

# POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE & CRIME PANEL

PAPER MARKED

Report of	<b>POLICE &amp; CRIME COMMISSIONER</b>
Date	<b>WEDNESDAY 17 DECEMBER 2014</b>
Subject	<b>BUDGET AND PROPOSED PRECEPT 2015/16 – MEDIUM TERM FINANCIAL PLAN 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 Plan (MTFP); timescales for the 2015/16 budget process; highlighting uncertainties surrounding the process and possible budget and precept requirements for 2015/16.
2. The chancellor will be presenting his Autumn Statement on the 4 December and it is anticipated that the Police funding settlement will be announced on the 17 December. Therefore, it is unlikely that the full announcement will be received and the details fully understood before the Police and Crime Panel meeting.

## **Recommendation**

3. The Police and Crime Panel are asked to note the assumptions within the updated MTFP and the key dates in paragraph 18.

## **Background**

4. At its meeting on the 27 January 2014, the Police and Crime Panel considered the 2014/15 budget requirement of £172.595M and council tax requirement of £51.083M, resulting in a 1.5% (£2.61) increase on the Band D Council tax for Police purposes to £176.4831.
5. The MTFP reported to the Police and Crime Panel in January 2014 was based on a number of assumptions. It has been reviewed in September 2014 and as part of continual review and the budget preparation process, it is currently being reviewed in line with latest assumptions.
6. Key assumptions included in the MTFP at the time of the panel meeting included:
  - a. A council tax increase of 1.5% and increases of 2% from 2015/16, and that the council tax base grows at 0.8% per annum;

- b. There is no new council tax freeze grant after 2015/16 and that the 2014/15 and 2015/16 freeze grants are not baselined;
  - c. All existing council tax freeze grants prior to 2014/15 are baselined and continue;
  - d. Government funding reductions are 3.2% 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 BER can fund any necessary 'invest to save' projects and further borrowing beyond the capital programme is not required;
  - i. The sum of £2m over three years will be set aside by the PCC to allow the force to prioritise community and neighbourhood safety, target, sustain and develop levels of neighbourhood policing and numbers of PCSOs. There would be particular concentration on anti-social behaviour (ASB) hotspots;
  - j. The force is committed to deliver a Volunteer Strategy which is intended to increase Volunteers to 1,000 over three years from 2014/15..
7. At that time, with the above assumptions, the MTFP included in the Police and Crime Plan revealed a residual funding gap from 2014/15 of over £20m which must be reduced from the baseline budget:
- |         |          |  |
|---------|----------|--|
| 2015/16 | £4.777M  | (to be reduced from the baseline in 15/16)                   |
| 2016/17 | £15.233M | (a further reduction to be removed from the baseline budget) |
8. In line with his strategic priorities contained within the Police and Crime Plan, the Police and Crime Commissioner set the Chief Constable the challenge of developing a change programme which includes "business as usual" transactional changes, together with a new operational policing model which will deliver transformational changes. An update on the Change Programme is already tabled on the Police and Crime Panel Agenda.
9. As the MTFP is regularly updated and reviewed and in order to ensure consistency with Strategic Priority 18 of the Police and Crime Plan, which is:
- "With staff and partners, transform the way we protect our communities and deliver over £20M in revenue savings by 2016/17."*
10. The force monitors its budgets on a monthly basis and, whilst there are a number of uncertainties surrounding the remainder of the year, the forecast is currently for just over £900k to be drawn from the Budget Equalisation Reserve in 2014/15 to meet additional commitments which include matched funding for the successful innovation scheme bids.

#### **Revised Medium Term Financial Plan as at the end of November 2014**

11. The MTFP was recently revised to reflect the impact of anticipated top slicing and includes updated forecasts and the impact of Project Edison changes on the force.

12. Key assumptions on the MTFP are consistent with assumptions made by other PCCs and November assumptions were as follows:

	2015/16	2016/17
Estimated increase (reduction) in central funding	(5.0%)	(3.2%)
Precept increase	2.0%	2.0%
Pay Inflation (1)	1.0%	2.0%
Non Pay Utilities and fuel inflation (2)	5.0%	5.0%
Other non-pay inflation (2)	2.0%	2.0%

Key: (1) pay settlements determined nationally  
(2) in line with similar assumptions used by other PCCs nationally

13. Based on those assumptions, even after realised and planned savings, the residual funding gap currently identified in the MTFP which needs to be reduced from the baseline budget each year is:

2015/16	£3.0M
2016/17	£6.0M

14. The MTFP is updated throughout the budget preparation process to take account of known and assumed changes as they transpire. Work is also underway to review the MTFP for years after 2016/17, for which there is, of course, greater uncertainty.

### **Changes and Uncertainties**

15. At this early stage in the budget preparation process, there are a number of changes and uncertainties which will impact on the Funding Settlement as follows:
- It is likely that top slice funding will continue, with a full year for IPCC in 2015/16
  - The top slice for the National Home Office Innovation Fund will increase from £50M to £70M (across 41 forces)
  - There is a potential for further top slice funding to be removed for other national priorities
  - Each 1% reduction equates to a £1.2M reduction in grant.
  - It is hoped that the referendum limit will be agreed with DCLG in line with the anticipated settlement on December 2014
  - It is uncertain whether any Council Tax Freeze Grant available in 2015/16 would be baselined and whether any provision will be available in future years.
  - National IT costs and recharges have already been notified to increase significantly in excess of inflation
  - 2015/16 and future years confirmed allocations for Victims and Witnesses are awaited.
16. It is estimated that these changes will have a significant impact on both the 2015/16 budget and precept requirement and the MTFP.

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

17. The 2015/16 Budget setting process is being progressed by the Force Finance Team (FFT) to enable the precept to be presented to the Police and Crime Panel on the 29 January 2015.

18. A robust timetable has been developed by the FFT which incorporates key meetings and considerations, the outcomes of which potentially have an impact on the budget and MTFP moving forward. Some key dates for the Panel to note are as follows:

4 December	Chancellors Autumn Budget Statement
17 December	Anticipated Police Funding Settlement
24 December	Responses received and analysed from Public Consultation Process (see below at paragraph 22)
14 January 2015	Strategic Assurance Board
20 January 2015	Finalisation of the Budget requirement and proposed precept level (council tax proposal)
29 January 2015	Police and Crime Panel

### **Precept options & impacts**

19. The MTFP currently assumes a 2% increase for both 2015/16 and 2016/17. As the PCC and the Force work through the budget setting process, a range of options will be reviewed both in terms of the precept and the budget requirement, which will include consideration of use of the Budget Equalisation Reserve (BER).
20. As an indication, the estimated additional level of financial resource which would be available to the PCC (assuming Council tax Freeze Grant is available at 0%), with differing levels of precept rise would be as follows:
- |      |  |
|------|--|
| 0%   | £0.5M  |
| 1.5% | £0.7M (noting that a 0% freeze grant is not available) |
| 2.0% | £1M (noting that a 0% freeze grant is not available)   |
21. 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. Work through Project Edison and the Change Programme is key in driving this.
22. In line with the commitment made during the 2014/15 precept discussions, the PCC is seeking the views of the residents of Leicester, Leicestershire and Rutland on the precept considerations for 2015/16. The consultation is a combination of telephone surveys and also through the website and results will be available internally before the end of December 2014.
23. The PCC will carefully consider the responses from the survey, together with other key information on the funding settlement and the Council Tax Base and will take these into account in his decision making for the 2015/16 precept proposal.
24. The format of the precept report to the Panel in January 2015 will include the consultation and precept details, ensuring these essential elements are covered within it.

**Conclusion**

25. This report outlines the current assumptions and uncertainties surrounding the MTFP and the budget setting timetable for 2015/16. It also sets out what the impact of differing levels of precept increases would have in terms of additional funding available to the PCC.
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 17/18 December at the earliest. It should also be noted that the MTFP will continue to 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 - Impact Assessment	There are no equality issues identified.
Risks and -Impact	No risks have been identified from this report.
Link to Police and Crime Plan	The report provides an update on the strategic financial priority contained within the Police and Crime Plan.

**List of Appendices**

None

**Background Papers**

Police and Crime Panel Budget and Precept Report 2014/15

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