

This appendix outlines

- Finance (Long Term Financial Plan)
- Staffing
- Capital budget and assets (estates, IT, fleet or major projects)

This section sets out the resources that are available to provide services. I will, along with the Chief Constable, examine every aspect of our operations and spending. I will ensure that we budget for and secure value for money, a sustainable and effective operating model and, a progressive change programme.

The PCC owns all of the assets that the Force uses, owns all of the contracts that provide goods and services to the Force and is the employer of all of the police staff within the Force.

From the 1 April 2014 this position will change, and the Chief Constable, with the agreement of the PCC, will be able to own assets, let contracts and employ police staff directly.

What will not change however is that all of the income provided for policing will be provided to the PCC. This along with redirected funding for community safety provides the total level of resources available to me in my role as PCC to deliver the services you expect for policing and crime within Cleveland.

It will therefore be for the PCC to determine how this money is best allocated and spent, in consultation with both the public and partners, and which organisations can help deliver the best services for policing and crime within the Cleveland Police area.

Long Term Financial Plan for 2013/14 - 2016/17

Government Grant Funding

The PCCs office received notification in December 2012 of the amount of government funding (both general and specific grants) that it would receive for the 2013/14 financial year. These totalled £98,943k which was a reduction of £1,462k (1.5%) from 2012/13.

While there is no clear indication of the level of government funding for the financial years beyond 2013/14 the expectation is that it will continue to reduce across the life of this plan. The next spending review, which will cover government expenditure from April 2015, is expected to be announced on 26 June 2013. This plan

currently assumes the following reductions (without taking account of the impact of inflation):

- 2014/15 – a further reduction of 3.6%
- 2015/16 – a further reduction of 1.8%
- 2016/17 – a further reduction of 1.0%

Income Fees and Charges

In addition to funding from the government the PCC also generates or receives income from a number of other sources, including staff and officer secondments, policing of commercial or sporting events, investment of cash balances or a range of other activities. It is expected that funding of £2,362k will be received in 2013/14 and this will support policing and crime within Cleveland.

Precept

As PCC, I am responsible for setting the police precept; that is to say the amount of your council tax that is collected for the services provided by the PCC.

I will consult every year with the residents of Cleveland to find out what they think about the PCC objectives, the services that they expect and the possible budget implications that these things may have for the following year.

In the autumn of each year my office looks at the spending plans for the following year and takes into account the revenue budget – (which is the day to day running costs) and the capital budget (investment in assets) and the grants that are received from government. From this the precept is set (the amount that has to be raised locally through the council tax)

Essentially the precept is calculated as:

- (a) Net cost of service
- (b) Less future efficiencies/savings
- (c) Less grants from the government (approx 70% of the budget)
- (d) = precept required from council tax.

As the grant from the government is reduced, the pressure becomes greater on maintaining a precept level that will ensure that service levels can be maintained (or improved). As a simple ready reckoner, every 1% increase of precept for the PCC generates £280k of spending, or vice versa if precept is reduced.

After consulting with residents, a proposed precept is presented to the Police and Crime Panel (PCP) by the 31 January each year.

As PCC, I must finally decide by the 1 March each year what the precept for the following financial year is going to be.

The current planning assumption in relation to precept is for an increase of 2% per annum for the life of this plan however this will be reviewed annually.

Savings Targets and Plans

The focus from a financial perspective over the life of this plan will be to deliver the savings needed to balance the Long Term Financial Plan (LTFP) while at the same time protecting, as much as possible, front-line services. Based on our current assumptions around cuts in government funding, future levels of precept and forecasts of pay and non-pay inflation then the following savings have been, or will be needed to balance the budget.

Long Term Financial Plan 2013/17	2013/14	2014/15	2015/16	2016/17
	£000s	£000s	£000s	£000s
Current Savings Target (after reserves)	7,514	10,804	16,781	20,474
Savings Plans	£000s	£000s	£000s	£000s
Outsourcing savings	(1,640)	(1,814)	(1,814)	(1,814)
Delivery of Orbis structure	(1,450)	(3,450)	(3,789)	(3,789)
Changes to terms and conditions for Police Officers	(1,057)	(1,404)	(1,741)	(1,988)
Staff and PCSO vacancies	(1,220)	(1,360)	(1,190)	(1,190)
National Police Air Service	(428)	(428)	(428)	(428)
Office of the PCC savings	(270)	(290)	(310)	(320)
ICT contracts	(100)	(100)	(100)	(100)
Custody contract savings	(132)	(132)	(132)	(132)
Force non pay savings	(63)	(63)	(63)	(63)
Estates running costs	(134)	(134)	(184)	(184)
Savings already highlighted and agreed	(6,494)	(9,175)	(9,751)	(10,008)
Removal of Non-recurring Budgets				
Medical retirements budget	(900)	(900)	(900)	(900)
Special Operations contingency	(120)	(120)	(120)	(120)
Savings already highlighted and agreed	(1,020)	(1,020)	(1,020)	(1,020)
Savings requiring further development				
Lower employer pension contributions		(609)	(609)	(609)
Reduced running costs of new HQ			(400)	(400)
Total Further Savings Proposals	0	(609)	(1,009)	(1,009)
Total Savings Plans	(7,514)	(10,804)	(11,780)	(12,037)
Additional Savings to be developed	0	0	5,001	8,437

The table overleaf sets out our overall planned expenditure for the next four years.

	2013/14	2014/15	2015/16	2016/17
Funding	£000s	£000s	£000s	£000s
Government grant	(94,247)	(90,860)	(89,255)	(88,380)
Council Tax Precept (assumed 2.0% increase p.a.)	(27,608)	(27,970)	(28,607)	(29,238)
Council Tax freeze grant	(800)	(800)	0	0
Council Tax support grant	(6,847)	(6,847)	(6,847)	(6,847)
Funding for Net Budget Requirement (NBR)	(129,502)	(126,477)	(124,709)	(124,464)
Specific grants	(5,594)	(5,594)	(5,594)	(5,594)
Partnership income/fees and charges	(2,362)	(2,435)	(2,520)	(2,520)
Total Funding	(137,458)	(134,506)	(132,823)	(132,578)
%age change in funding	0.7%	-2.1%	-1.3%	-0.2%
Office of the PCC planned expenditure	£000s	£000s	£000s	£000s
Staff pay	590	600	600	600
Non pay expenditure	340	310	290	280
Total planned expenditure	930	910	890	880
%age change in expenditure	-22.6%	-2.2%	-2.2%	-1.1%
Proposed Community Safety expenditure	£000s	£000s	£000s	£000s
Total Community Safety	1,698	1,698	1,698	1,698
Police Force planned expenditure	£000s	£000s	£000s	£000s
Police pay	72,819	71,270	72,543	74,578
Police overtime	1,234	1,311	1,540	1,270
Police Community Support Officer pay	4,885	4,851	5,215	5,366
Police staff pay	7,597	7,404	7,537	7,775
Non-pay	47,254	47,584	48,360	49,407
Total planned expenditure	133,790	132,419	135,195	138,397
%age change in expenditure	-2.7%	-1.0%	2.1%	2.4%
(Surplus)/Deficit	£000s	£000s	£000s	£000s
(1,040)	522	4,960	8,396	
Planned transfers to/(from) general fund	0	(563)	0	0
Planned transfers to/(from) earmarked reserves	1,040	41	41	41
Net (surplus)/deficit after reserves	0	(0)	5,001	8,437
General Reserves	£000s	£000s	£000s	£000s
General fund balance b/f	7,025	7,025	6,462	6,462
Proposed (Use of)/contribution to general fund	0	(563)	0	0
General fund balance c/f	7,025	6,462	6,462	6,462
Employee Numbers (average per year)	FTEs	FTEs	FTEs	FTEs
Police Officers	1,441	1,401	1,395	1,395
PCSOs	158	158	166	166
Police staff - Police Force	219	215	213	213
Office of PCC	10	10	10	10
	1,828	1,784	1,784	1,784

To ensure the best use of resources I will, along with the Chief Constable, monitor service demand and business processes scrutinising all spend, large or small as well as cutting out anything that is non essential.

Community Safety Grants

The PCC has responsibilities beyond those of policing and in recognition of this, funding that was previously given to other public bodies within the Cleveland area by the government is now being redirected to the office of the PCC to support crime and disorder reduction within Cleveland. For 2013/14 my office has received £1,698k for this and details of how the fund will be allocated and spent are shown below.

Details of grants, contributions and expenditure that are proposed during 2013/14 are outlined below. This funding ceases after 2013/14 and should be regarded as being a component of the general police grant. The allocation of funding in future years will depend on future levels of funding, the successful delivery against current PCC objectives and the changing priorities and challenges faced within Cleveland.

Proposed Crime and Disorder Grants and Expenditure	2013/14
Drugs Intervention/Arrest Referral Scheme	£828,034
Contribution from Hartlepool re:above	-£134,034
Hartlepool Community Safety Partnership	£78,910
Stockton Community Safety Partnership	£228,081
Middlesbrough Community Safety Partnership	£257,376
Redcar & Cleveland Community Safety Partnership	£116,586
Youth Crime Offending and Prevention	£250,000
Safer Future Communities	£10,000
PCC initiatives	£63,047
Total Planned Expenditure	£1,698,000

Note. Figures accurate as at 27 March 2013.

Staffing

As a service provider people are our biggest resource and the largest portion of our finances is committed to pay. As part of the establishment of the Office of the Police and Crime Commissioner, all police staff TUPE transferred from the employment of Cleveland Police Authority to the employment of the PCC for Cleveland in November 2012. The vast majority of these staff however remain under the management of the Chief Constable. Based on current projections the staff of the PCC and Force will be at the following levels:

Employee numbers (average per year)	FTEs	FTEs	FTEs	FTEs
Police Officers	1,441	1,401	1,395	1,395
PCSOs	158	158	166	166
Police Staff - Police Force	219	215	213	213
Office of PCC Staff	10	10	10	10
Total staff (FTE)	1,828	1,784	1,784	1,784

At present all police staff, even those under the direction and control of the Chief Constable, are employees of the PCC. By 31 March 2014 it is expected that a decision is taken as to any transfer to be made of staff from the PCC to the Chief Constable. This is known as 'stage 2 transfer'.

Office of the Police and Crime Commissioner for Cleveland

The PCC is supported by a number of support staff. As a corporation sole, the office of the PCC must employ a Chief Executive and also a Chief Finance Officer. The structure and staffing requirements of the office are currently under review in preparation for stage 2 TUPE transfer in 2014. Staffing figures are shown in the table below as at 28 February 2013.

Staff grade/scale	Number of FTEs	Salary range
Scales 1-6	3	£14,779 - £25,449
Senior Officer (SO) Grades	0	£26,394 - £30,633
Principal Officer Grades	4	£29,784 - £47,532
Management Grades	2	£47,532 +
Total staff (FTE)	9	

Police Force Staff

The Chief Constable is supported by a number of police staff in the delivery of policing priorities and operational support. In 2012/13, the Force established a change programme to review processes and structures. Part of this was the development of the ORBIS project. This included a review of service demands and staffing structures. In addition to this a force-wide job evaluation scheme has begun with the aim of reviewing police staff pay to ensure fairness and equity in roles whilst at the same time not increasing the overall pay bill.

This plan is based on the staffing numbers set out in the LTFP with the expectation that there will be 219 FTE staff and 166 FTE PCSOs under the direct management of the Chief Constable. The table below shows the current number of police staff FTEs, by scale/grade as at 28 February 2013.

Staff grade/scale	Number of FTEs	Salary range
Scales 1-6	132	£14,779 - £25,449
PCSO	161	£14,779 - £25,449
Senior Officer (SO) Grades	43	£26,394 - £30,633
Principal Officer Grades	37	£29,784 - £47,532
Management Grades	6	£47,532 +
Total staff (FTE)	379	

Police Officers

As with all public sector organisations Cleveland Police must consolidate the resources it has and where necessary make efficiencies. The biggest single factor driving reductions is the on-going impact of austerity measures and strive to deliver a more efficient and effective service.

Based on the 2012/13 HMIC Value for Money Indicators Cleveland Police budgeted to have 1,504 FTE¹ police officers. This equates to 267 FTE Police Officers per 100,000 of the population within Cleveland. By this measure this is the 5th highest nationally and compares to the National Average for Forces of 208 FTE Police Officers per 100,000 of their population. That said, Cleveland has particular policing demands that are not common in many other areas and crime levels (per 1,000 population) very near the highest in the country.

In terms of planning, the force has a significant challenge in having to manage down its police officer numbers against the funding levels available. The ORBIS project prepared a number of options to restructure the Force based on demand for services and the expected reduction in Police Officer numbers. It was agreed by the Chief Constable and PCC that a functional policing model would be developed for implementation and that police officer numbers will be reduced to 1,395 by 2015/16 through natural wastage and the continued use of A19 regulations to retire officers when they reach 30 years' service.

Capital Expenditure

The assets owned by the PCC are a vital platform for the delivery of the Police and Crime Plan. The Capital Plan is a strategically focussed approach to investments required to deliver policing in the 21st century in line with the Force vision. It is built on the emerging themes arising from the Facilities, Equipment, ICT and Fleet strategies.

The PCC receives an annual Capital Government Grant which for 2013/14 has been confirmed as £1,188k. Beyond this period it is assumed to be £1,240k per annum, however this has not been confirmed.

If the PCC wants to spend more money than the amount received via the capital grant then there are three options:

- Borrowing money to fund capital purchases.
- The sale of capital assets resulting in a capital receipt.
- A contribution from the revenue budget.

¹ Full Time Equivalent equal to 40 hours per week for police officers and 37 hours for police staff.

The capital plan for 2013/14 and future plans are shown in the table below:

CAPITAL PLAN 2013/17	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s
FUNDING				
Capital grant	1,188	1,240	1,240	1,240
Prudential borrowing	760	1,364	990	0
Capital receipts	40	0	0	0
Revenue contribution	75	0	0	0
Funding for business cases b/f from 12/13	252	0	0	0
TOTAL FUNDING	2,315	2,604	2,230	1,240
EXPENDITURE				
Facilities schemes	174	178	108	50
Equipment schemes	25	195	44	0
Total ICT schemes	1,489	1,491	1,400	0
Fleet Replacement Programme	627	1,211	1,235	1,371
TOTAL PLANNED EXPENDITURE	2,315	3,075	2,786	1,421
(UNDER)/OVER COMMITMENT	(0)	471	556	181