

**MANAGEMENT DECISION**

**DECISION NO. 2014/19**

**DATE: 7 FEBRUARY 2014**

**2014/15 REVENUE BUDGET AND COUNCIL TAX PRECEPT**

**Executive Summary:**

This report sets out the proposals for the Commissioner's 2014/15 revenue budget and council tax precept to enable him to approve the proposals and notify them to the Police & Crime Panel by 1 February 2014. The Panel will then consider the proposed precept for 2014/15 and either accept or veto the proposal by 8 February 2014. If the proposal is accepted or not vetoed, then the precept will be issued. If the Panel veto the proposed precept then the Commissioner will consider their report and propose a revised precept by 15 February. The Panel will then review the revised precept by 22 February and report to the Commissioner who will finalise the budget and issue the precept by 1 March 2014.

**Recommendation: That**

- [1] the Police & Crime Panel be notified that it is proposed to freeze the police element of council tax for a Band D equivalent property for 2014/15 at £153.21;
- [2] the Panel be advised that the Commissioner proposes the Government's council tax freeze grant of 1% for 2014-16 be accepted;
- [3] the net budget requirement for the financial year commencing 1 April 2014 be reduced by 3.26%, to £165,333,009 (£190,001,808 gross budget) based on no change to Government grant allocations in the final settlement and, subject to decision by the Police & Crime Panel, no council tax increase;

- [4] the Panel be notified of the proposed precepts as follows:-

	Number of Band D equivalent houses	Precept on Collection Fund £
Cheshire East	137,548.53	21,073,810
Cheshire West and Chester	110,935.00	16,996,351
Halton	31,400.00	4,810,795
Warrington	62,499.00	9,575,472
<b>Total</b>	<b>342,382.53</b>	<b>52,456,428</b>

- [5] the provision of £2,139,713 for pay and price increases and commitments, as set out in Table 1 of the budget report, be approved;
- [6] the priority developments totalling £913,544 as set out in paragraph 19 of the report be approved;
- [7] the savings proposals for 2014/15, totalling £9,694,338, as set out in paragraphs 20 to 24 of the budget report, be approved for implementation;
- [8] total estimated number of police officers and staff be agreed as follows as at 31

March 2015:-

Police Officers	1,900
Police Staff	1,197
PCSOs	220
	<u>3,399</u>

- [9] the financial health targets for monitoring purposes as set out below be approved:-
- (i) *Reserves*  
That the level of general reserves, after allowing for potential financial risks be maintained, at no lower than 3% of the net budget and that this be monitored by the Commissioner on a quarterly basis.
  - (ii) *Revenue Spending*  
That the Chief Constable maintains revenue spending at or below its net budget and that this be monitored by the Commissioner on a quarterly basis.
  - (iii) *Capital Programme Management*  
That the Chief Constable maintains the projected capital outturn at a level that does not vary from the original capital programme by more than 20%. The total capital programme includes the new schemes for 2014/15 and those schemes brought forward from previous years. This target is to be monitored by the Commissioner on a quarterly basis.
  - (iv) *Debt*  
That the Chief Constable collects at least 50% of debtor income within one month of the invoice being raised.
  - (v) *Prudential Indicators*  
That the actual prudential indicators be monitored by the Commissioner on an annual basis against the indicators set in the budget.
- [10] the Reserves Strategy, be approved and a detailed plan be developed for consideration by the Commissioner by October 2014;
- [11] the Localisation of Council Tax reserve of £1,109,410 be transferred to the Medium Term Financial Strategy reserve
- [12] the Medium Term Financial Strategy reserve of £2,367,260 be supplemented by £2,958,740 to support the transition to the new policing model and to provide resilience in 2016-18 in the event of continuing austerity savings;
- [13] revenue expenditure of £475,122 in respect of planned preventative maintenance on premises be approved within the budget estimates, subject to further review as a starred item by the Commissioner to ensure alignment with the Estates Strategy;
- [14] a detailed refresh of the Medium Term Financial Strategy be undertaken and submitted to the Commissioner by October 2014;
- [15] the revenue savings and development proposals for the 2015/16 budget and the draft 2015-16 Capital Programme be submitted to the Commissioner in November 2014 for initial consideration; and
- [16] due to the late notification of the surplus on collection fund for Cheshire West and Chester, £167,322 be transferred to contingency for allocation in year subject to further approval by the Commissioner.

I have reached the following decision:-

Accept the above **amended** recommendations.

My rationale for this decision is:-

I believe that this provides a balanced budget for 2014/15 which is capable of maintaining high quality services to the public of Cheshire whilst enabling the results of my Root & Branch Review to be implemented to meet the further funding reductions required by the Government.

**Signature**

**Date 7 February 2014**

**Police & Crime Commissioner**

## ***PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE***

### **INTRODUCTION AND BACKGROUND**

- 1 The Commissioner is required to approve the 2014/15 budget and issue the precept by 1 March 2014.

### **ISSUES FOR CONSIDERATION**

2. The Commissioner will need to be satisfied that the final budget proposals are fully linked to and reflect the updated Police & Crime Plan (which is set out elsewhere on the agenda) which has been developed simultaneously.
3. The Commissioner must obtain the views of the local community on the proposed expenditure in the financial year and obtain the views of the people in that police area, and the relevant ratepayers' representatives on the precept.
4. Throughout 2013 the Commissioner has consulted with over 2,500 members of the public to determine their priorities for policing and crime reduction. This consultation has informed and directed the allocation of resources in the 2014/15 budget and the actions expressed in the Police & Crime Plan.

### **FINANCIAL COMMENTS**

- 5 The budgetary financial implications are set out in the report at Appendix 1.

### **LEGAL COMMENTS**

6. The budget and precept process comply with all relevant legislation.

### **EQUALITY COMMENTS**

7. The 2014/15 budget will support the Commissioner's Police and Crime Plan, therefore, it is not considered that a separate equality impact assessment is required in relation to the budget. A full equality impact assessment has been undertaken for the Police & Crime Plan which indicates that it will not disproportionately adversely affect any person with a protected characteristic community as defined in the Equality Act 2010.

**Public access to information**

*Information in this form is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.*

Is there a Part 2 form – NO

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**CHIEF EXECUTIVE DECLARATION:**

*I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.*

*Mark Sedman.*

**Signature**

**Date 7 February 2014**



## 2014/15 REVENUE BUDGET AND COUNCIL TAX

### PURPOSE OF THE REPORT

1. The purpose of this report is to enable the Commissioner to finalise the proposed budget and notify the Police & Crime Panel of the proposed council tax precept for 2014/15.

### BACKGROUND

2. This is the second budget following the election of the Police & Crime Commissioner for Cheshire and the first opportunity to reflect the outcome of the Root and Branch Review as stated in the Commissioner's manifesto. Alongside the Police & Crime Plan, the budget sets out how the resources will be allocated to the Constabulary to deliver an efficient and effective police service; to meet the Strategic Policing Requirement; to meet the needs of local policing; to prevent re-offending; and continue to make Cheshire an even safer place to live. It also provides resources to commission community safety and victim support services, working with partner organisations. The budget supports the Commissioner's key priorities of reducing crime and focusing on victims.
3. 2014/15 will be the fourth consecutive year where the budget has been prepared with real terms reductions in Government funding, and the financial challenge is set to continue over the medium term. £35m budget savings have been made since 2010 and a further £34m more estimated savings are required during 2014-18, therefore the 2014/15 budget forms an integral part of the Medium Term Financial Strategy. Previous budget reports have focused on the funding and implications of changes to such funding, whereas this report sets out the total resources available to the Commissioner whether they are funded by Government grants, council tax precepts or income earned. The approval process is set out at Appendix 1.
4. The financial challenge for 2014/15 at a summary level is the reduction in Government grants in cash terms of £5.6m, which, when added to the additional costs of inflation and commitments and income adjustments of £1.8m, equates to a real terms reduction of £7.4m.
5. The public's priorities for policing have been obtained and taken into consideration in developing the Police & Crime Plan and budget; details of the consultation process and outcomes are detailed at Appendix 2. The outcome of

consultation with business ratepayers held on 14 January 2014 is also included at Appendix 2.

## FUNDING

6. Government funding is received through a number of general grants, which can be used for all aspects of policing, and specific grants, which are conditional in their usage. From 2014/15, Community Safety Funding is included in the Police Grant and the Commissioner will receive new funding from the Government to commission victim support services. Additional to this is income generated from services delivered. Since 2010, grants have been reducing as the Government implements its policy of deficit reduction.
7. The Home Secretary has limited the impact of the deficit reduction plan on policing. The 2014/15 Police Funding Settlement, comprising the Home Office Police Grant and Department for Communities and Local Government Funding, has reduced by 3.3% from 2013/14. Additional top-slices to fund a transfer of resources to the Independent Police Complaints Commission, to establish a Police Innovation Fund, to implement a programme of annual force inspections and to support other areas of national policing interest mean that the total reduction in funding is 4.8% for 2014/15.
8. Income from other sources has increased by £1.0m. This includes £0.5m council tax freeze grant, on the basis that council tax is not increased; £0.3m from the Ministry of Justice to commission victim support services; and £0.2m income from the delivery of police services.

**Diagram 1: Funding and Income 2014/15**

<b>Police Grant</b> £65,864,758 35%	<b>DCLG Formula Funding</b> £46,747,383 25%	<b>Other Income</b> £24,668,799 12%
		<b>Council Tax (including surpluses on collection funds)</b> £52,720,868 28%

## ROBUSTNESS OF ESTIMATES

9. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in preparing the budget. Details of how this requirement has been met are at Appendix 3.

## ROOT AND BRANCH REVIEW

10. In bringing forward the proposed budget for 2014/15 the Commissioner has robustly challenged the Chief Constable to ensure front line services are protected by requiring him to undertake a Root and Branch Review of the total budget of the Constabulary, which underpins the budget proposals. The Commissioner will hold the Chief Constable to account for the delivery of an effective and efficient police service through the spending against the budget set.
11. The Root and Branch Review of all aspects of service delivery was instigated by the Commissioner in response to the financial challenge and to identify savings that can be reinvested into the frontline. The Commissioner's and Chief Constable's team held regular meetings during the year to discuss emerging findings. The scoping and planning work was agreed by the Commissioner on 18 September 2013 (2013/73) to deliver the savings required in the Medium Term Financial Strategy and the 2014/15 budget.
12. Subsequently, at the Decision Meeting on 13 November 2013 (2013/90), the Commissioner approved the Medium Term Financial Strategy and the development of the findings of the Root and Branch Review to form the budget proposals for 2014/15 included in this report.
13. At the Decision Meeting on 29 November 2013 (2013/92) an update was presented on the scoping and planning work undertaken to progress the outcomes of the Root and Branch Review including the piloting of the new neighbourhood model. This work is now shaping the model for policing in Cheshire, which will maintain and improve services to the public by making efficiency savings. Its implementation will be through a phased approach. The three main phases will be:
  - Phase 1 - the period up to the end of March 2014 and involves the planning and preparation stage for a number of key pilots.
  - Phase 2 - the financial year 2014/15 and involves piloting and refining a number of key aspects of the Root and Branch Review findings particularly associated with a new neighbourhood policing model.
  - Phase 3 - the financial year 2015/16 and involves the further implementation of the neighbourhood model and a number of associated proposals relating to specialist units.

## PRIORITY DEVELOPMENTS

14. Following on from the Root and Branch Review, the key priorities agreed by the Commissioner for Phase 1 are:
  - To retain a focus on delivering non-pay savings in order to minimise the impact of budget reductions on direct service provision;
  - To pilot a new approach to neighbourhood policing;
  - To invest resource to further develop the findings in relation to the management of local crime reduction partnership arrangements, with additional emphasis on crime and incident prevention activity in order to support demand reduction;
  - To invest resources in measures to protect the most vulnerable in Cheshire's communities, particularly those at risk of abuse and child sexual exploitation, including where technology is used to commit offences;
  - To further develop proposals for information technology that support mobile and agile working and allow operational officers and staff to stay working in their communities rather than returning to police stations; and,
  - To develop proposals for the introduction of new arrangements to support better public access within communities.
  
15. The Commissioner's focus is to continue to maintain and, where possible, improve performance whilst reducing the costs to meet the financial challenge and savings required. This approach supports the objectives stated in the Police & Crime Plan to:
  - Enhance frontline policing to enable the Constabulary to prevent and further drive down crime;
  - Protect Cheshire's communities from harm;
  - Support victims and witnesses of crime and take a robust stance in tackling those who continue to re-offend;
  - Continue to build on the strong partnership between the police and the communities of Cheshire; and,
  - Ensure the delivery of an efficient and effective police service

## 2014/15 BUDGET PROPOSALS

16. The presentation of financial information has been considered as part of the Root and Branch Review to ensure that the data articulates a true representation of costs that is meaningful to the public and other stakeholders. In 2013/14, a gross



revenue budget of £205.7m was set, including the effect of internal recharges of £12.2m. To provide this greater clarity to the public of the resources available to the Constabulary, it is the Commissioner's view that the gross revenue budget should be expressed without the internal recharges included; therefore the 2013/14 gross revenue budget has been restated at £193.5m.

17. On this basis, a gross revenue budget of £190m is proposed by the Commissioner in 2014/15. The proposed budget reflects the total funding available to the Commissioner to support both the Constabulary and his commissioning role.

Table 1: Proposed Gross Revenue Budget 2014/15

	<b>£000</b>
2013/14 Total Expenditure Budget	205,729
Reversal of Internal Recharges	(12,212)
<b>2013/14 Gross Expenditure Budget</b>	<b>193,517</b>
External Commitments & Inflation	2,140
Development	913
<b>Contingency</b>	<b>167</b>
Savings	(9,694)
Support to Future Years' Savings Plan	2,959
<b>2014/15 Gross Expenditure Budget</b>	<b>190,002</b>
<b>Financed By:</b>	
Grant	(112,612)
Council Tax Precept (incl. surpluses)	(52,721)
Net Budget Requirement	(165,333)
Other income	(24,347)
Reversal of Reserves Transfers in 2013/14	(322)
<b>Total Funding and Income</b>	<b>(190,002)</b>

## COMMITMENTS AND INFLATION

18. The base budget is subject to inflation, the impact of pay awards (1% from September 2014) and commitments which are costs arising from new legislation or regulation. The financial challenge in this period of austerity is, therefore, to meet these additional costs whilst Government funding is reducing.

## DEVELOPMENT

19. In line with the Police & Crime Plan, the Commissioner is proposing to invest in key priorities in 2014/15, including piloting a new neighbourhood policing model

and working with local communities to manage crime reduction and to support victims. Cyber crime is an increasing problem with criminals using new technology to commit offences including hacking important personal or industry data, fraud, selling illegal drugs and for child sexual exploitation. The Commissioner is proposing to commit additional resources to dealing with cyber crime and to working with partners to safeguard the most vulnerable children and young people who are being sexually exploited or are at risk of being so. The individual items of investment are set out below:

- (i) Integrated Offender Management Drug Testing System  
This system was purchased as part of the 2014/15 budget to enable early identification of offenders with addiction problems so they can be guided to the appropriate support services with a view to preventing future offending. The 2013/14 cost was £50k with agreement to include a full year effect of £60k in 2014/15 to bring the annual cost to £110k.
- (ii) Forensics – Cyber Crime  
Given the increase in cyber crime, a further £256,000 will be invested in this area.
- (iii) Contribution to the 4 borough councils for Local Safeguarding Adult Boards  
The increase of £20k will bring the total contribution to the 4 borough councils to £100k, i.e. an additional £5k to each council, to support the increase in workload. The Boards are multi-agency partnerships that provide strategic leadership for the development of safeguarding policy and practice in relation to vulnerable adults at risk of abuse.
- (iv) Child Sexual Exploitation Officers (4 police officers)  
In response to growing numbers of vulnerable children who are being sexually exploited, four officers have been appointed to work with partners to protect children from sexual exploitation and bring offenders to justice.
- (v) Neighbourhoods Pilot (7 police officer posts)  
The pilot of the proposed new Neighbourhood model requires a number of temporary posts, including a Chief Inspector and an Inspector for the pilot neighbourhood, a Chief Inspector in a communities/prevention role together with other supporting officers.
- (vi) Temporary Warrington Intel Analyst  
The role relates to complex families work and involves the coordination of intelligence from Force systems and distributing it to partner agencies as appropriate. The role is a temporary role, funded for 1 year by Warrington Borough Council.
- (vii) Temporary funding for the Resource Management Unit  
In 2013/14, the Commissioner agreed temporary funding to provide additional

support to the Resource Management Unit, both in year and for part of 2014/15 to enable the new Duty Management System and related processes to become fully embedded to ensure that working time is correctly recorded.

(viii) Participatory Budgeting Pilot

The Commissioner is launching a participatory budgeting pilot in Runcorn for the community to identify and implement a project or projects to improve their area. The Commissioner has earmarked funding of up to £30,000 to invest in the project. He is also planning to roll out pilots in the other three council areas.

## SAVINGS

20. Following on from the Review, savings of £9.7m have been identified to meet the budget shortfall for 2014/15.
21. As approximately 80% of expenditure relates to people, it is inevitable that reductions of this scale will, even after significant challenge to minimise reductions, result in fewer people delivering services. Wherever possible posts will be lost through normal turnover, but regrettably in some cases redundancies will be required.
22. Overall, the main proposed savings for 2014/15 are:
  - The Commissioner plans to recruit approximately 50 officers during the year. Allowing for normal turnover, this will enable a managed reduction of the establishment from 1,956 to 1,900 and will deliver savings of £2.8m in 2014/15. This approach avoids a 'feast and famine' situation of high recruitment in some years and no recruitment in others, which would occur if short-term financial management was applied. As a result, the Commissioner has not found it necessary to implement the compulsory retirement of officers after 30 years' service thus retaining their skills and experience. This process has enabled the Commissioner to support the Constabulary in continuing to improve services and protect the frontline during this period of austerity. The full year effect of the officer reductions made in 2013/14 will deliver a further £1.0m.
  - Action is already underway to reduce the number of staff posts by 68 in 2014/15, including posts which have been held vacant during 2013/14 and which are now being removed. This is expected to deliver savings of £3.2m. This will reduce the police staff establishment from 1,265 posts to 1,197. There continues to be a high level of partner support for Police Community Support Officers (PCSOs). The Commissioner will therefore be able to maintain an establishment of 220 PCSOs, a reduction of only 2 following partner decisions to withdraw funding.

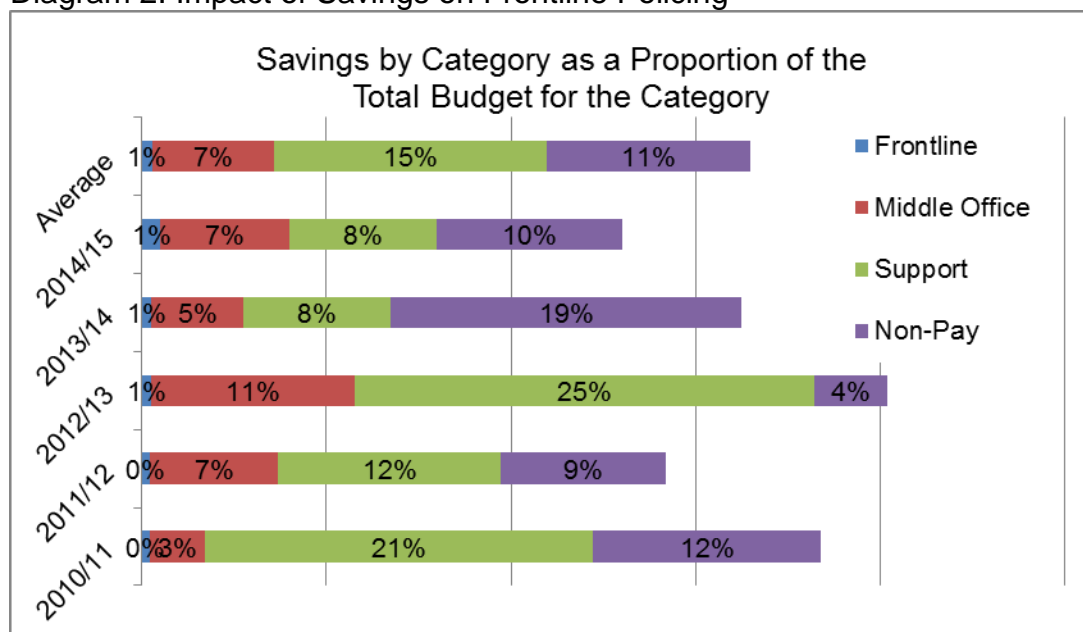
Table 2: Proposed Establishment 2014/15

	31 March 2014	31 March 2015
Police Officers	1,956	1,900
PCSOs	222	220
Police Staff	1,265	1,197

- All major procurement contracts have been reviewed and reductions have been identified, saving £1.4m, and work is ongoing to ensure that best value for money continues to be obtained.
- Savings achieved through collaborations will realise £251,000 and activity is ongoing to pursue further opportunities for collaboration to enable further savings to be realised in future years.
- A further £1.0m will be saved from the full year effects of savings initiatives delivered in 2013/14, together with other non-pay savings on premises, equipment, supplies and services and through reduced borrowing costs.

23. This approach to planned savings supports the Constabulary's continuing priority of minimising the impact of reductions on frontline policing and focusing on making savings in support functions and non-pay budgets. The table below demonstrates the minimal impact of the savings plans on the frontline in the last 4 years and how this continues in the proposed 2014/15 budget.

Diagram 2: Impact of Savings on Frontline Policing



24. The 2014/15 savings plan is part of the medium term financial strategy to progress the outcomes of the Root and Branch Review and to address the continuing financial challenge. In 2014/15, the Constabulary will achieve

additional savings from efficiency increases sufficient to enable £3.0m to be allocated to supporting future years' plans and will be made available to the new Chief Constable when he or she is appointed.

## COMMISSIONING

25. In 2014/15, the approach to commissioning will be focused on victims with the aim of preventing people becoming victims in the first place and ensuring that appropriate services are in place for those unfortunate enough to become victims of crime. The Commissioner has been allocated £332,000 from the Ministry of Justice for victim's services and restorative justice which excludes the cost of the regional referral centre.
26. The Commissioner's proposals for the allocation of the previously ring-fenced Community Safety Fund have been determined following discussions in meetings with Community Safety Partnership chairs and align with the Commissioning Strategy. The community safety funding in 2014/15 is now incorporated into the main grant for policing. The Commissioner is committed to the amount of funds allocated last year (£0.8m), which was the grant of £780,000 and an uplift to ensure spending levels in this area of work were maintained from the previous year. The intention is to set clear outcomes focused on victims to be achieved from this funding in the forthcoming year and to move towards greater joint working amongst the four Community Safety Partnerships.

## CAPITAL PROGRAMME

27. To support the changes and savings required, capital investment in new technology, buildings and equipment has been identified. This, together with the annual replacement programmes requires a proposed capital programme of £7.0m.
28. As with revenue, funding for capital investment has also been reduced and a rigorous challenge process has been undertaken by the Assistant Chief Officer and Chief Finance Officer for all capital bids and the proposed on-going costs or savings. As a result the proposed programme for 2014/15 contains schemes that support the change process and the necessary savings required.

## RESERVES

29. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to formally report on the adequacy of the reserves for which the budget provides. The Chief Finance Officer has assessed the adequacy of reserves in the context of the strategic, operational and financial risks facing the Commissioner.
30. The 2014/15 budget has been developed as part of the Medium Term Financial Strategy to maintain and where possible, improve services whilst addressing the

implications of year on year reductions in funding. To undertake the necessary developments to achieve this, sufficient reserves will be required to fund the necessary changes and address any emerging risks. The Reserves Strategy is attached at Appendix 4.

## COUNCIL TAX PRECEPT

31. At £153.21 per annum for a Band D property, the Commissioner has the 12<sup>th</sup> lowest council tax for all police forces. The Government has not yet announced the upper limit that council tax may rise by after which a referendum would be triggered.
32. Each year the unitary authorities approve their individual council band D taxbase which are used for calculating the precept amount. For 2014/15 the overall taxbase has increased by 2,739.34 band D equivalents, resulting in an increase to the precept funding by £419,693 without any increase to the actual council tax charge. The precepts for each of the billing authorities, including collection fund variances, are set out below:

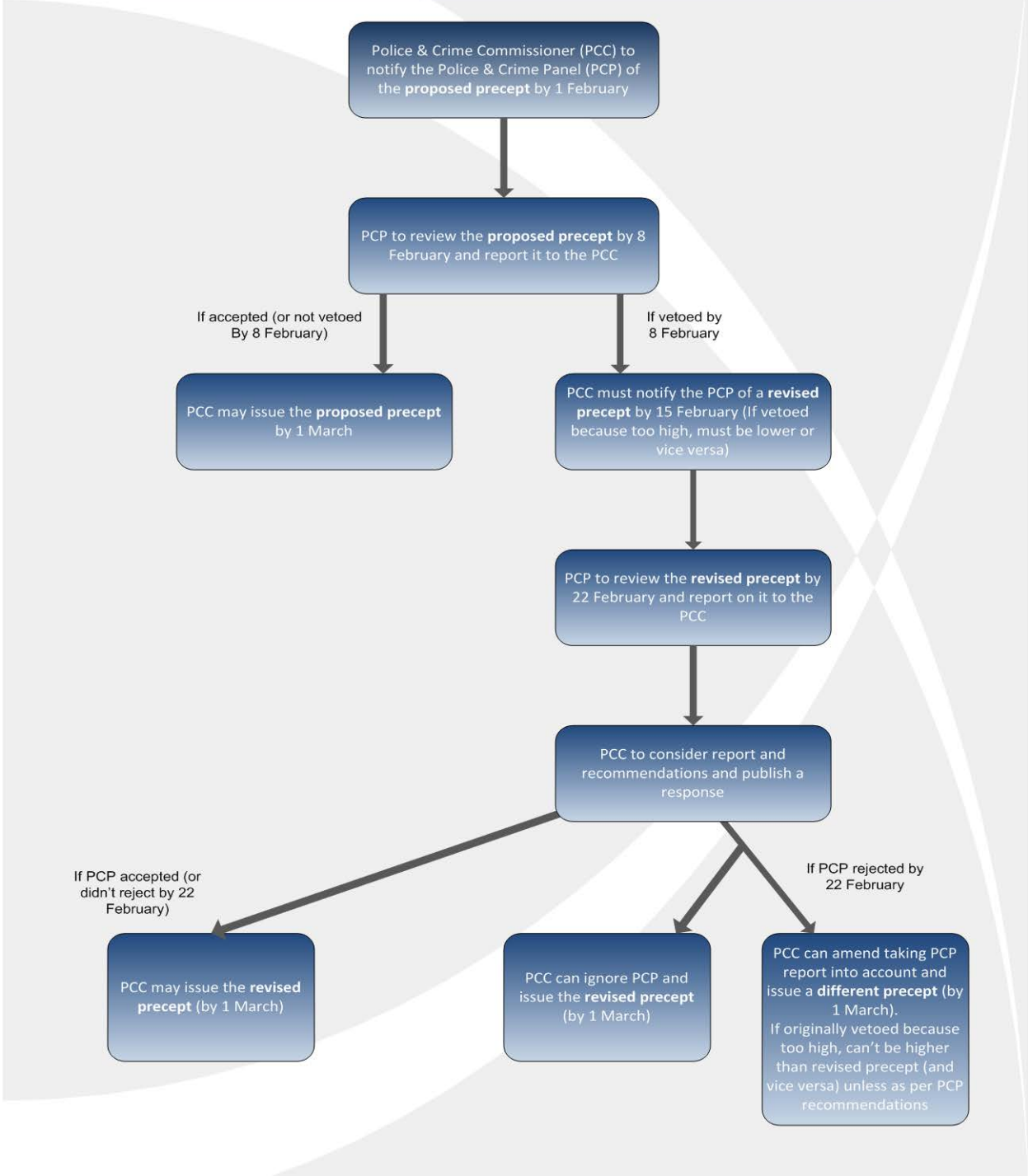
Borough Council	Number of Band D Equivalents	Precept on Collection Fund £
Cheshire East	137,548.53	21,073,810
Cheshire West and Chester	110,935.00	16,996,351
Halton	31,400.00	4,841,305
Warrington	62,499.00	9,642,080
Total	<u>342,382.53</u>	<u>52,553,546</u>

33. The Commissioner is very mindful of limited pay increases among the people of Cheshire. The progress made to date towards achieving the required savings and the opportunity to receive a potential council tax freeze grant for 2014/15 and 2015/16 from the Government has afforded the Commissioner the opportunity to hold the council tax precept at its current level of £153.21 per Band D property. It is on this basis that the proposed budget stated in this report has been calculated.

## CONCLUSION

34. The continuing financial challenges cannot be underestimated. The Root and Branch Review has identified a clear way forward to achieving the required savings whilst maintaining and where possible improving services. Given the progress made in achieving these savings and in recognition of the financial challenges facing the people of Cheshire, the Commissioner proposes to hold the council tax at the 2013/14 levels.

**Police & Crime Commissioner Precept Approval Process (Final Regulations)**



## CONSULTATION WITH THE PUBLIC AND BUSINESS RATEPAYERS

### PUBLIC CONSULTATION

- 1 During 2013, the Commissioner's Office consulted with 1,160 members of the public on their policing priorities, which were selected from a list of options and respondents were asked to state how important the options were in terms of allocating the police budget. Included in the list of options, alongside policing services such as police response, solving crime and neighbourhood policing were options which the public may not naturally consider such as tackling serious and organised crime, hate crime and domestic abuse. In addition, the list of options included areas specific to the Commissioner's manifesto commitments to test how important the public felt these areas were. These included supporting victims of crime, tackling antisocial behaviour, and reducing the harm caused by drugs and alcohol.
- 2 The Constabulary separately consulted with 1,386 members of the public via a telephone survey and asked respondents what would be their one priority for policing in their area. As such, this is more narrowly focused and asks people to think about their local area rather than the entire budget and the totality of policing. The results from local beat meetings which inform Neighbourhood Policing Unit priorities have also been taken into consideration.

### PUBLIC PRIORITIES FOR POLICING

- 3 The results of the above methods were considered by the Commissioner at a meeting on 10 January 2014 where it was requested that the results be drawn together to provide a summary identifying the key priorities to inform the refresh of the Police & Crime Plan and the development of the 2014/15 budget.
- 4 Whilst the consultation exercises have used different approaches and methods, it is possible to identify key themes and priorities which are of public concern, these are highlighted below:
  - Overall – reduce and solve crime and bring offenders to justice
  - Support victims and witnesses
  - Ensure appropriate policing presence and timely response
  - Deal with antisocial behaviour and nuisance youths
  - Tackle the harm caused by alcohol and drugs
  - Improve road safety
  - Tackle serious and organised crime
  - Protect vulnerable people



- 5 A subsequent review of the Police & Crime Plan has shown that these priorities are incorporated within Plan. However, of those respondents to the Constabulary's consultation who indicated that solving crime was a priority, over half made specific reference to burglary. As a result, an additional measure has been included under objective 3 of the Plan 'Percentage of burglaries solved'.

#### PROPOSAL FOR CONSISTENT METHODOLOGY

- 6 It is proposed that in future, the Commissioner's Office and the Constabulary use a joint consultation methodology with one question being asked 'if you had to think of just ONE thing that the police needed to deal with as a priority in your area, what would that be?' and allow the public to submit a free text answer. These will then be code framed into a single set of results to inform future Police & Crime Plans.

#### CONSULTATION WITH BUSINESS RATEPAYERS

- 7 The Commissioner consulted business representatives on the 2014/15 precept at a meeting on 14 January 2014. Without exception, the proposed freeze in the council tax was approved by representatives of the business community.

## ROBUSTNESS OF ESTIMATES

- 1 Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in preparing the budget.
- 2 The Commissioner has a policy and expenditure planning process which takes account of the service scenario and financial scenario in some detail for 2014-18. Alongside this, future capital programmes have been produced taking into account forecast Government funding, borrowing limits and council tax. For 2014/15 borrowing levels have also been guided by the prudential indicators for 2014-17.
- 3 For 2014/15, full consideration of these issues had led to:
  - Policy and expenditure proposals that reflect the Government's reduced revenue funding together with the on-going revenue impact of new capital projects.
  - A proposed capital financing budget based on prior years' and the 2014/15 capital programme.
- 4 When using estimates in preparing the budget every effort is taken to ensure that they take into account the most up to date data. However, it should be noted that there are a number of areas where the actual impact could vary from the estimates used in setting the budget. The main areas are:
  - Pay awards and pension increases
  - Inflation
  - Service financial performance (i.e. variances on budgets)
  - Ability to achieve projected savings
  - Operational demands
- 5 To provide for all potential scenarios that may arise in the year would be prohibitively expensive and result in demands on council taxpayers considerably higher than likely need. For 2014/15 £2.1m has been provided for pay and price increases.
- 6 There are many factors that can affect financial performance in year including under or over-achievement of efficiency savings, income and other financial targets. The Commissioner takes a number of steps to minimise the impact including:

- Seeking wherever possible to explore in full the implications and achievability of policy and expenditure options before the budget is set.
- Promoting a robust approach to financial management requiring budget holders to monitor expenditure against budget and to take early action in reporting and responding to projected variances.
- Quarterly reporting of the projected budgetary outturn supplemented by monthly exception reports to prompt remedial action if necessary.
- Creation of appropriate contingencies.

7 It should be noted that while every effort is taken to ensure the budget is balanced, there is always the possibility of variances to the budget occurring. This is one of the reasons why the Commissioner holds reserves against unanticipated cost pressures.

## RESERVES STRATEGY

- 1 This briefing reports on the latest balances of the Commissioner's reserves and the proposed Strategy for those reserves.
- 2 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to present to the Commissioner as part of the budget setting process, a report assessing the adequacy of the unallocated general reserves in the context of corporate and financial risks facing the Commissioner. The Commissioner needs to balance the necessity for reserves against the immediate impact on council taxpayers and arrive at a level he considers adequate and prudent but not excessive.
- 3 This Reserves Strategy therefore needs to be considered and agreed by the Commissioner is setting his 2014/15 budget, capital programme and council tax. The Strategy explores the purpose of the general and earmarked reserves held by the Commissioner and set out a recommended approach to optimise their use in the 2014-18 Medium Term Financial Strategy.
- 4 The following table shows the estimated reserve levels at 31 March 2014. It is noted that the capital earmarked reserves are restricted in their usage to financing capital investment or the repayment of debt and cannot be used to support revenue budgets.

<b><u>Revenue Earmarked Reserves</u></b>	£
Redundancy Reserve	2,570,510
MTFS Reserve	2,367,260
Localisation of Council Tax Reserve (to be paid into the MTFS Reserve)	1,109,410
	<u>6,047,180</u>
<b><u>Capital Earmarked Reserves</u></b>	
Capital Receipts	6,107,739
Unapplied Capital Grants Reserve	27,922
Capital Reserve	216,438
IT Reimbursement Reserve	21,733
	<u>6,373,832</u>
<b><u>Revenue General Reserve</u></b>	
General Fund (before 2013/14 outturn)	5,286,888
<b>Total Reserves</b>	<u><b>17,707,900</b></u>
<b><u>Memo</u></b>	
Proposed net budget (excl. council tax grant)	165,165,687
General Reserves as a % of proposed budget	3.2%

- 5 The table takes into account the latest forecast capital outturn positions as reported at the third quarter review. The forecast revenue variance at the end of December 2013 is £7.9m which is not reflected in the above table and will not be finalised until June 2014. Decisions will be required following the final outturn for 2013/14 as to how this funding should be allocated.
- 6 As part of those decisions, it should be noted that every three years the Local Government Pension Scheme is re-valued resulting in a proposed payment plan to meet any shortfall. The Commissioner is required to pay £2.965m over three years to meet his share of the shortfall. It is proposed that £1.875m of the forecast revenue underspend is set aside as a provision for this payment with the remainder coming from the one-off reserve balance carried forward and no longer required, resulting in a remaining £6.03m available for decision. This decision will be made in June 2014.
- 7 The purpose of each reserve is set out below.

(i) **Redundancy Reserve (£2.57m)**

As stated in the main report, the level of savings required above those already achieved, will lead to redundancies. In response to this, funding has been set aside previously to meet such costs to avoid placing further pressure on the revenue budget.

(ii) **Medium Term Financial Strategy Reserve (MTFS) (£2.37m)**

The continuing financial challenges require a long term perspective on cost reduction. The Medium Term Financial Scenario predicts severe challenges in 2016/17 and 2017/18 as a result of likely changes to the grant formula methodology and additional cost pressures. It is imperative that sufficient reserves are earmarked to enable investments in technology and facilities to reduce costs, as well as to smooth the impact of severe funding gaps in these years. This reserve will support the costs of change in 2014/15 to enable the new policing model to be implemented without any transitional costs impacting on service delivery, as well as supporting the changes required for 2016/17 and 2017/18.

(iii) **Localisation of Council Tax Reserve (£1.11m)**

In 2013/14 the provision of financial support for council tax payments was transferred from the Department of Works and Pensions to local and precepting authorities under the Localisation of Council Tax legislation. At the setting of the 2013/14 budget the financial impact of this change was unknown and funding was set aside to meet any shortfall in the council tax precept received by the Commissioner. Current information from the local authorities indicates that there has been limited impact on collection funds. As such, this reserve could be

transferred to the MTF Reserve to further support the developments and changes required to meet the savings over the next few years.

(iv) **Capital Receipts** (£6.11m)

Capital receipts can only be used to fund capital investment or repay debt. The current balance reflects receipts from previous years' asset sales and sales achieved during 2013/14.

(v) **Unapplied Capital Grants Reserve** (£28k)

This reserve contains the capital grants received by the Commissioner but not yet applied to finance capital investment. For specific grants, the funding is held in this reserve until the related expenditure is incurred.

(vi) **Capital Reserve** (£216k)

This represents the specific earmarked reserve for capital funding and can only be used to fund capital investment. In recognition of the reduced Government capital funding and in order to meet the minimum asset replacement cycles, a revenue contribution of £1m is made into this reserve each year.

(vii) **IT Reimbursement Reserve** (£22k)

This represents the funding provided as part of the HQ PFI contract for desktop replacement. Each year the PFI contractor sets aside an amount which is fully allocated to the IT capital refresh schemes within the capital programme.

(viii) **General Reserves** (£5.29m)

The purpose of general reserves is to provide funding to cover specific and general risks identified in setting the budget and also any unforeseen risks and expenditure which may arise in year. In the case of emergency services, reserves are particularly helpful in funding any necessary unbudgeted operational expenditure such as civil unrest.