capability	12	8	0.960
2	Professional Standards	9	2	0.180
3	Terrorism	12	10	1.200
4	Loss of key personnel	12	5	0.600
5	Staff Training	9	2	0.180
6	IT Risks	8	3	0.240
7	Strategic Performance	9	5	0.450
8	Business Continuity	6	4	0.240
9	Policing Partnerships and Goals	12	3	0.360
10	Estate Issues	12	7	0.840
11	Illegal Immigration	9	2	0.180
12	Freedom of Information	6	1	0.060
13	Convictions	8	1	0.080
14	Call Volumes	9	2	0.180
15	Response	12	2	0.240
16	Forensic capability	12	1	0.120
Proposed Level of General Balances Required to provide adequate financial resilience against Risks identified in Strategic Risk Register				6.110

The assessment of the financial requirement to provide resilience against risks has been compiled using the force risk register. The calculation is based upon the residual risk of events, after control mechanisms have been considered, against an estimated mid point cost of such an incident.

Incidents requiring resources greater than the estimates would be deemed exceptional and would be subject of requests for external financial assistance. Risks beyond those included on the schedule have been considered and deemed capable of being met from existing force contingency budgets.

Appendix H – Other Funds, Balances and Reserves

Description	Balance end March 2006 £m	Balance end March 2007 £m
Capital Reserve – Used for capital re-phasing and capital creditors	1.880	1.880
Helicopter Fund – Used to provide a reserve for servicing and repair, based on flying hours	0.040	0.055
Police Property Act Fund – Funds from sales of property donated to good causes	0.021	0.021
Cleaning Contract Reserve – Accumulation of cleaning contract surplus	0.075	0.075
Vehicle Fleet Reserve – Surplus from Fleet Trading Account	0.080	0.080
Sponsorships – Sponsorship monies received and held by various BCUs	0.075	0.070
Airwave Reserve – Funds received in advance for purchase of Airwave equipment	1.539	0.439
Safer Merseyside Partnership Reserve	0.194	0.194
Target Hardening Reserve	0.091	0.091
Other Balances and Funds – Various other small funds and balances	0.187	0.150
Totals	4.182	3.055

**Appendix I - MEDIUM TERM FINANCIAL STRATEGY for 2007/08 to 2009/10
Worst Case Scenario
(General Grants @ 2.0% - Precept @ 5.0% - Inflation @ 3.0%)**

	2007/08		2008/09		2009/10	
	£m	% Precept Increase	£m	% Precept Increase	£m	% Precept Increase
Base Budget	296.631		292.221		302.371	
Police Pensions 2006/07	41.880		41.880		41.880	
Provision for Inflation	8.466		9.908		10.194	
Total Base Budget Requirement	346.977		344.009		354.445	
Funding -						
General Grant	(253.849)		(258.926)		(264.104)	
Specific Grants	(33.452)		(20.063)		(20.063)	
Total assumed Government Grants	(287.301)		(278.989)		(284.167)	
Net Base Budget Requirement	59.676		65.020		70.278	
Brought Forward Precept Level	(51.479)		(54.147)		(56.854)	
Additional Base Budget Funding Requirement	8.197	15.9%	10.873	20.1%	13.424	23.6%
Committed Growth/Savings						
Capital Financing	0.513		0.242		1.203	
Payment to Special Constables	0.100					
Additional Income from Liverpool Goldzone	(0.100)					
Shortfall after Base and Committed Growth	8.710	16.9%	11.115	20.5%	14.627	25.7%
Changes to Precept Income						
Recurring						
Increase in Tax base 2007/08	(0.095)					
One Off						
Deficit on Collection Fund	0.676		0.000		0.000	
Net additional Precept Requirement	9.291	18.0%	11.115	20.5%	14.627	25.7%
Precept increase of 5%	(2.573)	5.0%	(2.707)	5.0%	(2.843)	
Force Savings	6.718		8.408		11.784	
Force Savings towards base in 2006/07	(2.500)		(2.500)		(2.500)	
Force Savings towards base in 2007/08	(1.250)		(1.250)		(1.250)	
Force Savings towards base in 2008/09	(0.625)		(0.625)		(0.625)	
Additional Savings	(0.083)		(0.060)		(0.060)	
Reduction in contribution to Compensatory Grant Provision			(0.300)		(0.300)	
CONTRIBUTIONS FROM BALANCES AND RESERVES	2.885		1.284		0.000	
BUDGET DEFICIT 2008/09	0.000		2.389		2.389	
BUDGET DEFICIT 2009/10					4.660	

Appendix I - MEDIUM TERM FINANCIAL STRATEGY for 2007/08 to 2009/10
Best Case Scenario
(General Grants @ 2.5% - Precept @ 5.0% - Inflation @ 2.8%)

	2007/08	2008/09	2009/10	
	£m	£m	£m	% Precept Increase
Base Budget	296.631	292.221	301.711	
Police Pensions 2006/07	41.880	41.880	41.880	
Provision for Inflation	8.466	9.248	9.496	
Total Base Budget Requirement	346.977	343.349	353.087	
Funding -				
General Grant	(253.849)	(260.195)	(266.700)	
Specific Grants	(33.452)	(20.063)	(20.063)	
Total assumed Government Grants	(287.301)	(280.258)	(286.763)	
Net Base Budget Requirement	59.676	63.091	66.324	
Brought Forward Precept Level	(51.479)	(54.147)	(56.854)	
Additional Base Budget Funding Requirement	8.197	8.944	9.470	16.7%
Committed Growth/Savings				
Capital Financing	0.513	0.242	1.203	
Payment to Special Constables	0.100			
Additional Income from Liverpool Goldzone	(0.100)	0.242	1.203	
Shortfall after Base and Committed Growth	8.710	9.186	10.673	18.8%
Changes to Precept Income				
Recurring Increase in Tax base 2007/08	(0.095)			
One Off	0.676	0.000	0.000	
Deficit on Collection Fund	0.581	0.000	0.000	
Net additional Precept Requirement	9.291	9.186	10.673	18.8%
Precept increase of 5%	(2.573)	(2.707)	(2.843)	5.0%
Force Savings	6.718	6.479	7.830	
Force Savings towards base in 2006/07	(2.500)	(2.500)	(2.500)	
Force Savings towards base in 2007/08	(1.250)	(1.250)	(1.250)	
Force Savings towards base in 2008/09	(0.625)	(0.625)	(0.625)	
Additional Savings	(0.083)	(0.060)	(0.060)	
Reduction in contribution to Compensatory Grant Provision		(0.300)	(0.300)	
CONTRIBUTIONS FROM BALANCES AND RESERVES	2.885	1.284	0.000	
BUDGET DEFICIT 2008/09	0.000	0.460	0.460	
BUDGET DEFICIT 2009/10			2.635	

Appendix J – Analysis of Pensions Transaction 2007/08 and 2008/09

Pensions transactions are split between those that reside within the Authority Revenue Account, predominantly pension contributions and injury pensions and those that are contained within the Pensions Account, being the cost of pensioners and the income received from officer and employer contributions.

Estimates for each of these accounts for the years 2007/08 and 2008/09 are shown below.

Operating Account	2007/08	2008/09
	£m	£m
Employer Contributions (based at 24.6%)	35.316	35.769
Employer Contributions - Secondments (based at 25.9%)	(0.158)	(0.161)
Injury Pensions	4.934	5.042
Injury Gratuities	0.217	0.222
Ill Health Charges - Capital Equivalent Charge	1.571	1.606
Total Pensions Charges included in Revenue Account	<u>41.880</u>	<u>42.478</u>

Pensions Account

Income

Officer Contributions	(15.703)	(16.553)
Employer Contributions	(35.316)	(35.769)
Incoming Transfers	(0.750)	(0.767)
Capital Equivalent charge for Ill Health Retirements	(1.571)	(1.606)
Estimated Top up Grant	(23.704)	(25.066)
Total	<u>(77.044)</u>	<u>(79.761)</u>

Expenditure

Pensions	59.858	61.659
OLAs Lancashire & Cheshire	0.645	0.595
Ill health Commutations	1.661	1.698
Ordinary Commutations	14.394	15.314
Death in Service	0.178	0.180
TV Payable	0.152	0.155
Deferred Benefit-Ordinary	0.156	0.160
Total	<u>77.044</u>	<u>79.761</u>

MERSEYSIDE POLICE AUTHORITY

**PO Box 101A West House Mercury Court
Tithebarn Street Liverpool L69 2NU**