

To: All Members and Officers of the
Staffordshire Police and Crime Panel.

DX 712320 Stafford 5

Fax No. (01785) 276219

Please ask for: Julie Plant

Telephone: (01785) 276135

e-mail: julie.plant@staffordshire.gov.uk

My Ref:

Your Ref:

Date: 21 January 2014

Dear Sir/Madam,

Staffordshire Police and Crime Panel - Monday, 27th January, 2014

A copy of the agenda for the next meeting of the Staffordshire Police and Crime Panel has recently been forwarded to you.

I am now able to enclose, for consideration at next Monday, 27th January, 2014 meeting of the Staffordshire Police and Crime Panel, the following report that was unavailable when the agenda was printed.

5. **Police and Crime Commissioner for Staffordshire - Draft Revenue Budget and Precept 2014/15 (Pages 1 - 16)**

Regards

John Tradewell
Director of Democracy, Law and Transformation

Enc



Police and Crime Panel – 27 January 2014

REVENUE AND CAPITAL BUDGET 2014/15

Report of the Police and Crime Commissioner

1. Introduction

- 1.1 This report is presented to the Police and Crime Panel (PCP) to provide details of the proposed revenue and capital budgets for 2014/15 for the Police and Crime Commissioner for Staffordshire (PCC).
- 1.2 The paper includes details of the funding requirements for 2014/15 and the proposed Council Tax precept for the year.
- 1.3 This paper aims to inform the Panel about the background to the budget, the main drivers addressed in setting the budget, how the budget will support the strategic objectives and outcomes sought, and identify the risks and opportunities within the budget.

2. Context

- 2.1 Over the last 3 years as a part of the Governments public expenditure austerity plans there has been a reduction in funding to the Home Office, and consequently the Police service. Specific grants for Staffordshire have fallen by 5.1%, 6.7% and 5.3% respectively.
- 2.2 Expenditure budgets have reduced in line with these funding reductions, but with good financial management and tight financial control, high quality service delivery has been maintained. Reported crime is down and good progress continues to be made across key performance indicators.
- 2.3 The PCC has set out his strategic plans in the recent Police and Crime Plan "Safer, Fairer, United Communities for Staffordshire". This will build on, and enhance the existing good work to deliver even better policing, crime reduction and community safety and outcomes, at a lower cost for the people of Staffordshire. This will be achieved by delivering against the four key priorities in the strategy (early intervention, victims, offenders and public confidence), but also by: -

- Increasing joined up working to deliver better value and reduce costs in the delivery of goods and services by public agencies across Staffordshire,
- Transformational change in the way services are delivered, to improve quality for less money,
- Providing local solutions for local problems through both the increased funding for the Commissioner's Community Fund and through local policing.
- New funding to support the recruitment of new frontline Police officers each year and for this to be sustainable,
- Investment in new technology, such as mobile technology and body worn video, through the capital programme, to improve visibility, evidence gathering and transparency,
- Investment in new services and support through commissioning better and to incentivise system-wide change.

3. The Proposed Budget

- 3.1 The Budget proposed is derived from the existing budget, the agreed Police Business Plan, service developments and investments. The forecast outturn for 2013/14 is an under spend of £1.042m which is 0.5% of the budget. This sum will be added to reserves at year end and then used to part fund the £2m Innovation Fund in 2014/15 (see below).
- 3.2 Table 1 sets out the expenditure by organisation and sources of funding, showing the forecast outturn for 2013/14, and the proposed budgets for 2014/15 and 2015/16.

Table 1

Expenditure	2013/14 Outturn Forecast £000	2014/15 Budget £000	2015/16 Budget £000
Staffordshire Police	183,552	176,863	173,342
PCC (after Stage 2)	1,146	1,877	1,908
Capital Financing	3,945	3,930	3,923
Community Fund	1,350	2,650	2,650
Innovation Fund (plus another £1m to be funded from reserves)	0	1,000	0
Other income	(5,632)	(5,260)	(5,260)
Total	184,361	181,060	176,563

Funding	2013/14 Outturn Forecast £000	2014/15 Budget £000	2015/16 Budget £000
Home Office Grants	118,441	112,798	107,488
Council Tax collection	64,708	65,425	66,270
Council Tax freeze grant	2,238	2,805	2,805
Total	185,387	181,060	176,563
Under Spend	1,026	0	0

3.3 In reaching the 2014/15 proposed budget a number of actions have been taken which are detailed in the expenditure and income bridges shown on Appendix 3.

4. Revenue Budget

4.1 Details of the budget by cost type are included in Appendix 1 and a list of assumptions is given on Appendix 2.

4.2 Staff costs make up the majority of the budget expenditure and allowance for a 1% pay award from September and incremental increases is included in the budget. Police officer numbers will fall over the period to 1,739, with PCSO numbers remaining the same. The reduction in police officer numbers planned is mainly due to increased efficiency e.g. ensuring that police officers carrying out roles that could be undertaken by police staff is minimised. The PCC has also ensured that the number of frontline Neighbourhood Police Officers is maintained at 225 FTE and not reduced as originally planned. The balance of police officer numbers is primarily, Local Policing, which in addition to Neighbourhood numbers has 550 FTE officers (and 190 FTE Sergeants / Command), Investigative Services with 487 FTE, Operational Services with 182 FTE and Regional Services with 62 FTE.

4.3 Although regulation A19 has been ended, there are still a significant number of officers who retire at 30 years service. The PCC has built in funding provision to recruit and train 42 new officers in 2014/15, adding further to the recruitment of 28 new officers in the current financial year.

4.4 Police staff numbers show a small increase, which reflects the effect of ensuring that police officers do not carry out roles that could be undertaken by police staff, supporting the delivery of efficiencies and cost savings.

4.5 Non-pay costs are a significantly lesser part of the budget than pay, but have been the focus of activity to reduce costs to reduce the effect of savings on frontline operational services. Inflation has been included at 2.7% (8% for energy costs) and a number of savings schemes are underway to reduce

costs in the maintenance, transport and IT budgets (see Appendix 3 for more details).

- 4.6 A small level of other income is generated by the Police which amount to £5.3m next year. This includes additional income for Police Led Prosecutions, secondments, and crash course income. This is an area where the PCC is keen to lead further development so that increases in income from services contribute to the costs of front line services.

Financial Outlook

- 4.7 The financial outlook remains challenging. A refreshed Medium Term Financial Strategy (MTFS) will be produced in the late spring to reflect the latest grant settlement, which was lower than expected.
- 4.8 The full identification of the savings requirement for 2014/15 demonstrates the strong underlying financial position and the impact of effective planning between the PCC and the Chief Constable. This also means that the financial position going into 2014/15 and also 2015/16 is strong, notwithstanding the need to continue to deliver savings.
- 4.9 The most significant challenge will come from 2016/17 onwards as the Comprehensive Spending Review (CSR) detail, due in 2015 becomes clearer. It is very likely that there will be a requirements to continue to deliver significant savings annually whilst protecting front line policing; the PCC has committed to a whole-system and transformational approach to ensure savings are delivered.
- 4.10 To support this approach, provision has been made in the budget for 2014/15 for resources to support service transformation and to deliver future savings. Investment in local commissioning, estates / property planning, technology, procurement and transport will all generate long term financial efficiencies and savings. The Innovation Fund will also support new ways of working that deliver transformational change across all of those organisations that support safer communities.

Commissioner's Community Fund

- 4.11 The budget includes plans to increase the funding set aside for Community Safety from £1.3m to £2.5m per year by redirecting existing funds and through better use of existing budgets. This money will support the objective of tackling the root causes of crime through early intervention, prevention of offending, supporting victims and making communities feel safe and assured.
- 4.12 Funds will be made available to local people and communities through the PCC allocating resources directly to local community safety bodies and

through making available resources that can be bid for at the local level. Further details are being provided by another item on this meetings agenda.

Innovation Fund

- 4.13 The PCC has identified resources of £2 million in 2014/15 that will be allocated for use by the new Safer Staffordshire Board, the first meeting of which took place in January 2014. The funding uses £1 million from within the 2014/15 budget and £1 million from reserves.
- 4.14 Discussions with the Home Secretary and other ministers on incentivising change in this way have shown that there is considerable support for Staffordshire in developing this approach and it is hoped that financial support in addition to that identified by the PCC will become available..
- 4.15 The Incentivising Fund has been developed so that through one-off, short-term funding, permanent and sustainable change in how public sector agencies use their resources to create a safer place and achieve better outcomes for communities and local residents, are possible.

Specifically, the funding provided will: -

- pump prime change proposals that support improvements in community safety and in outcomes for local people and communities;
- support 'invest to save and/or improve' proposals, where improved outcomes can be maintained after the one-off funding allocated through the Board is withdrawn;
- support initial development work that is likely to result in the development of further proposals to improve or create efficiency.

PCC Budget

- 4.16 The budget has increased from £1.161m to £1.887m after the implementation of Stage 2 on 1 April 2014 and is shown in summary on Appendix 4. At this date whilst most police staff will transfer to the Chief Constable, a number of staff will not transfer as their roles most appropriately sit within the PCC, or elsewhere. The current Stage 2 plan ,which is being consulted on with staff assumes that 8 FTE posts that currently work to the Chief Constable will in future work for the PCC and that 7 FTE posts that currently work to the Chief Constable will transfer to Staffordshire County Council. The increase in the PCC budget reflects this move of 15 FTE posts and a corresponding reduction of the same amount in the Chief Constable's budget, without therefore, any overall increase in resources committed.
- 4.17 All PCCs are currently working through this change and changes similar to those being implemented in Staffordshire will take place in every area.

Funding and Income Budgets

- 4.18 Funding for the PCC is derived from government grant which makes up about two thirds of income, Council Tax making up the other third, with small sums from local service generated income. The Grant funding announced in December was different to that indicated in July in the provisional settlement. Whilst the overall Police budget was in line with those plans there were a number of national top slices imposed that reduced the final grant allocation to £112.798m, which was £1.7m less than expected in the MTFs detailed in the Autumn of 2013. This is a reduction of 4.8% in total on the previous year. The £1.7m top slices were for IPCC set up costs, HMIC inspection work, direct entry scheme costs, capital city grant, and the innovation fund. These top slices are expected to continue and are factored into the 2015/16 figures.
- 4.19 Council Tax Funding is set out in table 2 below. This is based upon the latest available collection data which is not yet finalised so is subject to some change. The PCC is proposing no increase in the council tax charge for 2014/15.

Table 2

Detail	£000
Council Tax @ Band D (£177.61)	£56,631
Local Council Tax Support Grant	£8,504
Council Tax Freeze Grant	£2,805
Surplus on collection	£290
Total Funding	£68,230

- 4.20 The frozen Council Tax precept of £177.61 at Band D produces income of £56.7m. Full details of this across precept authorities is shown on Appendix 7.
- 4.21 Other Council Tax funding is from the Local Council Tax Support Grant worth £8.504m and a small surplus on the collection fund of £290,617. The Government has again offered a Council Tax Freeze grant set at 1% of baseline to those bodies who do not increase their Council Tax. This is worth £0.642m and is included in the budget along with the freeze grants from 2010/11, 2011/12 and 2013/14 giving a total freeze grant of £2.805m. The freeze grant of 2012/13 was non-recurrent.

5. Capital Budget

- 5.1 The budget includes provision for a small reduction in capital finance requirements from £3.925m to £3.923m for the year.
- 5.2 The capital plan for 2014/15 is shown on Table 3. The total planned expenditure is £9.425m, with allocations to Property and Estates (£2.627m),

Information Technology (£5.118m) and Transport £1.680m. This is funded through a number of sources including capital grants, revenue contributions, capital receipts and borrowing. For 2014/15 there is no new external borrowing proposed as funding can be met from grant, receipts and internal borrowing.

Table 3

Capital Programme 2014/15 to 2016/17

Detail	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Total Expenditure	9.425	9.593	7.987	27.005
Total Financing	(9.425)	(9.593)	(7.987)	(27.005)

5.3 Appendix 5 sets out more detail on the capital plan. The detailed capital plan will be approved on a scheme by scheme basis over the next 2 months.

6. Risk Assessment

6.1 The main risks relating to setting the budget are considered to be:

- Unidentified liabilities,
- Failure to understand and control budgets,
- Incident costs of a significant size,
- Non-delivery of savings plans,
- Changes in income due to government or other actions,
- Economic changes causing an increase in costs or reduction in income.

6.2 To manage risk the PCC has a risk register and strategy in place. Financial systems and processes are in place to manage financial risks for example:

- the budget process,
- budget monitoring,
- treasury management,
- financial controls and regulations,
- reserves held,
- change management resources,
- along with the expertise of the Finance team and its advisors.

6.3 In setting the budget a series of sensitivity tests have been carried out to understand the effect of uncertainty on the projections. The main elements of this are:

- Pay: A variance of 0.5% equates to £0.8m each year. If the national agreement are different to those assumed this variance could be managed from the reserves in the short term but would require medium term action.
- Fuel and energy costs: if this rose by 25% more than planned this would cost £0.6m which could be managed in the short term from reserves but would require medium action
- Government Funding: as 2/3rds of income any changes to this would have significant effects. The sums for the next 2 years are considered secure barring a significant economic shock. Plans for later years are being developed to provide additional comfort if the funding reduces more than planned.

6.4 So it is the view of the PCC that sufficient controls are in place to mitigate these main risks.

7. Reserves

- 7.1 The PCC holds a level of reserves amounting to £14.689m in total, which are shown in detail on Appendix 6.
- 7.2 A General Reserve is held that totalled £5.4m at 31/3/13. This is in line with the overall historic strategy to hold between 2.5% and 3% of reserves and is considered sufficient to cover unforeseen circumstances such as unrest or a major investigation.
- 7.3 The Reshaping the Future reserve will increase by £1m as result of transfer to it from the forecast 13/14 under spend. It is proposed that £1m is then used to fund the Innovation Fund which is being used to transform the delivery of police and crime reduction services.
- 7.4 The overall level of reserve held is reasonable and in line with historic targets. The PCC is very keen to ensure that reserves are only held at a minimal level in line with assessed risks and uncertainty, and for the purposes of modernising and transforming the delivery of the Police and crime agenda.

8. Recommendations

8.1 The Police and Crime Panel are asked to:

- i) Note and comment on the PCC budget for 2014/15,
- ii) Note and comment on the proposed freeze in Council Tax for 2014/15.

Matthew Ellis
Police and Crime Commissioner

Summary Budget By Cost and Income			
Type	Forecast 2013/14	Budget 2014/15	Plan 2015/16
FTE			
Officer	1,819.0	1,739.0	1,696.0
PCSO	209.0	209.0	209.0
Staff	1,125.0	1,158.0	1,158.0
Total staff numbers	3,153.0	3,117.0	3,074.0
	£000	£000	£000
Officer Pay	96,033	93,237	89,625
PCSO's	6,618	6,944	6,982
Police Staff	37,508	38,709	38,725
Total Pay Costs	140,159	138,890	135,332
Other Employee Costs	5,455	3,165	3,211
Pension - ill-health & injury	6,390	4,337	4,337
Non Pay Costs			
Premises	5,970	5,579	5,805
Transport	4,653	4,768	4,928
Supplies and Services	15,446	16,880	15,392
Third Party Payments	2,333	2,473	2,517
Partnerships	2,160	1,371	1,409
Provisions		0	0
Revenue Contributions to Capital	986	400	411
OPCC	1,146	1,877	1,908
Capital Financing	3,945	3,930	3,923
Community Safety	1,350	2,650	2,650
LESS Income (incl int on balances)	(5,632)	(5,260)	(5,260)
Total Net Expenditure	184,361	181,060	176,563
FUNDED BY			
Police Grant	73,824	112,798	107,489
DCLG Grant (Merged into Police Grant)	43,607	0	0
Community Safety Fund (Merged into Police Grant)	1,010	0	0
Council Tax	56,094	65,135	66,270
LCTB Support Grant (Merged into Council Tax)	8,397	0	0
Council Tax Freeze Grant	2,238	2,805	2,805
Surplus/Deficit on Collection	217	322	0
TOTAL FUNDING	185,387	181,060	176,563
UNDER SPEND	(1,026)	0	0

Assumptions for 2014-15 Budget

- 1 Workforce plans for 2014-15 assume that 70% of officers will leave at 30 years service and the remaining 30% will leave two years later.
- 2 There will be 3 intakes of officer recruits with 14 officers in each intake.
- 3 Staffing levels of PCSO's will remain at 209 throughout the period.
- 4 Police staff numbers vary in accordance with plan to modernise workforce practises, whereby some positions are transferred from officers to staff to enable officers to take up a frontline role.
- 5 Pay rates will increase by 1% in September 2014. In addition increments are included for staff moving up pay scales.
- 6 Government grant will reduce by 3.3% in 14/15. In addition top slicing of the grant has resulted in a further 1.5% or £1.7m reduction. Total reduction 4.8%.
- 7 Council Tax revenue is expected to increase by 1% in 14/15 - this is an increase in taxbase, not an increase in council tax rate.
- 8 Council Tax Freeze Grant is included. The value is the same as last year (amounts rolled forward) plus a further 1% on the assumption that precept will not be increased.
- 9 Charges for football, concerts etc. will remain level, allowing for PCC decision to remove charges from some community events.
- 10 General level of inflation is assumed at 2.7%.
- 11 Fuel inflation is assumed at 8%.
- 12 Police led prosecutions will increase costs (mainly staff) by £185k and income by £285k.

Income and Expenditure Bridger 2013/14 Outturn to 2014/15 Budget

Expenditure Forecast	184,361	As above
Pay increases	1,965	Cost of pay increases
Pay grade mix changes	(790)	Effect of leavers/new entrants
Service changes pay	(1,537)	Civilianisation savings
Payroll savings	(5,107)	Staff changes
Non-pay inflation	470	Price uplift
Non-pay savings	(889)	Various schemes
Other service changes	(85)	Various
Community Safety Fund	1,300	See report for details
Innovation Fund	1,000	See report for details
Other income	372	Various minor changes
2014/15 Budget	181,060	
Income and Funding Forecast	185,387	
Grant Reduction	(5,643)	Net 2.9% (4.8% reduction before freeze grant)
Council Tax yield	1,316	See report for details
2014/15 Budget	181,060	

Savings Schemes 2014/15

Scheme Name	Details of Saving	Saving PYE £000	Saving FYE £000
Reduction in Staff Management	Reduced Senior management staff	330	341
Operational Budget reviews	Review of budgets and local savings plans	490	490
Local Policing Team Restructure	Reduce number of Support Officers	-	707
Medical Costs	New medical service contract replaces individual contracts	-	97
Forensics Review	Triage referrals to reduce usage.	-	154
Civilianisation - control room, transport,	Move tasks from Officers to staff who are employed on lower grade	-	722
Totals		920	2,511

Savings are FYE if implemented prior to April 2014.

OPCC Budget 2014/15

<u>Account Code Description</u>	<u>2013/14</u> <u>Forecast</u> <u>£</u>	<u>2014/15</u> <u>Budget</u> <u>£</u>	<u>2015/16</u> <u>Plan</u> <u>£</u>
Police Staff Pay Costs Total	610,604	899,748	908,746
Other Employee Costs Total	29,607	64,800	65,114
Other Travel Costs Total	14,308	19,000	19,546
Communications & Computers Total	77,000	82,580	84,394
Administration Total	109,685	122,000	125,508
Other Supplies & Services Total	16,377	17,000	17,487
Third Party Payments Total	287,800	682,000	690,117
Total	1,145,997	1,887,128	1,908,409

**Capital Programme 2014/15 to
2016/17**

<u>Expenditure</u>	2014/15 £m	2015/16 £m	2016/17 £m	Total all years £m
Property and Estates (P&E)	2.627	1.787	1.787	6.201
Information Technology (IT)	5.118	6.406	5.000	16.524
Vehicle Replacement	1.680	1.400	1.200	4.280
Total Expenditure	9.425	9.593	7.987	27.005

<u>Financing</u>	2014/15 £m	2015/16 £m	2016/17 £m	Total all years £m
Capital Grants	(1.620)	(1.500)	(1.500)	(4.620)
Contribution from Revenue	(0.487)	(0.487)	(0.487)	(1.461)
Use of Revenue Reserves	(1.131)	(0.400)	(0.400)	(1.931)
Contribution to Reserves	(0.400)	(0.400)	(0.400)	(1.200)
Capital Receipts from Estate Rationalisation	(7.600)	(7.363)	(4.000)	(18.963)
Unallocated Receipts (if all used in year)	(1.013)			(1.013)
Borrowing for Property and Estates	-	(0.243)	(2.000)	(2.243)
Total Financing	(9.425)	(9.593)	(7.987)	(27.005)

Reserves Balances 2014/15 (projected)

Reserve Name	Value @ 31/3/13 £000	Projected Value @ 31/3/14 £000
Earmarked Reserve for Pensions	743	743
Operational under spends	298	298
Capital Reserve	2,319	2,000
Insurance Reserve	1,861	1,750
Air Operations Unit maintenance	100	100
Reshaping The Future #	3,993	5,000
Total	9,314	9,891

This reserve will be utilised in 2014/15 with £1m being used to support the Innovation Fund.

PRECEPT DEMAND SCHEDULE 2014/15

Precept Authority	Precept Amount £
Cannock Chase	4,690,661
East Staffordshire	5,985,102
Lichfield	6,268,745
Newcastle	6,196,813
South Staffordshire	6,566,242
Stafford	7,630,358
Staffordshire Moorlands	5,646,044
Tamworth	3,621,290
Stoke	10,025,605
Total	56,630,860

Surplus/Deficit

Cannock Chase	-208,000
East Staffordshire	70,633
Lichfield	59,430
Newcastle	98,054
South Staffordshire	139,421
Stafford	0
Staffordshire Moorlands	68,760
Tamworth	62,319
Stoke	0
Total	290,617