

Report of the Chief Finance Officer of the PCC to the Police and Crime Commissioner for Cleveland

17th February 2014

Status: For Approval

Budget 2014/15 and Long Term Financial Plan 2015/16 to 2017/18 and Capital Plans 2014/15 to 2017/18

1. Executive Summary

1.1 Purpose of the Report

This report asks the PCC to agree the Budget proposals for 2014/15 and the Long Term Financial Plan (LTFP) for 2014/15 – 2017/18 in line with the legal requirement to set a budget prior to the 1st March each year for the following financial year. It also asks the PCC to agree the funding for the Capital Programme for 2014/15 and the indicative allocations for the period 2015/16 to 2017/18.

2. Recommendations

2.1 The PCC is requested to approve the allocation of the £134,253k of revenue funding, that is forecast to be received by the PCC in 2014/15, in the following areas:

- £885k to run the Office of the PCC (see Appendix A)
- £9,260k for Corporate Costs
- £1,768k to support PCC Initiatives and Victims and Witnesses Services
- £121,405k to the Police Force
- £800k to the Capital Programme
- £915k to Earmarked Reserves
- £680k from General Reserves

- 2.2 The PCC is asked to note that the 2014/15 budget is based on the approved 1.997% increase in precept for 2014/15.
- 2.3 The PCC is asked to take cognisance of the Robustness of Estimates and Adequacy of Financial Reserves Report of the PCCs CFO that was discussed prior to this report.
- 2.4 The PCC is asked to agree that quarterly updates to the LTFP forecast will be brought to the PCC in 2014/15 to provide an update on the progress of the work to develop the future saving plans required.
- 2.5 The PCC is asked to agree that quarterly updates on the 2014/15 budget will be brought to the PCC in 2014/15.
- 2.6 The PCC is asked to approve borrowing of up to £760k can be taken out to fund the capital expenditure in 2014/15.
- 2.7 The PCC is asked to allocate £1,729k of Capital Budgets to the Chief Constable to deliver schemes on behalf of the PCC.
- 2.8 The PCC is asked to note that the Capital Plans do not allow for the financing or costs of any New HQ or the Agile Project and specific business cases will be drawn up for the PCC's agreement with the financial implications as appropriate.

3. Planning and Funding Assumptions

- 3.1 The current Comprehensive Spending Review (CSR) was issued in October 2010 with further detail being released in December 2010 which gave detail around funding for the four years from 2011/12 to 2015/16.
- 3.2 Grant
The Government Grant for Cleveland has so far seen the following CASH reductions:
 - 2011/12 – £5.3m reduction (5.1%)
 - 2012/13 – £6.5m reduction (6.7%)
 - 2013/14 – £1.5m reduction (1.6%)
 - 2014/15 - £4.5m reduction (4.8%)
- 3.3 Over the 4 years detailed above the Main Government Grant(s) received for policing in Cleveland have reduced by £17.8m in total. In addition to this other government grants have been reduced by £1.4m which brings the total cash reduction in Government Funding for Cleveland, over the 4 year period, to £19.2m. **In real terms, given the effects of inflation this equates to around a £28m reduction in spending power on the Police Service within Cleveland over just 4 years.**

3.4 This reduction over 4 years equates to an 18% cash reduction in funding from the government which in real terms equates to a 26% reduction.

3.5 Government Funding for 2014/15

The Home Office announced in June 2013 that the overall Police Budget would reduce by 3.3% between 2013/14 and 2014/15. This percentage reduction was confirmed with the draft grant settlement that was announced on the 18th December 2013. However due to a number of top slices the cash cuts received by each PCC totalled a significantly higher reduction of 4.8%.

3.6 On top of the £50m 'top slice' for the 'Innovation Fund' and the £2m for the National Police Co-ordination Centre, were for the following:

IPCC Transfer

In September 2013 the Home Secretary wrote to policing bodies following a request for views on the transfer of resources to the Independent Police Complaints Commission (IPCC) to deal with all serious and sensitive cases involving the police. The letter confirmed that a "shift in resources [would] be financial rather than involving personnel."

In 2014/15 £18m will be 'top sliced' for the IPCC in resource funding. £0.8m from the wider Home Office budget in 2013/14 will be provided to help with transition costs as well as a further £10m in capital in 2014/15. No announcements have been made in relation to future years however it would appear that this will continue into both 2015/16 and 2017/18 with further 'top slicing' from funding available to PCC's taking place.

Force Inspections

£9.4m will be top sliced to fund a new annual programme of all force inspections. This was initially announced by the Home Secretary on 7 November as part of her announcements marking the one-year anniversary of PCCs.

Her speech outlined that HMIC were developing proposals to enable the public to see whether their force is performing 'well or badly' when it comes to cutting crime and providing value for money. This work has now been brought forward more quickly than expected resulting in the 'top slice' for 2014/15

Direct Entry Schemes

Direct entry schemes to the police at Inspector and Superintendent level will be funded through a £2.8m 'top slice' in 2014/15. This funding will cover the initial salaries of officers and their course. The Home Office have said that they believe covering salaries will provide an incentive for forces to participate. This would also have been unaffordable by the College

Capital City Grant

£2.5m will be 'top sliced' to fund the 2014/15 Capital City Grant for the City of London. This follows a bid from the City. The grant covers the additional

policing demands that arise through planned and unplanned events plus functions that the City carries out where there is a national interest, such as policing the Old Bailey

3.7 In total this £84m of 'top slicing' of funds has removed around £900k from the funding Cleveland would have received in 2014/15 had these 'top slices' not taken place.

3.8 Government Funding for 2015/16

It was announced in June 2013 that the overall funding available to policing would reduce by £272m or 3.2% in 2015/16. Since then the Autumn Statement in December 2013 indicated that the Home Office budget would reduce by a further £113m in 2015/16.

3.9 While no announcements have been made in relation to how much of this additional £113m will result in cuts in funding available to PCC's it is prudent to assume that some will. This combined with further expectations of 'top-slicing' in 2015/16 would suggest that the Government Grant available to PCC's in 2015/16 will fall by around 5% in cash terms. Based on this the LTFP assumes a further £4.5m cut in government grant will occur in 2015/16.

3.10 Government Funding for 2016/17 and beyond

There is currently no clear indication of what will happen to the levels of Government Funding for 2016/17 and beyond. It is also unlikely that any clear indications will be given before the next General Election which is due in 2015. What is however reasonable to assume is that reductions in government funding will not end in 2015/16. It is therefore prudent to plan for further cuts.

3.11 As can be seen with the final settlement for 2014/15 it is however very difficult to project what the level of reductions will be. For planning purposes it has therefore been assumed that Government Grants will reduce by 2.5% per annum in both 2016/17 and 2017/18.

3.12 The current forecasts for Government Funding across the next 4 years, in comparison to the amount for 2013/14, are therefore:

	Actual	Actual	Forecasts		
	2013/14	2014/15	2015/16	2016/17	2017/18
Funding	£000s	£000s	£000s	£000s	£000s
Police Grant	(50,249)	(49,443)	(46,971)	(45,797)	(44,652)
Community Safety Funding	(1,698)	0	0	0	0
RSG/National Non Domestic Rate	(42,300)	(40,313)	(38,297)	(37,340)	(36,406)
Government Grant Funding	(94,247)	(89,756)	(85,268)	(83,137)	(81,058)

3.13 Precept

There are now 3 elements that make up what would have previously been the amount of funding received in relation to precept.

3.14 There continues to be the amount raised locally via the 'police' element of the Council Tax bill. However this has been reduced significantly given the government decision to localise the council tax benefits system. The assumption throughout this plan for planning purposes is that this element will continue to increase at a rate of 2% per annum.

3.15 From April 2013 support for council tax was localised. This resulted in a change from a Council Tax benefits scheme that was funded nationally, being replaced by a Council Tax Support scheme that was managed locally. This locally managed scheme also had 10% less funding available to it than the amount that was required to fund the previous benefits scheme.

3.16 As a precepting authority the PCC will receive a grant of £6,868k in 2014/15 as a result of this change of policy. This was in recognition that a proportion of Council Tax Benefits that were previously paid by the Government to the Local Councils were ultimately due to the PCC as part of the 'police' precept.

3.17 Despite a small increase in this grant in 2014/15 of £24k (or 0.3%) the current plan assumes that the current level of grant remains unchanged throughout the plan.

3.18 This grant equates to nearly 20% of what would have previously been received through the Precept for the PCC for Cleveland. If it had continued to be collected through the precept it would have been subject to the same increases in precept that the remainder of the precept has been. Based on the 2% increase in precept for 2014/15 the PCC will in effect be receiving a further real term cut in funding of £113k.

3.19 It is worth noting that the more deprived areas within the country will now be receiving a larger proportion, of what used to be their precept income, from this Localisation of Council Tax Grant. It therefore follows that if this grant does not increase in line with precept increases then those PCC's in the most deprived areas lose out in terms of funding to a greater extent than the more affluent areas who receive a smaller proportion of their funding from this grant.

3.20 The final area of 'precept' funding is in the form of the Council Tax Freeze grant. The PCC is currently in receipt of £800k per annum as a result of the decision of the then Police Authority to freeze council tax levels in 2011/12. The 4 year grant for £800k per annum has been extended into a 5th year. Based on current information this grant will not be available for the 2016/17 financial year.

- 3.21 The current forecasts around the funding for precept and precept related items over the next 4 years, in comparison to 2013/14, are as follows:

	Actual	Actual	Forecasts		
	2013/14	2014/15	2015/16	2016/17	2017/18
Funding	£000s	£000s	£000s	£000s	£000s
Precept (Assumed 2.0% increase p.a.)	(27,608)	(28,797)	(28,802)	(29,378)	(29,966)
2011/12 Council Tax Freeze Grant	(800)	(800)	(800)	0	0
Council Tax Support Grant	(6,848)	(6,868)	(6,868)	(6,868)	(6,868)
Government Grant Funding	(35,256)	(36,465)	(36,471)	(36,247)	(36,834)

3.22 Specific Grants, Other Income and Community Safety Grant

While the main government grant and money related to precept provide the PCC with the majority of its funding there are other areas from which the PCC will receive income.

- 3.23 In terms of Specific Grants the PCC is forecast to receive £5,619k per annum for the life of this plan. They are called specific grants as there is a requirement to spend them on the areas for which they are granted for. The vast majority of this funding, £4,110k relates to grants that support our PFI schemes.
- 3.24 Other funding is generated from a variety of sources such as secondments, interest on balances held and invested, collaboration contributions, special services income and speed awareness income.
- 3.25 These sources of income and funding are forecast to provide between £2.2m and £2.5m across the life of the plan.
- 3.26 For the first time in 2014/15 the PCC will received funding to commission Victims and Witnesses Services and also contribute towards restorative justice initiatives. PCC's will become responsible for local commissioning and provision of services from October 2014 with additional commissioning responsibilities starting in April 2015 when some nationally commissioned services will end. The exact funding for this area is not expected to be confirmed until April 2014, however for the purposes of setting the budget for 2014/15 and for planning for service commencement the Ministry of Justice have provided PCC's with expected funding levels and these are set out in the table below along with a summary of the entire funding expected to be available to the PCC in 2014/15 and projections for the next 3 years:

	Actual 2013/14	Actual 2014/15	Forecasts		
			2015/16	2016/17	2017/18
Funding	£000s	£000s	£000s	£000s	£000s
Government Grant	(94,247)	(89,756)	(85,268)	(83,137)	(81,058)
Council Tax Precept	(27,608)	(28,797)	(28,802)	(29,378)	(29,966)
Council Tax Freeze Grant	(800)	(800)	(800)	0	0
Council Tax Support Grant	(6,848)	(6,868)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(129,503)	(126,221)	(121,739)	(119,383)	(117,892)
Specific Grants	(5,594)	(5,619)	(5,619)	(5,619)	(5,619)
Witness and Victims Funding	0	(180)	(599)	(599)	(599)
Partnership Income/Fees and Charges	(2,362)	(2,233)	(2,441)	(2,336)	(2,367)
Total Funding	(137,459)	(134,253)	(130,397)	(127,937)	(126,477)
%age change in Total Funding	0.6%	-2.3%	-2.9%	-1.9%	-1.1%

3.27 The above funding levels should be seen in the context that in 2010/11 £147.3m was provided to the former Police Authority to deliver 'just' Policing.

4. Expenditure Plans

4.1 Office of the PCC

The first budget for the Office of the PCC was set at £930k to run the office, deliver the statutory functions of the office and aid the PCC in delivering their role and priorities.

4.2 This budget was £270k lower than the 2012/13 budget of the previous Police Authority, a reduction of over 22% in cash terms, which enabled this £270k to be spent supporting and delivering front line services.

4.3 The aim over the remainder of the first term of the PCC is to reduce the Office of the PCC's budget to £850k by 2016/17. If achieved this would mean the overall budget for the Office of the PCC reducing in Cash terms by £350k (29.2%) and in real terms by £446k (34.4%) over the elected term.

4.4 This compares to a forecast real term reduction in the overall total funding available to the PCC of 12% over the same period (i.e. 2012/13 to 2016/17)

4.5 With this in mind the PCC has identified further savings of £45k in setting his budget for 2014-15. This is a further reduction of 4.8% over the 2013-14 budget and is double the reduction in overall funding available to the PCC in 2014-15 in comparison to 2013-14.

4.6 The budget provides for the office to be run with 9.49FTEs throughout the planning period, excluding the PCC.

4.7 Further details are provided at Appendix A.

4.8 PCC Initiatives and Victims and Witnesses Services

The PCC has increasing responsibilities beyond those of policing. This has been evidenced by the receipt firstly of a 'Community Safety' Grant in 2013/14, and in 2014/15 and beyond Victims and Witnesses funding.

4.9 This area of expenditure will be developed and further details and allocations will be made in the coming months, and throughout the 2014/15 financial year, as appropriate.

4.10 Corporate Budgets

In line with the agreement of the Home Secretary, and as per the requirements of the Police Reform and Social Responsibility Act 2011, there will be a statutory transfer of staff from the employment of the PCC to the employment of the Chief Constable from the 1st April 2014. As part of this transition and the changes to governance that will occur from the 1st April 2014 there are certain budgets and responsibilities that either needs to sit with the PCC or which have been agreed to sit with the PCC. These areas have been grouped under the heading of Corporate Budgets and include the costs of the PFI contracts, strategic contract management, asset management costs, treasury management and planning.

4.11 The areas of expenditure incorporated in this area and the forecasts for the life of the plan are included in the table below:

	Actual	Actual	Forecasts		
	2013/14	2014/15	2015/16	2016/17	2017/18
Corporate Costs	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	178	180	180	185	190
Non Pay Expenditure	59	60	45	45	45
PFI Action Stations	5,065	5,110	5,120	5,200	5,285
PFI Uraly Nook	1,659	1,710	1,735	1,790	1,845
Asset Management	2,426	2,100	1,950	1,900	1,850
Total Corporate Costs	9,387	9,160	9,030	9,120	9,215
%age Change in Expenditure	6.7%	-2.4%	-1.4%	1.0%	1.0%

4.12 The 4.3 FTE staff that are included within this area were previously under the 'direction and control' of the Chief Constable.

4.13 Police Force

The vast majority of the funding available to the PCC is being provided to the Police Force and they have been allocated a budget of £121,405k for 2014/15.

4.14 The summary of how this is forecast to be spent in 2014/15, in comparison to the 2013/14 (revised) budget and the forecasts for the next 3 years are as per the table below:

	Actual	Actual	Forecasts		
	2013/14	2014/15	2015/16	2016/17	2017/18
Police Force Planned Expenditure	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Pay					
Police Pay	72,819	70,558	70,290	73,292	75,585
Police Overtime	1,234	1,354	1,624	1,354	1,444
Police Community Support Officer Pay	4,885	4,416	4,084	4,263	4,362
Staff Pay	7,419	6,441	5,937	6,263	6,450
Pay Total	86,358	82,769	81,935	85,172	87,841
Major Contracts Total	22,174	22,426	20,895	21,339	21,868
Non-Pay Budgets					
Other Pay and Training	277	276	285	285	285
Injury and Medical Police Pensions	1,700	2,360	1,955	1,990	2,050
Premises	3,939	3,811	3,855	3,520	3,590
Supplies and Services	5,937	5,645	5,470	5,270	5,602
Transport	1,753	1,762	1,815	1,845	1,900
External Support	2,265	2,356	2,170	2,210	2,265
Non-Pay Total	15,871	16,210	15,550	15,119	15,691
Total Planned Force Expenditure	124,402	121,405	118,380	121,630	125,400
%age Change in Expenditure	-3.3%	-2.4%	-2.5%	2.7%	3.1%

Expected Funds available from PCC	124,402	121,405	118,380	115,500	114,000
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Unidentified Savings	(0)	0	0	(6,130)	(11,400)
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- 4.15 In being able to achieve an expenditure plan of £121.4m the Force have identified circa £6.5m of savings that have been removed from the budget.
- 4.16 The approach that the Force is taking towards meeting the financial challenge was incorporated in a document that was endorsed/approved by the PCC in November 2013.
- 4.17 Further details of the financial plans of the Force will be contained within a separate report from the Chief Constable.
- 4.18 Reserves
A full review of the adequacy of reserves has been provided in the Robustness of Estimates and Adequacy of Reserves report that was considered earlier.

5. Budget Summary

5.1 Based on the assumptions outlined within this report the summary position, over the next 4 years, would be as illustrated in the table below:

	Actual	Actual	Forecasts		
	2013/14	2014/15	2015/16	2016/17	2017/18
Funding	£000s	£000s	£000s	£000s	£000s
Total Funding	(137,458)	(134,253)	(130,397)	(127,937)	(126,477)
%age Change in Funding	0.6%	-2.3%	-2.9%	-1.9%	-1.1%
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	930	885	855	850	850
%age Change in Expenditure	-22.6%	-4.8%	-3.4%	-0.6%	0.0%
PCC Initiatives/Victims and Witness	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	1,698	1,768	1,638	2,137	2,008
%age Change in Expenditure	n/a	4.1%	-7.3%	30.5%	-6.0%
Corporate Costs	£000s	£000s	£000s	£000s	£000s
Total Corporate Costs	9,387	9,160	9,030	9,120	9,215
%age Change in Expenditure	6.7%	-2.4%	-1.4%	1.0%	1.0%
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Total Planned Force Expenditure	124,402	121,405	118,380	121,630	125,400
%age Change in Expenditure	-3.3%	-2.4%	-2.5%	2.7%	3.1%
(Surplus)/Deficit	£000s	£000s	£000s	£000s	£000s
	(1,040)	(1,035)	(495)	5,800	10,995
Planned Transfers to/(from) General Fund	0	(680)	0	0	0
Contribution to Capital Programme	0	800	455	460	465
Planned Transfers to Earmarked Reserves	1,040	915	40	40	40
Net (Surplus)/Deficit After Reserves	0	0	0	6,300	11,500
General Reserves	£000s	£000s	£000s	£000s	£000s
General Fund Balance c/f	7,025	6,345	6,345	6,345	6,345
Employee Numbers (Average per year)	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,441	1,378	1,349	1,349	1,349
PCSOs	158	145	132	132	132
Police Staff - Police Force	215	184	166	166	166
PCC/Corporate Staff	15	15	15	15	15
Assumptions					
Staff Pay Increases	1.0%	1.0%	1.0%	2.0%	2.0%
Police Pay Increases	1.0%	1.0%	1.0%	2.0%	2.0%
Precept Increases	2.0%	2.0%	2.0%	2.0%	2.0%
Government Grant Reductions (Cash Basis)		-4.8%	-5.0%	-2.5%	-2.5%

- 5.2 The above forecast is based on the best information and forecasts available at the time of pulling together the 2014/15 budget and LTFFP. The PCC's attention is drawn to the progress that has been made in being able to demonstrate a balanced plan for the next 2 years.
- 5.3 As mentioned earlier, the delivery of a balanced budget for 2014/15 will require £6.5m of savings that have been removed from the Forces' budget to be delivered. At this stage a further £5.1m of savings has been factored into the balanced position for 2015/16. While some of these will be delivered as part of the revised staffing structures within the Force it is important that those that are as a result of either contract changes or estates changes, for instance, are implemented as soon as possible. A summary of these savings are shown at Appendix B.
- 5.4 From 2016/17 there is a significant amount of uncertainty about future funding levels, however if current projections should materialise then significant savings will need to be delivered and the planning for this should begin now.

6. Capital Financing and Expenditure

6.1 The assets owned by the PCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure. The Chief Constable has drawn up recommended areas for capital investment which would aid the Police Force in delivering against the Police and Crime Plan. Should the PCC approve the plans then the Chief Constable will deliver these schemes on behalf of the PCC and the assets will be available to use by the Chief Constable.

6.2 Capital Grant

The PCC is expected to receive £1,225k in terms of Capital Grant in 2014/15 and therefore if the PCC wants, or needs, to spend more on Capital Expenditure than this Grant provides then the options are as follows:

- Borrowing money (either through loans or from current cash balances) to fund Capital Purchases.
- The sale of Capital Assets resulting in a Capital Receipt.
- A contribution from the Revenue Budget

6.3 With the above in mind, and the PCC's desire to reduce how much of the revenue funding available to the PCC is currently being set aside for capital financing and interest payments, the PCC approved changes to the way that capital is to be funded going forward.

6.4 In summary the changes approved for the following:

- To contribute the final under spend on the PCC's budget and the over recovery of income in 2013-14 to a capital earmarked reserve. This is currently expected to total circa £585k.
- To contribute the £421k under spend from 2012-13, which is currently sat within the General Fund, to the capital earmarked reserve.
- To contribute the £1,126k from the risk earmarked reserve to the capital earmarked reserve.
- To change the policy on the sale of capital assets so that, from the 1st April 2014, all proceeds from the sale of capital items, and not just those greater than £10k, are accounted for as capital receipts and therefore available to fund capital purchases in the future.
- To contribute £200k of the recurring savings on the MRP budget, as a result of these changes to capital financing to the capital programme on a recurring basis.

- To contribute £250k from the larger than expected increase in the number of Band D properties in 2014-15 is added to capital funding and that this becomes a permanent contribution that increases in line with future precept increases.
- To contribute £350k of the council tax collection surplus that has arisen in 2013-14, but will be received in 2014-15, is added to capital funding.

6.5 As a result of the above changes the PCC has sufficient funds available to support the current plans of the Police Force over the next 4 years and may have the capacity to either invest further or reduce the level of supported capital borrowing that is used in future years. The table below sets out the forecast position for Capital for the next 4 years based on current projections and forecasts.

Future Funding Levels	2013/14	2014/15	2015/16	2016/17	2017/18
	£000s	£000s	£000s	£000s	£000s
Earmarked Reserve/Funding b/f	1,927	615	899	600	436
Capital Grant	1,188	1,225	1,200	1,200	1,200
Contribution from Revenue	678	800	455	460	465
Capital Receipts	40	100	100	100	100
Supported Capital Borrowing	760	760	760	760	760
Projected In-year funding Available	2,666	2,885	2,515	2,520	2,525
2013/14 Capital Programme	4,850				
Expected Carry Forwards	-872	872			
Police Force New Capital Schemes		1,729	2,814	2,684	1,556
Total Capital Programme	3,979	2,601	2,814	2,684	1,556
Earmarked Capital Reserve/Funding c/f	615	899	600	436	1,405

6.6 Further details of the New Capital Schemes proposed by the Force are detailed in a report from the Chief Constable.

6.7 As a result of the proposed changes the capital financing charges expected for the proposed plans are as follows:

Capital Financing	2013/14	2014/15	2015/16	2016/17	2017/18
	£000s	£000s	£000s	£000s	£000s
Interest Payable	961	852	794	749	686
Minimum Revenue Provision	1,372	1,198	1,106	1,107	1,111
Total Capital Financing Costs	2,333	2,050	1,900	1,855	1,797

6.8 As can be seen from the above table over £500k will be removed from these budgets over the next 4 years to help meet the savings required to balance the budget and therefore reduce the need to make these savings from front line services.

6.9 The CIPFA Prudential Code of Practice is a key element in the system of capital finance. Under this system individual PCC's are responsible for deciding the level of their affordable borrowing having regard to the prudential code. The associated paper 'Treasury Management & Prudential Indicators 2014/18' will provide the PCC with reasonable assurance that the proposed Capital Plan and its financing are within prudential limits.

7. Implications

7.1 Finance

There are no financial implications other than those mentioned above.

7.2 Diversity & Equal Opportunities

There are no issues arising from this report to bring to the attention of the PCC.

7.3 Human Rights Act

There are no Human Rights Act implications arising from this report.

7.4 Sustainability

This report is part of the process to establish sustainable annual and medium term financial plans and maintain prudent financial management.

7.5 Risk

If the savings factored into the balanced budget for 2014/15 are not achieved then this could impact on the focus on front line policing and performance improvement.

Areas of risk associated with the plan presented here are covered in detail in the "Robustness of Estimates" which was discussed with the PCC prior to this report.

Risk will need to form a key part of the regular monthly monitoring of budget reports throughout 2014/15 and will be reported to the PCC on a quarterly basis.

8. Conclusion

8.1 The proposed 2014/15 revenue and capital budgets underpin the PCC's financial objectives of:

- Retain and develop Neighbourhood Policing
- Ensure a better deal for victims and witnesses
- Divert people from offending, with a focus on rehabilitation and the prevention of reoffending
- Develop better coordination, communication and partnership between agencies to make the best use of resources
- Working for better industrial and community relations

Michael Porter
PCC Chief Finance Officer

Office of the PCC Budget 2014/15

2010/11 Budget	2011/12 Budget	2012/13 Budget	Police Authority/PCC Budget	2013/14 Budget	Movement to 2014/15 Budget	2014/15 Budget
£	£	£	Category of Spend	£	£	£
523,340	500,210	549,282	Staff Pay and Allowances	590,000	(5,000)	585,000
300	4,300	200	Other Pay and Training	5,300	0	5,300
1,000	1,000	1,000	Premises	1,000	0	1,000
780,630	745,828	643,297	Supplies and Services	326,700	(40,000)	286,700
19,000	14,000	7,000	Transport	7,000	0	7,000
(500)	(643)	0	Miscellaneous Income	0	0	0
1,323,770	1,264,695	1,200,779	Total Budget	930,000	(45,000)	885,000
Reduction on Previous Year						4.8%
Reduction since PCC took Office						26.3%
Cumulative Reduction over CSR Period						33.1%

The Office of the PCC is forecast to have 9.49 FTEs in 2014/15, excluding the PCC, which is the same as 2013/14 despite the additional responsibilities that will be taken on by the PCC in 2014/15 in relation to the commissioning of Victims and Witnesses services. As well as delivering the statutory functions of the office of the PCC these employees will also be enabling the delivery of the objectives within the Police and Crime Plan.

The PCC has been able to make cash savings of £45k in setting the budget for 2014/15. This equates to 4.8% which is double the 2.4% reduction in the overall funding available to the PCC in 2014/15 in comparison to 2013/14. In line with last year the PCC is therefore prioritising the funds available to provide frontline services.

The PCC has now made recurring cash savings of £315k during his first 2 years in office, this is a reduction in his budget of 26.3% and is the equivalent of 10 PCSOs.

APPENDIX B

PCC Savings Summary for 2014/15 and 2015/16	2014-15	2015-16	Savings over the 2 years
	£k	£k	£k
Savings Summary PCC and Corporate Costs			
Office of PCC	45	30	75
<u>Corporate Costs</u>			
Minimum Revenue Provision	180	35	215
Interest Payable	100	65	165
Printer Lease	45		45
	325	100	425
Arrest Referral Services/PCC Initiatives	400	375	775
Total PCC and Corporate Savings	770	505	1,275
Savings Summary - Police Force			
<u>Police Pay</u>			
Reduction in Police Officer Nos. through implementation of Orbis	3,150	1,450	4,600
Implementation of National Changes to Police Officer T&Cs	350	340	690
	3,500	1,790	5,290
<u>PCSO's Pay</u>			
PCSO vacancies deleted and ER/VRs	390	390	780
Lower Employer pension contribution rates from 1st April 2014	60		60
	450	390	840
<u>Staff Pay</u>			
Staff vacancies deleted and ER/VRs	1,085	630	1,715
Lower Employer pension contribution rates from 1st April 2014	80		80
	1,165	630	1,795
<u>Non-Pay Savings</u>			
Contract and Procurement Savings	800	1,900	2,700
Estates Rationalisation	120	70	190
Professional Fees	300		300
Other non-pay savings	135	100	235
Collaboration	75	230	305
Mounted non pay	40		40
	1,470	2,300	3,770
Police Force Overall Savings	6,585	5,110	11,695
Total Savings	7,355	5,615	12,970