

Finance and Resources Appendix

This appendix sets out the resources that are available to the PCC. The PCC has robust financial planning arrangements to examine every aspect of our operations and spending. The plan ensures that we budget for and secure value for money, promote a sustainable and effective operating model and a progressive change programme and is scrutinised and approved by auditors.

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, as part of the statutory Stage 2 Transfer scheme the Chief Constable will directly employ police staff.

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 initiatives 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 2014/15 - 2016/17

Government Grant

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 latest spending review covers government expenditure from April 2015. Over the last four years, the impact of spending reviews has been a cash reduction of £17.8m to the budget as outlined below.

- 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%)

Further cuts are expected to take place in 2015/16 and beyond. Based on the PCCs Long Term Financial Plan an assumption of a further £4.5 million cut in the government grant. In addition, to the above cuts the PCC budget has been top-sliced by £900,000 to support the following national initiatives

- Innovation Fund
- National Police Coordination Centre

- Independent Police Complaints Commission (IPCC)
- Force inspections (Her Majesty's Inspectorate of Constabulary)
- Direct entry schemes to the police at Inspector and Superintendent level
- Capital City grant.

Income, Fees and Charges

In addition to funding from the government the PCC 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 and a range of other activities. It is expected that funding of £2,233,000 will be received in 2014/15 to support policing and crime within Cleveland.

The PCC receives funding to commission victims and witnesses services and also contribute towards restorative justice initiatives. In addition, the PCC 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. Details of our commissioning activities are shown in the Partnerships, Collaboration and Commissioning appendix and on the PCC website.

Precept

The PCC is responsible for setting the police precept. After consulting with residents, a proposed precept is presented to the Police and Crime Panel by the 31 January each year. 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.

In the autumn of each year the OPCC 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 the precept is reduced.

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.

Summary of Long Term Financial Plan	Actual	Actual	Forecasts		
	2013/14	2014/15	2015/16	2016/17	2017/18
Funding	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
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	(6,847)	(6,868)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(129,502)	(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	(137,458)	(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	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	590	585	591	600	612
Non Pay Expenditure	340	300	264	250	238
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	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
PCC Initiatives	1,698	1,510	1,022	1,521	1,392
Victims and Witnesses Services	0	258	616	616	616
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	<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 Uralay 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%

<u>Police Force Planned Expenditure</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<u>Pay</u>	-	-	-	-	-
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
<u>Major Contracts</u>					
Custody and Medical Contract	3,361	3,368	3,405	3,470	3,540
Outsourcing Contract	18,813	19,058	17,490	17,869	18,328
Major Contracts Total	22,174	22,426	20,895	21,339	21,868
<u>Non-Pay Budgets</u>					
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%
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
(Surplus)/Deficit	(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
<u>General Reserves</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
General Fund Balance c/f	7,025	6,345	6,345	6,345	6,345

Continuous monitoring of service demand ensures the best use of resources, rigorous business processes scrutinise all spend, large or small and cut out anything that is non-essential. A summary of savings for 2014/15 and 2015/16 is

PCC Savings Summary for 2014/15 and 2015/16	2014/15 £k	2015/16 £k	Savings over the 2 years £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

PCC Initiatives - Victims and Witnesses Services

The PCC has wider responsibilities than those relating solely to the police force, including the delivery of community safety and crime reduction, the ability to make crime and disorder reduction grants and a wider responsibility for the enhancement of the delivery of criminal justice in their area. With this in mind the PCC has set

aside funding, in an initiatives fund, to support work in both these wider areas of responsibility and to commission and support work to improve services delivered to Victims and Witnesses. As decisions are made in relation to where these funds are to be spent they will be made available on the PCCs website. The total fund for 2014/15 will be £1,768,000.

Staffing

As a service provider people are our biggest and most valuable resource and the largest portion of our finances is committed to pay. Pressures on the budget resulting from cuts have led to the need to downsize and restructure. This work is being carried out by the Force Business Transformation Unit who are exploring a number of initiatives. These include the retirement of officers through the use of A19 regulations, medical retirements, police staff early retirement/voluntary redundancy and job evaluation. Based on current projections the staff of the PCC and Force will be at the following levels:

Employee numbers (average per year)	2014/15 FTEs	2015/16 FTEs	2016/17 FTEs	2017/18 FTEs
Police Officers	1,378	1,349	1,349	1,349
PCSOs	145	132	132	132
Police Staff - Police Force	184	166	166	166
Office of PCC Staff	15	15	15	15
Total staff (FTE)	1,722	1,662	1,662	1,662

The second stage of a statutory staff transfer took place on 1 April 2014 when the PCC and the Chief Constable became corporate soles. The result of the transfer was that the majority of staff transferred from the employment of the PCC to the employment of the Chief Constable.

Police Officers

The force has a significant challenge in having to manage down its police officer numbers against the funding levels available. 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 through natural wastage and the continued use of A19 regulations to retire officers when they reach 30 years’ service.

Capital Plan

The assets owned by the PCC are an essential part of delivering 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 PCCs vision. It is built on the emerging themes arising from the Force’s Facilities, Equipment, ICT and Fleet strategies. The Capital Plan does not allow for the financing or costs of any new headquarter building or the Agile project as specific business cases will be prepared outlining their individual financial implications. The PCCs Capital Plan is summarised below.

CAPITAL PLAN 2014/18	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Earmarked Reserve/ Funding brought forward	615	899	600	436
Capital grant	1,225	1,200	1,200	1,200
Contribution from revenue	800	455	460	465
Capital receipts	100	100	100	100
Supported capital borrowing	760	760	760	760
Projected in-year funding available	2,885	2,515	2,520	2,525
2013/14 Capital programme				
Expected carry forwards	872			
Police Force new capital schemes				
Facilities	75	80	210	0
Equipment	4	9	0	0
ICT	650	1,625	1,200	350
Fleet	800	1,100	1,274	1,206
Provision for business cases	200			
Total Capital Programme	2,601	2,814	2,684	1,556
Earmarked Capital Reserve/ Funding carried forward	899	600	436	1,405

Appendix last updated 31 March 2014.