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| <b>MANAGEMENT BOARD</b>      |                              |
| <b>DECISION NO. 2015/218</b> | <b>DATE: 30 JANUARY 2015</b> |

**2015/16 REVENUE BUDGET AND COUNCIL TAX PRECEPT**

**Executive Summary:**

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 2015/16. The determined focus on driving efficiency particularly in non-pay expenditure continues to ensure that the impact of significant funding reductions is being managed without detriment to the policing services valued and needed by the public of Cheshire. The implementation of the Priority Based Budgeting process, as the next step in the Root and Branch review, has identified opportunities to redirect resources to priority functions to maximise delivery against the Police and Crime Plan. Key to this is the growth of 53 police officer posts and the transfer of 131 officers to frontline policing duties in Local Policing Units.

The scale of reduction in government funding totalling 5.1% is such that a small increase of 1.97% in Council Tax (£3.02 per annum for a Band D property) is required. This will facilitate the necessary investment in order to implement the policing model, delivering further efficiencies over the medium term.

**Recommendation:** That

[1] the Police and Crime Panel be notified that it is proposed to increase the police element of council tax by 1.97% for a Band D equivalent property for 2015/16 to £156.23;

[2] the net budget requirement for the financial year commencing 1 April 2015 be reduced by 2.05%, to £161,938,693 (£189,235,735 gross budget) based on no change to Government grant allocations in the final settlement and, subject to decision by the Police & Crime Panel, a council tax increase of 1.97%;

[3] the proposed precepts be as follows:-

|                           | Number of Band D equivalent houses | Precept on Collection Fund £ |
|---------------------------|------------------------------------|------------------------------|
| Cheshire East             | 138,764.49                         | 21,679,176                   |
| Cheshire West and Chester | 112,869.00                         | 17,633,524                   |
| Halton                    | 32,100.00                          | 5,014,983                    |
| Warrington                | 64,161.00                          | 10,023,873                   |
| <b>Total</b>              | <b>347,894.49</b>                  | <b>54,351,556</b>            |

[4] the provision of £2,301,903 for pay and price increases, as set out in Table 2 of the budget report, be approved;

[5] Net commitments of £1,109,596 as set out in paragraph 24 of the report, be approved;

[6] the priority developments totalling £7,294,851 as set out in paragraphs 41 & 42 of the report, be approved;

[7] the savings proposals for 2015/16, totalling £13,528,221, as set out in paragraphs 44 to 46 of the budget report, be approved for implementation;

[8] the total estimated number of police officers and staff be agreed as follows as at 31 March 2016:-

|                 |              |
|-----------------|--------------|
| Police Officers | 1,983        |
| Police Staff    | 1,198        |
| PCSOs           | 220          |
|                 | <u>3,401</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 within 1% of the 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 2015/16 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 proposed use of reserves as set out at Appendix 4, be approved;

[11] the Localisation of Council Tax reserve of £1,109,410 be transferred to the Medium Term Financial Strategy reserve;

[12] £10,000,000 of the Medium Term Financial Strategy reserve of £13.1m be allocated for the refinancing scheme referenced at paragraph 57 of the report;

[13] the collection fund surplus of £483,001, as stated in Appendix 6, be set aside for further review and approval by the Commissioner within the first quarter of 2015/16;

[14] the capital programme of £37,182,000 and financing as set out in paragraphs 57 & 58 of the report, be approved;

[15] those capital schemes annotated as starred items at Part 2 Appendix 5, be remitted back to the Management Board before expenditure is committed;

[16] the detailed list of commitments, priority developments and savings as set out in the Part 2, Appendices 6 and 7, be approved together with the list of revenue budget heads which will be used for in-year monitoring;

[17] a detailed refresh of the Medium Term Financial Scenario be undertaken based upon the Spending review anticipated in Summer 2015 and submitted to the Management Board on 30 September 2015;

[18] a further Priority Based Budget (PBB) review be undertaken between July and November 2015 to refresh the Medium term Financial Strategy and inform the 2016/17 budget. To be considered by the Management Board on 2 December 2015.

I have reached the following decision:-

Accept the above recommendations.

My rationale for this decision is:-

This decision provides a balanced budget for 2015/16 which is capable of maintaining high quality services to the public of Cheshire, support the delivery of the Police & Crime Plan and enables structural changes to meet the continued funding reductions required by the Government.



**Signature**

**Date 30 January 2015**

**Police & Crime Commissioner**

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

### INTRODUCTION AND BACKGROUND

- 1 This report sets out the proposals for the Commissioner's 2015/16 revenue budget and council tax precept to enable him to approve the proposals and notify them to the Police & Crime Panel by 1 February 2015. The Panel will then consider the proposed precept for 2015/16 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 2015.

### **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

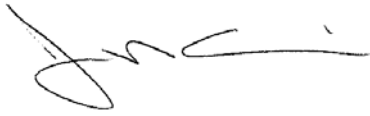
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**CHIEF OFFICER DECLARATION:**

*I have reviewed the proposal and I am satisfied it is correct, all relevant internal checks have been undertaken and it is consistent with the PCC's Police & Crime Plan and priorities.*



**Signature**

**Date** 27 January 2015

**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.*



**Signature**

**Date** 27 January 2015



## 2015/16 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 2015/16.

### INTRODUCTION

2. This is the third budget following the election of the Police & Crime Commissioner for Cheshire and the first prepared with the Constabulary's new Chief Officer team. As directed by the Commissioner, a full root and branch review of the Constabulary was carried out in 2014, and this has resulted in the development of a new policing model which will be implemented over the coming financial year.
3. This model embraces the key elements of public sector reform which have become a hallmark in recent years ... it is scalable, flexible and public facing. It is strongly enabled by both existing technology and a planned new technology rollout which together allows officers to maximise their time out of police stations and in contact with the public, be it out on patrol, or at partner locations. Moreover, it is adaptable and considered to be the best way of maintaining resilience and dealing with any future austerity, whilst maintaining good quality policing for the people of Cheshire. In short, this budget package can be seen as an excellent example of doing more with less, whilst embracing the public sector reform which the Government has encouraged, and providing high quality services at lower cost over the medium term.
4. The development of this flexible and visible local policing model, backed by a professional support function which is centralised and efficient, will result in a greater focus on those things that matter most to the public, and supports victims of crime. The highlights of these improvements to neighbourhood policing arising from the new model are:
  - Eight new local policing units, backed by one command unit
  - Stronger, more visible local beat patrols and management
  - More resources into local response and local crime investigation, together with up-skilling of the wider police officer workforce in more general investigative techniques
  - A new public protection directorate, giving an even stronger focus and greater resilience on key issues of concern, including child sexual exploitation, rape, domestic abuse, human trafficking and modern slavery.
  - 53 additional police officers recruited by March 2016, with an additional 131 officers coming out of HQ functions into local policing units by the same date

- A centralised approach to crime recording and prisoner processing, allowing more time for frontline officers to stay on the frontline
  - An increased resilience arising from more officers at the frontline, supported by a more flexible and responsive crime directorate, enhancing Cheshire's ability to respond to the current severe threat level as circumstances arise
  - Maintaining PCSOs to ensure that visibility and public engagement is maximised as the new policing model is implemented (subject to partner funding remaining in place)
  - Victim centred response based on the 'We're Here' principles – *we're here for you when it matters, where it matters.*
5. Implementation of new technology supporting mobile data and a programme of flexible software and systems development to reduce the need for officers to spend time in stations is a key plank of this new model. Investment in this arena is therefore vital and the ability to stay out in public and complete crime administration, whilst maintaining visibility is a major focus. Supported by a successful innovation fund bid, the Commissioner is procuring an external supplier to commence this work. However, further investment is required to deliver this initiative and enable the policing model to deliver to its maximum ability.
  6. Deployment from a number of key locations across the county, but focused around the localities within the policing units, will be a key element of the new model rollout, facilitating better tasking and briefing arrangements, greater teamwork and enabling more effective deployments.
  7. A wide range of methods for the public to access the police (online, local contact points, at partner premises, face to face) will be maintained and further developed, to ensure accessibility.
  8. The launch of the 'We're here' approach in January 2015 will provide further support for victims and improve satisfaction levels.

#### MEDIUM TERM FINANCIAL STRATEGY 2015 – 2020

9. The Root and Branch Review of the Constabulary was undertaken using a Priority Based Budgeting approach carried out from September to November 2014. It resulted in a completely refreshed approach to the medium term, which was set out in the Medium Term Financial Strategy (MTFS) approved by the Commissioner and the Chief Constable on 7 January 2015.
10. This budget is a pivotal moment in the Commissioner's financial strategy, as it contains a number of risks which could have a significant impact upon finances and therefore policing within Cheshire for some time to come. These risks are outlined in the MTFS, and include the removal of benefits arising from formula damping protection, the threat of removing council tax freeze grant protection from 2016/17 onwards, further threats to capital investment levels, potential reductions in police officers which threaten service levels and the continued expense of maintaining some large contracts. These risk factors could place the Constabulary on the tip of a

significant decline in financial health which could have grave consequences upon service delivery.

11. There are, however, a number of opportunities to be taken which can greatly support financial health in the medium term, and allow the policing model reform to generate more for less. This will require a cash investment, utilising over £10m of the MTFS reserve, and investing the remainder to generate further non pay savings over the next two years which will eventually reach £2m per year. This offers a chance to manage the impact of austerity changes going forward whilst maintaining a policing model which is more scalable, adaptable and fit for the future.
12. The financial case for taking these opportunities is extremely compelling, and the existing cash reserves allow the Commissioner to implement some or all of them. The MTFS reserve has been built up in recent years of austerity with the aim of being able to smooth out the impact of cuts down the line as they threaten the levels of service delivery and impact on front-line services that have to date been protected. However, the work undertaken to design the new policing model and the opportunities for its delivery give a unique opportunity to invest to maintain resilience, improve policing visibility and response to calls for assistance, and ensure a better service for the public.
13. This opportunity has arisen because the Constabulary has created an improved culture of delivery against savings in a fast paced and speedy manner, which enables the Chief Constable and the Commissioner to progress the new model with the confidence that it will be implemented in the manner planned. Doing this without the protection of the bulk of the MTFS reserve to support invest to save initiatives means that a small precept rise of 1.97% is required to help to safeguard the continued financial health beyond the initial two years of the planning period, given some of the formula funding risks and a potential new Government with all the changes in approach that that could bring.
14. The Commissioner has undertaken public consultation with regard to the potential for increasing council tax, and highlighting the benefits that this could bring. At the close of the consultation, there is a 70% positive support level for a precept increase (+/-3% at a 95% confidence level).

## FINANCIAL BACKGROUND

15. 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; meet the Strategic Policing Requirement; meet the needs of local policing; 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.
16. 2015/16 will be the fifth 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. Reductions in funding since 2010 represent a 20% fall in spending power and the outlook through to 2020 is a similar scale of

reduction. In order to protect the critical services delivered by the Constabulary a rolling five year strategy has been developed and frequently refreshed. The 2015/16 budget should be seen in the context of this Medium Term Financial Strategy 2015-20.

17. In June 2014, Simon Byrne took office as the Chief Constable of Cheshire and has instigated a thorough review of the Constabulary's operational activity and change capability. A key element of this has been the introduction of a Priority Based Budgeting (PBB) exercise which has delivered the Commissioner's Root and Branch Review of the Constabulary, as declared in his manifesto, to maximise efficiency savings. It has also enhanced the alignment of resources with the priorities of the Police and Crime Plan.
18. The financial challenge for 2015/16 can be summarised as a reduction in Government grants in cash terms of £5.8m, less council tax increases of £1.9m plus the additional costs of inflation and commitments of £3.9m. This equates to a real terms reduction of £7.8m. The 2015-20 budget gap predicted over the current planning horizon is shown in Table 1 below. The gap totals £36.4m although it is recognised that predictions beyond 2016/17 have a high degree of uncertainty.

Table 1: Budget Gap (£m)

|            | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Total |
|------------|---------|---------|---------|---------|---------|-------|
| Budget Gap | 7.8     | 7.7     | 6.9     | 7.1     | 6.9     | 36.4  |

19. The public's priorities for policing have been obtained and taken into consideration in developing the Police & Crime Plan and budget; results of the consultation process and outcomes are detailed at Appendix 1. The outcome of consultation with business ratepayers held on 19 January 2015 is also included at Appendix 1. The outcome was unanimous support for a council tax increase of 1.97%. The process for approval of the budget and precept is shown at Appendix 2.

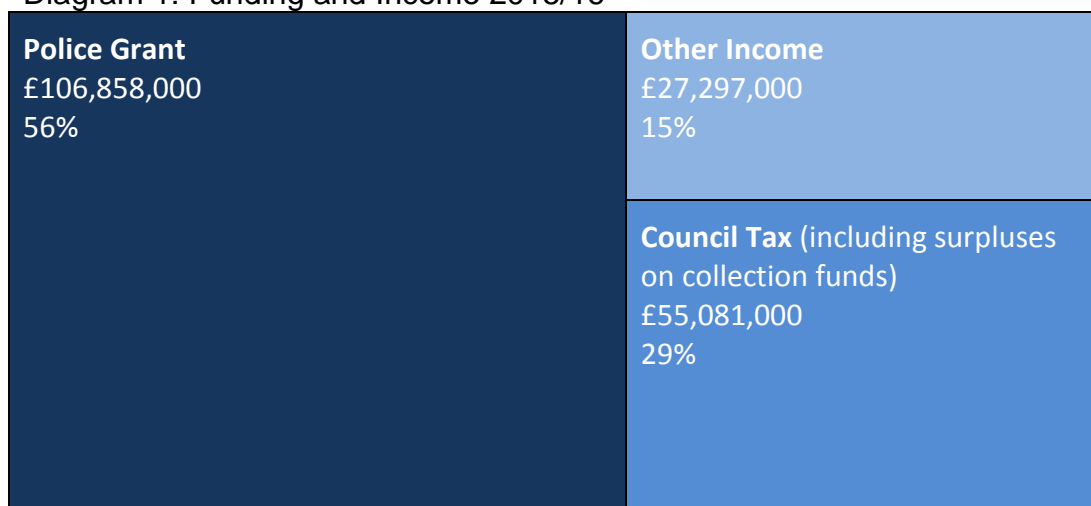
## FUNDING

20. Government funding is received through general grants, which can be used for all aspects of policing, and specific grants, which are conditional in their usage. Since 2014/15, Community Safety Funding has been included in the Police Grant and the Commissioner receives funding from the Government to commission victim support services. There are also some service fees and charges. Since 2010, grants have been reducing as the Government implements its policy of deficit reduction. However it is important to note the key difference between Police and Local Authority funding is that the Commissioner's main income is government grant and Council Tax and he does not have access to significant other government funds.
21. Nationally police funding for 2015/16 has reduced by 3.6% compared to 2014/15. Top slicing has increased by 52% since 2014/15 with additional top-slices to fund a transfer of resources to the Independent Police Complaints Commission; the Police Innovation Fund; a programme of annual force inspections; and to support other areas of national policing interest mean that the total reduction in funding is 5.1% for 2015/16.



22. Income from other sources has increased by £3.9m. This includes £2.0m income from the delivery of police services, £0.8m council tax receipts from growth in housing across all four Borough Councils and £1.1m from the proposed increase in council tax of 1.97%. The Home Secretary has secured the freedom for Commissioners to increase the police element of council tax and the Department of Communities and Local Government has confirmed that increases below 2% will not be subject to a referendum. Diagram 1 demonstrates the relative scale of each of the funding sources available to the Commissioner

Diagram 1: Funding and Income 2015/16



## COMMITMENTS AND INFLATION

23. The base budget is subject to price inflation, the impact of pay awards and commitments (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. Projections of price and pay inflation remain low in percentage terms but are nevertheless significant in monetary terms. Table 2 shows the cost of inflation as predicted to March 2020.

Table 2: Pay and Price Inflation (£m)

|           | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Total |
|-----------|---------|---------|---------|---------|---------|-------|
| Inflation | 2.3     | 2.9     | 2.7     | 2.8     | 2.9     | 13.6  |

24. Significant commitments include the costs of increased reporting of sexual offences, both current and historic, the costs of nationally delivered IT systems and the implementation of the Victims Code of Practice. In 2015/16 these external commitments total £1.6m.

Table 3: External Commitments (£m)

|             | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Total |
|-------------|---------|---------|---------|---------|---------|-------|
| Expenditure | 3.1     | 3.0     | (0.2)   | 0.1     | 0.0     | 6.0   |
| Income      | (2.0)   | 0.0     | 0.0     | 0.0     | 0.0     | (2.0) |
| Total       | 1.1     | 3.0     | (0.2)   | 0.1     | 0.0     | 4.0   |

## POLICING PRIORITIES

25. The Commissioner has recently refreshed his draft Police and Crime Plan for 2015/16 and has consulted with stakeholders and partner organisations. The Plan sets the direction for the Constabulary, has underpinned the root and branch review and drives the MTFS. The key risks and objectives within the Plan are set out below:

### Local and National Risks

26. The strategic assessment undertaken annually by the Chief Constable identified the following local risks:-

- Protecting people from harm and reducing vulnerability
- Reducing crime and re-offending
- Meeting public expectations
- Information management and technology

27. The current Strategic Policing Requirement has identified the following national threats:

- Terrorism
- Organised crime
- Public disorder
- Civil emergencies, and;
- Cyber threats

28. These issues can impact at a local level where harm can be felt and escalate to a national level. Whilst they require a response that is rooted in the local police understanding issues at a neighbourhood level, police forces also need to be able to come together to play a part on a local, regional and national basis to combat threats.

The Commissioner's Policing Objectives as set out in the 2015/16 Police & Crime Plan

29. The Commissioner's over-arching priority is to ensure that victims and the needs of victims are prioritised throughout the criminal justice system.

*Objective One - Enhance frontline policing to enable the Constabulary to prevent and further drive down crime.*

30. The Commissioner supports the Chief Constable's commitment that Cheshire officers will be there for people when and where they need them. The Root and Branch review is focused on identifying how the budget can be prioritised to ensure maximum investment in enhancing front-line policing to meet the needs of victims and preventing and reducing crime.

*Objective Two – Protect Cheshire's communities from harm*

31. Crime is falling, however there are still sections of our community who are more vulnerable to becoming a victim of crime. The Commissioner wishes to ensure that the Constabulary continues to develop services which protect these most vulnerable people and communities and will continue to take a central role in working with the Chief Constable and local councils to ensure the best possible response in addressing these threats, including that of child sexual exploitation. This is as well

as tackling serious and organised crime and responding to civil emergencies which we may need to be able to react to on a local, regional and national basis.

*Objective Three – Support victims and witnesses of crime and take a robust stance in tackling those who offend especially those who do so repeatedly.*

32. The Commissioner wants to ensure that victims and witnesses of crime are at the very heart of the criminal justice system and are able to help develop the services needed not only to support them but to improve services for the future.
33. The views of victims of crime have specifically been sought in developing the Plan. Over the Commissioner's term in office the Government has gradually increased his responsibilities for the budgets associated with services for victims. This commissioning takes place across the whole spectrum of victim support services with particular focus being given to support for victims of sexual and domestic abuse, victims of hate crime and young people. The Victims Code lists the key entitlements that victims of crime can expect to receive.

*Objective Four – Continue to build on the strong partnership between the police and the communities of Cheshire.*

34. The Commissioner is committed to being accessible to local people in a range of ways, including public meetings, using new technology to undertake as many on-going conversations with residents as possible. A mobile phone application has been developed, enabling the public to find information about their local policing teams, rate the priorities set by their neighbourhood policing team for the month and submit their own priorities for the upcoming month. The 'app' also enables the public to keep up to date with the latest police news and appeals and pass information onto the Constabulary. The Commissioner is also rolling out a series of contact points for the public to contact the police and is committed to greater police visibility and engagement in communities.

*Objective Five – Ensure the delivery of an efficient and effective police service. This will include building on the use of innovative technology to deliver better services to the communities of Cheshire*

35. One of the Commissioner's core functions is to ensure that the Constabulary provides not only a responsive policing service for the residents of Cheshire but one that is also modern, well equipped and as efficient and effective as possible. The 2015/16 budget is delivering over £5m non pay savings. The Commissioner is working with the Constabulary to focus on partnership / collaboration with other police forces or other agencies to continue to drive down the costs of buying products and services.

## ROOT AND BRANCH REVIEW

36. In July 2014, the Constabulary commenced an in-depth analysis and challenge of the services provided by each of its Areas and Departments utilising a process of Priority Based Budgeting (PBB). This was a complete review of the entire organisation. This process has been led by the Deputy Chief Constable and has

involved submissions from all senior police officers and managers across the Constabulary. The Commissioner was fully briefed at each stage of the process and the Commissioner's senior officers have overseen the process to ensure complete alignment to the aims and objectives of the Police and Crime Plan. The outcome of the process is a detailed analysis of the services delivered by each function and a direction of travel for each function that enables resources to be clearly allocated to best meet the Commissioner's priorities.

37. The PBB process represents the next step in the Commissioner's Root and Branch Review. The process has delivered significant efficiency savings as well as redirecting resources to those functions which are critical to the delivery of the Police and Crime Plan. The attention to achieving and maintaining an efficient and effective Constabulary will ensure that services to the public continue to improve whilst meeting the challenges of reduced funding.
38. The outcome of the PBB process was presented to the Commissioner on 18 December 2014 and formed the basis of the MTFs 2015 to 2020. The 2015/16 budget proposals are based upon the outcome of the PBB process and the MTFs. It is intended that this will become an annual process allowing resources to be continuously reassigned to meet emerging threats and new priorities.

#### 2015/16 BUDGET PROPOSALS

39. 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 2014/15, a gross revenue budget of £190m was set. A gross revenue budget of £189m is proposed for 2015/16. The proposed budget reflects the total funding available to the Commissioner to support both the Constabulary and his commissioning role.

Table 4: Proposed Gross Revenue Budget 2015/16

|   |                    |
|---|--------------------|
|   | <b><u>£000</u></b> |
| <b>2014/15 Gross Expenditure Budget</b> | <b>190,067</b>     |
| Inflation                               | 2,308              |
| External Commitment                     | 3,094              |
| Priority Development Proposals          | 7,295              |
| Savings                                 | (13,528)           |
| <b>2015/16 Gross Expenditure Budget</b> | <b>189,236</b>     |
| <b>Financed By:</b>                     |                    |
| Grant                                   | (106,858)          |
| Council Tax Precept (incl. surpluses)   | (55,081)           |
| Net Budget Requirement                  | (161,939)          |
| Other income                            | (27,297)           |
| <b>Total Funding and Income</b>         | <b>(189,236)</b>   |

40. In addition to the impact of reduced Government grants and the cost of inflation the budget includes the costs of external commitments. These costs reflect the necessary expenditure required to address unavoidable additional demands such as those created by new or amended legislation. The successful identification of £13.5m in savings has enabled investment of £7.3m in priority developments, being the costs of the additional resources that have been directed to achieving the objectives of the Police and Crime Plan.

## PRIORITY DEVELOPMENT PROPOSALS

41. Concurrent with the PBB process the Constabulary has undertaken a fundamental review of operational structures and processes. This has been informed by design principles created to reflect the aims and objectives of the Police and Crime Plan. These design principles are:

- Public Focus - victim centred, visible and responsive to communities
- Culture, Values and Leadership - open and transparent, accountable and innovative
- People - skilled, responsible and motivated
- Service delivery - proactive, pre-emptive and preventative
- Partnerships - collaborative, joined up, public orientated efficient services
- Data - accessible information, at the right time to make the right decisions
- Technology - interoperable, accessible and secure
- Assets - modern, well equipped and utilised infrastructure

42. These principles along with the strategic direction outlined above have led to the development of a proposal for a new operating model for the delivery of local policing. Having taken account of the Commissioner's views, particularly regarding the need to protect the public from emerging threats and enhance neighbourhood policing which supports and prevents victims; the proposed model is based around a single Command Unit and 8 local policing units. The proposed model alters the existing arrangements in a number of key ways for 2015/16:

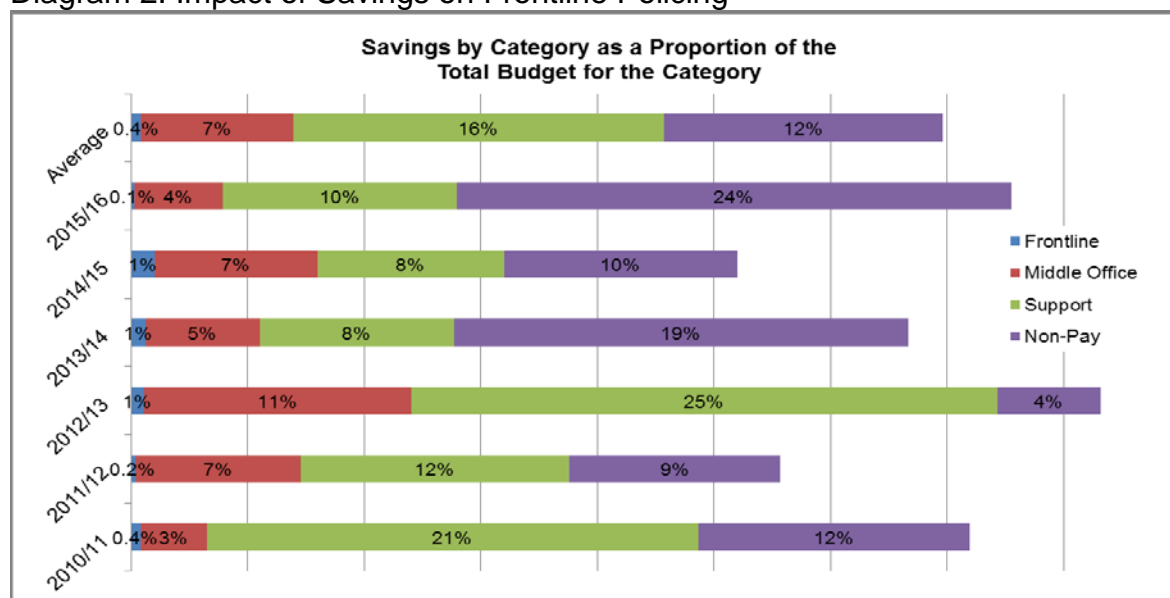
- a) An extra 53 police officers in the forthcoming financial year. The number of officers allocated to local policing will increase by 131 officers to both beat and response. This level of investment will be maintained across the forthcoming two years.
- b) The number of PCSOs will be retained at 220 further enhancing local visibility (subject to continuing partner funding).
- c) Over £5.0m of the savings for 2015/16 will be made through non-pay spend, making good use of procurement strategies.
- d) Estates modernisation to underpin the transition to a new model of policing that has recently been piloted in Ellesmere Port, and has produced impressive results.
- e) Investment in mobile technology and the development of more streamlining of key police processes to reduce the bureaucracy that frontline officers have to deal with and allow more time out in communities.

- f) Invests in a Public Protection Directorate, to ensure that the public can be assured of a clear and determined focus on the protection of vulnerable people and to ensure a stronger focus on key issues such as child sexual exploitation, rape, domestic abuse, human trafficking and modern slavery.
- g) A policing model based on a single command unit and 8 local policing units which will provide:
  - Greater functional accountability
  - Clear local accountability
  - Specialist bureau teams
  - Multi-skilled teams
  - Centralised resource control
  - Simpler role/unit structure
  - Single deployment base (hub and spoke)
  - Model to build sustainable collaborations
  - Partnership alignment
  - Centralised specialist capabilities
- h) An ambitious proposal to utilise reserves to restructure financial support around buildings costs and debt rescheduling to realise savings of around £2m per annum in future years, once this is implemented.

## SAVINGS AND RESOURCE REDIRECTION

- 43. The PBB process has facilitated an enhanced level of scrutiny of resources across the Constabulary which has enabled the Chief Constable and Commissioner not only to identify significant additional savings but also to align resources to priorities to a degree not previously possible.
- 44. The development of the budget for 2015/16 therefore involves a scale of change beyond that undertaken in recent years. The changes can be categorised in terms of increasing efficiency savings and the changes to service levels to reflect the Commissioner's priorities. The total value of savings which can be achieved in 2015/16 is £13.5m.
- 45. The continuing priority in making savings is of minimising the impact of reductions on frontline policing and focusing on making savings in support functions and non-pay budgets. The diagram below demonstrates the success of this approach and the minimal impact of the savings plans on the frontline in the last 5 years. The impact of the increased focus on non-pay savings following the Commissioner taking office in November 2012 can be clearly seen. This continues in the proposed 2015/16 budget.

Diagram 2: Impact of Savings on Frontline Policing



46. The PBB approach has enabled a highly detailed review of the Constabulary's expenditure and significant savings have been made through the aggregation of small savings which are too numerous to detail. The changes creating the more significant savings are listed below:

- Reduced costs of running the estate resulting from a restructure of debt.
- Reduced vehicle costs from more fuel efficient vehicles and better deployment.
- Reduction in management costs from the move to a single command unit.
- Increased automation and self-service by managers will reduce the resources required to provide performance information.
- A reorganisation of intelligence resources will enable more efficient and effective processes freeing up resources.
- Collaboration with North Wales Police on firearms capability will deliver efficiency savings.
- Better processes to deal with registered sex offenders will release capacity to be reinvested in public protection.
- Streamlined processes in the major crime directorate will release posts without diminishing capability.

47. The total level of savings allied to a small increase in Council Tax will enable the Commissioner to address the funding reductions and invest in frontline services, including 131 police officer posts on Local Policing Units. This robust approach to savings ensures that the Constabulary can continue to improve services to the public of Cheshire despite the challenging financial climate.

48. The reallocation of resources has moved £7.3m from lower to higher priority services. The services affected are shown in Table 5 below:

Table 5: Resource Redirection

| <b>Increased Service Levels</b> | <b>Reduced Service Levels</b> |
|---------------------------------|-------------------------------|
| Area Beat Management            | Finance                       |
| Area Reactive Investigation     | Facilities                    |
| Area Proactive Investigation    | Employee Relations            |
| Driver and Road Safety Unit     | Corporate Communications      |
| Economic crime Unit             | Planning and Performance      |
| Crime Recording                 | Strategic Partnerships        |
| Detainee Processing             | Force Operations Support      |
| Public Protection               | Intelligence                  |
|                                 | Major Crime Directorate       |

## STAFFING

49. In terms of staffing the proposals would increase the total number of officers employed, materially increasing the numbers engaged on frontline duties. The scale of efficiency improvements has also enabled the total number of police staff roles to be maintained with an increased proportion on duties directly delivering services to the public. The establishment of police officers, PCSOs and other police staff for 2015/16 is as detailed below. The predicted numbers for the following two years are also included.
50. Including officers posted to regional collaborations (currently 87) the total police officer establishment, leavers and recruitment for 2015/16 is as shown below:-

### Police Officers

|               | 2015/16 |
|---------------|---------|
| 1 April 2015  | 1,930   |
| Leavers       | (92)    |
| Recruitment   | 145     |
| 31 March 2016 | 1,983   |

The recruitment profile, which has been costed for 2015/16, will be included in the People Strategy.

### PCSOs

51. Subject to continued funding support from partners, it is proposed to maintain the PCSO establishment at 220.

### Police Staff (excluding PCSO)

|          | 2015/16 |
|----------|---------|
| 1 April  | 1,184   |
| Change   | +14     |
| 31 March | 1,198   |



52. The above staffing projections are based on the outcome of the PBB process for 2014. The process will be repeated in future years and the above profiles will be amended accordingly. This will ensure that resources remain fully aligned to the most current priorities to minimise threat and harm and provide the best possible service to the public of Cheshire. Whilst the net change is relatively small the total reallocation of staffing resources is highly significant affecting almost 600 roles.

## COMMISSIONING

53. In 2015/16, the approach to commissioning will continue to focus on victims of crime 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 transition from nationally commissioned services to locally controlled will take effect from the 1 April 2015. During the course of the year the EU Directive on victims' rights and entitlements will come into effect which will place greater responsibility on responsible organisations such as the Police to ensure that they are assisted through the criminal justice process. The Commissioner has additional responsibilities to have services available to support victims of crime whether or not they make a formal complaint. The Commissioner has an indicative allocation of £1,108,000 from the Ministry of Justice for victims' services and restorative justice, which includes the cost of the existing regional referral centre.

54. The community safety funding in 2014/15 is now incorporated into the main grant for policing. Taking account of inflation the Commissioner is committed to the amount of funds allocated last year of £983,000. 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. The allocations will be discussed at the next meeting the Commissioner has with Community Safety Partnership chairs on 5 February 2015.

55. The Crime Prevention Small Grants Fund has been set at £40,000 for 2015/16. This is to assist local organisations in crime prevention projects.

56. The Commissioner has allocated a further £60,000 to Participatory Budgeting initiatives following the very successful project in the Grange area of Runcorn this year. This is aimed at supporting three initiatives of £20,000 each, one in each of the other three Borough areas.

## CAPITAL PROGRAMME

57. To support the changes and savings required, capital investment in new technology, estate management and equipment has been identified. This, together with the annual replacement programmes requires a proposed capital programme of £35.2m. This is inclusive of a major re-financing scheme of £29.4m which will release up to £2m per annum in savings. As with the revenue budget, funding for capital investment has also been reduced and a rigorous challenge process has been undertaken by the Chief Finance Officer and Assistant Chief Officer for all capital bids and the associated on-going revenue costs or savings. The proposed capital programme contains £1.5m for schemes already started in 2014/15, £2.9m

for essential replacements, £3.4m for new schemes and £29.4m for the re-financing scheme. Table 6 provides an overview of the capital programme for 2015/16.

Table 6: Capital Programme

| <b>Category</b>           | <b>£,000's</b> |
|---------------------------|----------------|
| Prior Years Schemes       | 1,536          |
| Property and Construction | 31,914         |
| IT & Communications       | 1,542          |
| Equipment                 | 431            |
| Vehicles                  | 1,759          |
| <b>Total</b>              | <b>37,182</b>  |

58. Details of the capital programme are provided at Appendix 5 (which is in part 2). The financing proposals at Table 7 below:

Table 7: Capital Financing

| <b>Category</b>                | <b>£,000's</b> |
|--------------------------------|----------------|
| Borrowing                      | 19,400         |
| Medium Term Financial Reserve  | 12,000         |
| Capital Receipts               | 2,909          |
| General Grant                  | 1,541          |
| Revenue Contributions          | 1,008          |
| HQ IT Reserve                  | 186            |
| Contribution from other forces | 111            |
| Specific Grant                 | 27             |
| <b>Total</b>                   | <b>37,182</b>  |

## ROBUSTNESS OF ESTIMATES

59. 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.

## RESERVES

60. Section 25 of the Local Government Act 2003 requires the Chief Finance Officers to formally report on the adequacy of the reserves for which the budget provides. The Chief Finance Officers have assessed the adequacy of reserves in the context of the strategic, operational and financial risks facing the Commissioner.
61. The 2015/16 budget has been developed as part of the MTFs 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 has been subject to in depth review during 2014 and a revised Strategy was approved on 7 January 2015 (2015/210). The revised Strategy has taken into account the proposals contained in the Police and Crime Plan and MTFs as well as implications for treasury management.

## COUNCIL TAX PRECEPT

62. At £153.21 per annum for a Band D property, the Commissioner has the 11<sup>th</sup> lowest council tax for all police forces in England and Wales and the 6<sup>th</sup> lowest amongst shire forces. The balance between protecting critical services which are highly valued by the public and minimising the cost to council tax payers is particularly challenging during a period of austerity. The council tax was frozen in cash terms during 2014/15 resulting in an additional real terms reduction for the Commissioner's budget. To continue these real terms reductions alongside the continued grant reductions is not sustainable. It is therefore proposed that the strategy should be to increase Council Tax taking into account the costs of inflation ensuring that the funding reductions to the Constabulary are not exacerbated. This policy must recognise the limits imposed each year by Government and therefore any increases will also be capped by the referendum limit, which for 2015/16 is 2%.
63. An increase in council tax has not been considered lightly and has followed consultation with both the public of Cheshire and local business leaders. The outcome of both consultations has demonstrated strong support for this increase. 70% of the public indicated support for an increase of up to 1.99% (+/-3%, 95% confidence level) and support from business ratepayer representatives was unanimous.
64. In respect of 2015/16 a small increase of 1.97% is proposed representing an annual increase of £3.02, less than 6p per week, making a Band D property £156.23. If the Commissioner froze council tax at £153.21 in 2015/16 Freeze Grant of £588k would be received for that year only. A further £472k savings would therefore be required in 2015/16 rising to £1.2m from 2016/17 as the freeze grant drops out and permanent savings are required in addition to the budget shortfall. This budget will provide protection for the public from emerging threats, reduce the number of people becoming victims, support those who are and enhance neighbourhood policing.
65. Each year the precepting authorities approve their individual council band D taxbase which are used for calculating the precept amount. For 2015/16 the overall taxbase has increased by 5,511.96 band D equivalents, resulting in an increase to the precept funding by £844,487 before 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<br>Band D<br>Equivalents | Precept on<br>Collection<br>Fund<br>£ |
|---------------------------|------------------------------------|---------------------------------------|
| Cheshire East             | 138,764.49                         | 21,679,176                            |
| Cheshire West and Chester | 112,869.00                         | 17,633,524                            |
| Halton                    | 32,100.00                          | 5,014,983                             |
| Warrington                | 64,161.00                          | 10,023,873                            |
| Total                     | 347,894.49                         | 54,351,556                            |

## CONCLUSION

66. The determined focus on driving efficiency particularly in non-pay expenditure continues to ensure that the impact of significant funding reductions is being managed without detriment to the policing services valued and needed by the public of Cheshire.
67. The implementation of the Priority Based Budgeting process, as the next step in the Root and Branch review, has identified opportunities to redirect resources to priority functions to maximise delivery against the Police and Crime Plan. Key to this is the growth of 53 police officer posts and the transfer of 131 officers to frontline policing duties in Local Policing Units
68. The scale of reduction in government funding totalling 5.1% is such that a small increase of 1.97% in Council Tax (£3.02 per annum for a Band D property) is required. This will facilitate the necessary investment in order to implement the policing model, delivering further efficiencies over the medium term.

## CONSULTATION WITH THE PUBLIC AND BUSINESS RATEPAYERS

## PUBLIC PRIORITIES

1. During 2014, the Commissioner's Office consulted with 1,360 members of the public which gives a 95% confidence interval +/- 2.66%. Using the 'Have Your Say' survey, face to face conversations took place with Cheshire residents at a variety of public events such as Cheshire, Nantwich and Halton Show, at Roadshows in key towns across the county and at focus groups with diverse community representatives (including LGB&T, people with a disability, race and faith groups). The survey was also mailed to the Citizens Panel.
2. Respondents were asked, "If you had to think of just ONE thing that the police needed to deal with as a priority in your local area, what would this be?" The responses were analysed and the top 10 priorities are ranked in order below:

|    |  |     |
|----|--|-----|
| 1  | <sup>1</sup> Road Policing / Road Safety | 201 |
| 2  | <sup>2</sup> Visibility                  | 181 |
| 3  | <sup>3</sup> Antisocial behaviour        | 162 |
| 4  | <sup>4</sup> Drugs                       | 142 |
| 5  | Parking                                  | 63  |
| 6  | <sup>5</sup> Young People                | 54  |
| 7  | Burglary                                 | 52  |
| 8  | <sup>6</sup> Alcohol                     | 48  |
| 9  | Crime & Crime Prevention Advice          | 40  |
| 10 | <sup>7</sup> Accessibility               | 19  |

<sup>1</sup>Road Policing / Road Safety included 102 people citing speeding as their top priority. Of the 99 other road policing related issues, dangerous driving, mobile phone use, joy riders and youths on motorcycles featured amongst the responses.

<sup>2</sup>Under the 'visibility' category, people wanted to see more officers on the beat, fewer in cars and more PCSOs.

<sup>3</sup>Antisocial behaviour included vandalism (18 responses), dog fouling (6), and fly tipping (4)

<sup>4</sup>The responses for 'drugs' included comments both about drug dealing and drug taking.

<sup>5</sup>'Young People' includes comments about youth crime, youth nuisance, and youths "hanging around".

<sup>6</sup>Alcohol includes comments about policing the night time economy, drinking in public areas, disorderly behaviour after licensed premises have closed and alcohol misuse.

<sup>7</sup>The Accessibility category includes comments about keeping police stations open and having easier access to the police.

The results were considered by the Commissioner and Chief Constable at the Joint Strategic Development Session on 10 November 2014 and were used to inform the 2015 refresh of the Police & Crime Plan.

## POLICE BUDGETS

3. Respondents were also asked “As budgets are being cut by the Government, where do you think money could be saved?” The top ten responses are ranked in order below:-

|    |                                 |     |
|----|---------------------------------|-----|
| 1  | Admin / Bureaucracy / Paperwork | 143 |
| 2  | Don't cut the budget            | 117 |
| 3  | Road policing                   | 54  |
| 4  | PCCs                            | 49  |
| 5  | Cars / Fuel                     | 43  |
| 6  | Government funds or MPs         | 33  |
| 7  | Managers                        | 31  |
| 8  | PCSOs                           | 20  |
| 9  | Senior Officers                 | 18  |
| 10 | Pensions                        | 9   |

4. 22% (117) of the people who responded to this question were adamant that police budgets should not be cut any further.

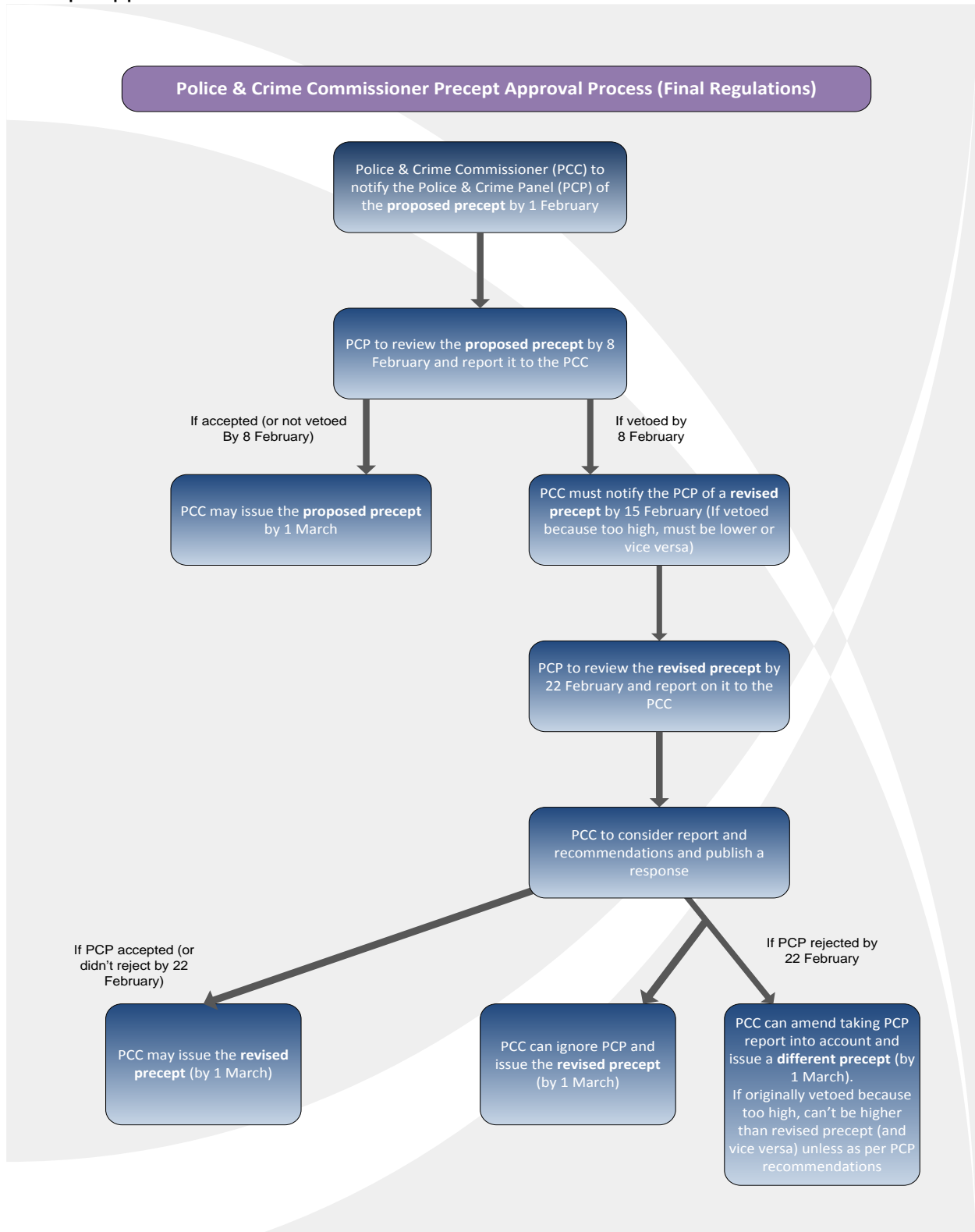
## COUNCIL TAX

5. Consultation about a proposed increase of up to 1.99% in the council tax precept for policing was launched on 5 January and ran until 16 January 2015. The public were asked whether they would be prepared to pay up to £3 per year extra for policing.
6. The consultation was promoted through local and social media, via PCC Alert, stakeholder networks and with staff.
7. 1,060 people completed the survey, 70% stated that they would be prepared to pay a 1.99% increase in council tax for policing. Based on the number of households (439,335) this give a 95% confidence interval +/-3%.

## CONSULTATION WITH BUSINESS RATEPAYERS

8. The Commissioner consulted business representatives on the 2015/16 budget and precept at a meeting on 19 January 2015. Without exception, a 1.99% increase in the policing precept was approved by representatives of the business community.

Precept Approval Process



## 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 2015-20. Alongside this, future capital programmes have been produced taking into account forecast Government funding, borrowing limits and council tax. For 2015/16 borrowing levels have also been guided by the prudential indicators for 2015-18.
- 3 For 2015/16, 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 2015/16 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 2015/16 £2.4m 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

- 1 This Appendix sets out 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 Officers 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 The use of reserves therefore is considered and agreed by the Commissioner in setting his 2015/16 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 2015-20 Medium Term Financial Strategy.
- 4 The following table shows the estimated reserve levels for 2015/16. 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.

|  | At 1 April<br>15 | Net<br>Movement | At 31<br>March 16 |
|--|------------------|-----------------|-------------------|
|  | £000             | £000            | £000              |
| <b><u>Revenue Earmarked Reserves</u></b>   |                  |                 |                   |
| Redundancy Reserve                         | 2,405            | (648)           | 1,757             |
| MTFS Reserve                               | 13,073           | (12,000)        | 1,073             |
| LGPS Actuarial Reserve                     | 2,189            | (984)           | 1,205             |
|  | <b>17,667</b>    | <b>(13,632)</b> | <b>4,035</b>      |
| <b><u>Capital Earmarked Reserves</u></b>   |                  |                 |                   |
| Capital Receipts                           | 8,618            | (2,586)         | 6,032             |
| Unapplied Capital Grants Reserve           | 28               | (27)            | 1                 |
| Revenue Reserve for Capital Expenditure    | 27               | (27)            | 0                 |
|  | <b>8,673</b>     | <b>(2,640)</b>  | <b>6,033</b>      |
| <b><u>Revenue General Reserve</u></b>      |                  |                 |                   |
| General Fund (before 2014/15 outturn)      | 5,261            | 0               | 5,261             |
| <b>Total Reserves</b>                      | <b>31,601</b>    | <b>(16,272)</b> | <b>15,329</b>     |
| <u>Memo</u>                                |                  |                 |                   |
| Proposed net budget                        | £161,455k        |                 |                   |
| General Reserves as a % of proposed budget | 3.3%             |                 |                   |

- 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 2014 is £0.2m which is not reflected in the above table. Decisions will be required following the final outturn for 2014/15 as to how any variance should be allocated.

6 The purpose of each reserve is set out below.

(i) **Redundancy Reserve** (£2.4m)

The savings proposals and the transfer of resources to priority services can reasonably be expected to result in some 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)** (£13.1m)

The continuing financial challenges require a long term perspective on cost reduction. The Medium Term Financial Scenario predicts continuing severe challenges across the period 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.

(iii) **LGPS Actuarial Reserve** (£2.2m)

The pension cost of past service for police staff in recent years has exceeded the increasing value of investments resulting in additional contribution required to avoid the fund deficit increasing. The contributions have been assessed in the triennial review of the pension scheme and funding has been set aside from reserves to avoid these costs falling on the revenue account.

(iv) **Capital Receipts** (£8.6m)

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 2014/15.

(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) **Revenue Reserve for Capital Expenditure** (£27k)

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) **General Reserves** (£5.3m, 3.3% of net budget)

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.