

# POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE & CRIME PANEL

PAPER MARKED

Report of	<b>POLICE &amp; CRIME COMMISSIONER</b>
Date	<b>FRIDAY 13 DECEMBER 2013 – 2.00PM</b>
Subject	<b>FINANCIAL UPDATE</b>
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## **Purpose of the Report**

1. This report is to provide high level information for the Police and Crime Panel in respect of an update on the Medium Term Financial Strategy (MTFS); timescales for the 2014/15 budget process; highlighting uncertainties surrounding the process and possible budget and council tax requirements for 2014/15.
2. The chancellor will be presenting his Autumn Statement on Thursday 5 December and the Police funding settlement will be announced after this date. Although no firm date has been set for the Police funding settlement indications have suggested 18 December as the likely date, therefore it is unlikely that the announcement will be received before the Police and Crime Panel meeting.

## **Recommendation**

3. The Police and Crime Panel are asked to note the assumptions within the MTFS and the key dates in paragraph 19.

## **Background**

4. At its meeting on the 30 January 2013, the Police and Crime Panel noted the 2013/14 budget requirement of £173.466M and the Council tax requirement of £49.153M, resulting in a freeze on the Band D Council tax for Police purposes of £173.8750 at the same level as 2012/13.
5. The Medium Term Financial Strategy reported to the Police and Crime Panel in January 2013 was based on a number of assumptions and has since that time been updated, based on the June 2013 CSR announcements which revised the financial profiles year on year.
6. Key assumptions included in the Medium Term Financial Strategy at the time of the panel meeting included:
  - a. No council tax increase in 2014/15, with increases of 2% from 2015/16 and that the council tax base grows at 0.8% per annum;
  - b. That there is no new council tax freeze grant after 2013/14;

- c. All existing council tax freeze grants cease at 31 March 2015.
  - d. Government Funding reductions were 3.7% in 2014/15, 3% in 2015/16 and 5% in 2016/17;
  - e. The collecting authorities LCTS schemes deliver a cash neutral position when combined with the council tax support grant from the Government;
  - f. Pay and price increases are assumed at realistic levels;
  - g. No additional, unfunded responsibilities are given to the PCC;
  - h. The Budget Equalisation Reserve (BER) can fund any necessary invest to save projects and further borrowing beyond the capital programme is not required;
7. With the above assumptions, the MTFS included in the Police and Crime Plan revealed a funding gap as follows:

2014/15	2015/16	2016/17
£6.085m	£12.820m	£20.260m

8. The Police and Crime Commissioner set the Chief Constable the challenge of developing a change programme which would address the gaps identified above by the end of June 2013.

### **June Comprehensive Spending Review (CSR) announcement and MTFP impact**

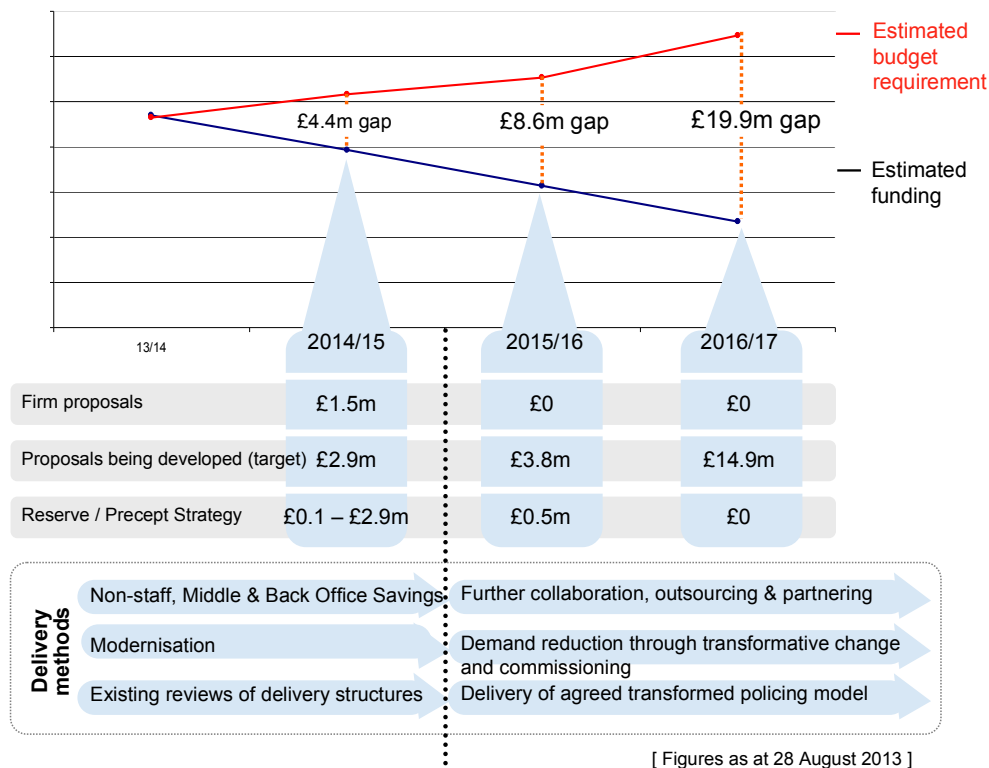
9. The CSR announcement on 27 June 2013 gave an indication of funding over the years 2014/15 to 2016/17. This announced a reduction in funding of 3.3% for 2014/15 and 3.2% for 2015/16; overall this was slightly better than was forecast above and enabled a reduction in the identified gap to be reported. The CSR also announced the intention to:
- a. Permit Council Tax freeze grant from previous years to continue until 2015/16;
  - b. Provide a further potential Council Tax Freeze Grant for 2 years;
  - c. Confirm the potential referendum level continuing at 2%.
10. Given the above the MTFS was updated and the updated funding gaps were presented to the Panel in August 2013. The updated gap was:

2014/15	2015/16	2016/17
£4.420m	£8.631m	£19.878m

### **Developments**

11. As mentioned in Para. 8 above the Force was set a challenge of developing a change programme to address the gap identified. In April of this year, to ensure that this took place, the force established a change team, with the sole remit of developing and implementing the plan. In June 2013, the Force presented its change plan to the Police and Crime Commissioner which provided a comprehensive suite of change options, targeted to balance the budget and to ensure a Force that is fit for 2016/17 and beyond which is sustainable financially and in operational delivery. This plan was amended in early July to take account of the CSR announcement.
12. The Force Change team co-ordinates and manages the change plan and governance is provided by the Change Board with representation across the Force. The OPCC is represented on the Board by the Chief Executive and Chief Finance Officer. Regular reports are also received by the Strategic Assurance Board (a forum where the Police and Crime Commissioner holds the Chief Constable to account).

13. The Police and Crime panel at its meeting on 28 August 2013 received a presentation, which included the change programme. This included the graph below, which demonstrated the identified graph and the proposal to close this gap by 2016/17.



14. The change programme identified a total projected savings plan of £23m. This is higher than the identified gap in recognition that the initiatives within the programme required to be firmed up and would change as they went through the consultation and validation phases. To date the change board has managed to bring forward £175k of savings for this financial year and has firm savings plans of £3.116m for 2014/15. This will have a significant bearing on the budget requirement for next financial year and beyond. The budget setting process will take account of the achievability of the initiatives within the programme and the MTFS will also be updated to reflect those savings that have been secured.
15. The change programme also takes account of ongoing funding for PCSOs. The budgeted establishment for 2013/14 is 229 FTE and a planned 223 FTE for 2015/16, resulting from a proposed merger of two operational units. The Force currently has 231 PCSO posts, with the additional 2 posts being funded from a specific PCSO reserve held by the Commissioner.
16. Current Financial Position – The force monitors its budgets on a monthly basis and while there are a number of uncertainties surrounding the remainder of the year, the forecast is currently for a £900k underspend. Any use of underspend that occurs in this financial year, will have to take into consideration future budget requirements and the shaping of the Force over the next 3 years to meet the demands and ensure that it is lean and fit for purpose.

### **2014/15 Budget Requirement & Budget Preparation Process**

17. The 2014/15 Budget setting process is well underway by the force and the force finance team to enable revenue budget and council tax proposals to be presented to the Police and Crime Panel on the 27 January 2014.
18. A robust timetable has been developed by the force finance team which incorporates key meetings both locally and regionally, whose outcomes potentially have an impact on the budget and MTFs moving forward. Some key dates for the Panel to note are as follows:

5 December	Chancellors Autumn Budget Statement
6 December	Regional Resources Board
10 December	EMSOU Management Board
17-18 December	Anticipated Police Funding Settlement
13 January 2014	Strategic Assurance Board
20 January 2014	Finalisation of the Budget requirement and proposed precept level (council tax proposal)
27 January 2014	Police and Crime Panel

### **Uncertainties**

19. There are a number of uncertainties affecting the 2014/15 funding and budget requirement position which affects the sensitivity of the information and are unknown at this time. These include:
  - a. PCCs have been advised of the intention to transfer work from Police Forces to the Independent Police Complaints Commission (IPCC) in respect of professional standards and the most serious and sensitive cases affecting the police. The Home Office have informed the PCCs that this will be a transfer of financial resource and not staffing resource. This is likely to mean a significant top slicing from Police Grant;
  - b. Innovation funding. As part of the Comprehensive Spending Review the Home Office announced the creation of a new £50m innovation fund for 2014/15. This funding will be on an application bid basis (therefore no guarantees that PCCs will receive funding). Indications are that this is to be funded from a further top slicing of the Police Grant. The amount of top slicing is currently unknown.
20. Victims, Witnesses and Restorative Justice – From October 2014 PCCs will be taking over part of these services, with further services to follow in 2015/16. PCCs have recently received funding notifications for 2013/14 and indicative notifications for 2014/15 onwards. However, there is still a national debate as to what services will transfer over to the PCCs and when. This strand will be encompassed within the commissioning framework and will support the second theme within the Police and Crime Plan – “Supporting Victims and Witnesses” as well as contributing to the first theme – “Reducing Offending and Reoffending” through Restorative Justice.

### **Precept options & impacts**

21. The MTFs currently assumes a 0% precept increase for 14/15 and 2% increase for both 15/16 and 16/17. As the PCC and the Force work through the budget setting process and update the Medium Term Financial Plan, a range of options will be reviewed both in terms of the precept and the budget requirement. As an indication the table below shows the estimated additional level of financial resource which would be available to the PCC:

Percentage increase on Precept	Estimated additional Income (£'000) (additional revenue from precept increase less loss of council tax freeze grant)		
	2014/15	2015/16	2016/17
0.5%	248	255	262
1.0%	496	510	524
1.5%	744	765	786
2.0%	992	1,020	1,049

\* The above figure are based on an assumed 0.8% council tax base increase

22. Although any increase in precept would provide additional revenue to the PCC, the challenge to the PCC is to ensure that all inefficiencies are driven out first and foremost, whilst the force is maintaining and enhancing an effective service to the people of Leicester, Leicestershire and Rutland.

### **Commissioning budget**

23. The commissioning budget for 2013/14 is £3.249m and is included in the budget requirement of £173.466m. The budget has been allocated across a number of different organisations using a number of different purchasing systems as described in the Commissioning Intentions document published in July 2013 (which can be accessed on the PCC website: [www.leics.pcc.police.uk/Planning-and-Money/Commissioning/Commissioning.aspx](http://www.leics.pcc.police.uk/Planning-and-Money/Commissioning/Commissioning.aspx))
24. The commissioning framework for 2014/15 is currently out to consultation (which finishes on Friday 6 December), with the aim of publishing in early January 2014. This will determine the level of budget to be allocated to commissioning for 2014/15.

### **Conclusion**

25. This report outlines the current assumptions within the Medium Term Financial Strategy and the budget setting timetable. It sets out what the impact of differing levels of precept increases would have in terms of additional funding available to the Police and Crime Commissioner.
26. It should be noted that there are currently some uncertainties regarding the level of funding from central government, which will not become known until late in December at the earliest, and also noted that the MTFS will change and be updated as the Budget setting process is progressed.

### **Implications**

- Financial – This report is an update for the Police and Crime Panel to note the financial position, uncertainties and timescales.
- Legal - There are no legal implications identified.
- Equality - There are no equality issues identified.
- Impact Assessment

Risks and - No risks have been identified from this report.  
Impact  
Link to  
Police and  
Crime Plan

**List of Appendices**

None

**Background Papers**

None

**Person to Contact**

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