

**THE POLICE & CRIME COMMISSIONER FOR CLEVELAND**

DECISION RECORD FORM

<b>REQUEST: For Approval</b>		
<b>Title: Budget 2013/14 and Long Term Financial Plan 2013/14 – 2016/17</b>		
<b>Executive Summary:</b> This report asks the PCC to agree the Budget proposals for 2013/14 and the Long Term Financial Plan (LTFP) for 2013/14 – 2016/17 in line with the legal requirement to set a budget prior to the 1 <sup>st</sup> March each year for the following financial year.		
<b>Decision:</b> The PCC is asked to note the contents of the report and approve the recommendations contained within it.		
<b>Implications:</b>		
Has consideration been taken of the following:	Yes	No
Financial	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Equality & Diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sustainability	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Risk	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(If yes please provide further details on the next page)		

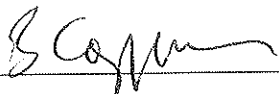
**OFFICER APPROVAL**  
**Chief Executive**

I have been consulted about the decision and confirm that financial, legal, and equalities advice has been taken into account. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Signature:  Date: 4/3/13

**Police and Crime Commissioner:**

The above request HAS / ~~DOES NOT HAVE~~ my approval.

Signature:  Date: 21/2/13

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

**28<sup>th</sup> February 2013**

**Status: For Approval**

## **Budget 2013/14 and Long Term Financial Plan 2013/14 to 2016/17**

### **1. Executive Summary**

#### **1.1 Purpose of the Report**

This report asks the PCC to agree the Budget proposals for 2013/14 and the Long Term Financial Plan (LTFP) for 2013/14 – 2016/17 in line with the legal requirement to set a budget prior to the 1<sup>st</sup> March each year for the following financial year.

### **2. Recommendations**

2.1 The PCC is requested to approve the allocation of the £137,458k of revenue funding, that is forecast to be received by the PCC in 2013/14, in the following areas:

- £930k to run the Office of the PCC (see Appendix A)
- £1,698k to support Community Safety Initiatives
- £133,790k to the Police Force (see Appendix B)
- £1,060k to Earmarked Reserves

2.2 The PCC is asked to note that the 2013/14 budget is based on the approved 1.99% increase in precept for 2013/14 and the revised council tax base.

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 2013/14 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 2013/14 budget will be brought to the PCC in 2013/14.

### **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. To date the reductions in funding highlighted within that CSR have been adhered to in relation to the Police.

#### **3.2 Grant**

The Government Grant for Cleveland has so far seen the following reductions:

- 2011/12 – 5.1% reduction (£5.3m)
- 2012/13 – 6.7% reduction (£6.5m)
- 2013/14 – 1.6% reduction (£1.5m)

In addition to this £13.3m reduction a further reduction in other government grants of £1.4m brings the total reduction in Government Funding over the last 3 years to £14.7m. This equates to a 13.7% cash reduction in funding from the government over the last 3 years which in real terms equates to around a 20% reduction.

No new indications have been given for 2014/15, however the initial CSR announcements for the Home Office budget in December 2010 showed reductions in the General Grant of the Home Office budget of 1.66% in 2014/15.

#### **3.3 Government Funding for 2014/15 and beyond**

The Home Office confirmed that the Home Secretary 'will be commissioning a fundamental review of the Formula once PCCs are established in their roles and able to engage fully in the review process'. This is expected to begin in early 2013.

In the Autumn Statement 2012 the Chancellor announced that a spending review would take place in the first half of 2013 to set detailed spending plans for 2015/16 only. A further spending review for the years beyond 2015/16 is therefore expected in late 2015, following the general election.

3.4 The Autumn Statement 2012 also set out that the Home Office budget would be reduced by a further £155m, or 2%, from 2014/15. This is expected to be in addition to the 1.66% reduction that was set out in the original 2010 CSR.

- 3.5 The LTFFP is therefore currently based on reductions in Government funding of 3.66% (£3.3m) in 2014/15, with further reductions of 1.8% (£1.6m) in 2015/16 and 1% (£0.9m) in 2016/17.
- 3.6 The current forecasts for Government Funding across the next 4 years are therefore:

	2013/14	2014/15	2015/16	2016/17
<b>Funding</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Police Grant	(50,249)	(48,462)	(47,590)	(47,114)
Community Safety Funding	(1,698)	(1,698)	(1,698)	(1,698)
RSG/National Non Domestic Rate	(42,300)	(40,798)	(40,064)	(39,663)
<b>Government Grant Funding</b>	<b>(94,247)</b>	<b>(90,958)</b>	<b>(89,351)</b>	<b>(88,475)</b>

- 3.7 Precept  
There have been a number of significant changes to Council Tax legislation during 2012/13 that will impact on the amount of Precept received by the PCC in both 2013/14 and beyond.
- 3.8 The most significant of these changes is in relation to the way that Council Tax Support is managed. In the 2010 CSR the government announced that support for council tax would be localised from April 2013. This reform was to be accompanied by a 10% reduction in expenditure from the same date, to be achieved by moving forecast demand led subsidy for 2013/14 and 2014/15 to a set budget, to be reduced by 10%.
- 3.9 From April 2013 therefore Council Tax benefits will be replaced by Council Tax Reductions/Support. These have had the effect of reducing the council tax base on which Council Tax (and therefore Precept) is raised. As set out in the precept report considered by the PCC the reduction in Band D equivalent properties between 2012/13 and 2013/14, primarily as a result of this reform, was 33,714.
- 3.10 The financial impact of this reduction in Band D equivalent properties, based on the 2013/14 precept, equates to a reduction in income generated through the council tax process of £6,684k. This is mitigated by the receipt of a grant of £6,847k. It is worth noting that there have been no indications that this grant will increase in line with future increases in precept and therefore this will limit the PCC's future ability to generate income to maintain and improve services.
- 3.11 As mentioned earlier in this report the budget for 2013/14 is based on the approved 1.99% precept increase. Thereafter the plan assumes increases in precept of 2% per annum.
- 3.12 In addition to the 2013/14 precept to be raised via the council tax process of £26,627k, and the £422k that the Councils will pay to the PCC during 2013/14

based on their council tax collection surpluses in 2012/13, the PCC will also receive an £800k grant as a result of the decision by the Police Authority to freeze precept in 2011/12. It must be noted that this grant will no longer be paid from 2015/16 and this is factored into the LTFP.

- 3.13 The current forecasts around the funding for precept and precept related items over the next 4 years are as follows:

	2013/14	2014/15	2015/16	2016/17
Precept (Assumed 2.0% increase p.a.)	(27,608)	(27,970)	(28,607)	(29,238)
2011/12 Council Tax Freeze Grant	(800)	(800)	0	0
Council Tax Support Grant	(6,847)	(6,847)	(6,847)	(6,847)
<b>Precept Related Funding</b>	<b>(35,255)</b>	<b>(35,617)</b>	<b>(35,454)</b>	<b>(36,085)</b>

3.14 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.

- 3.15 In terms of Specific Grants the PCC is forecast to receive £5,654k 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.
- 3.16 Other funding is generated from a variety of sources such as secondments, interest on balances held and invested, sales of vehicles, collaboration contributions, special services income and speed awareness income.
- 3.17 These sources of income and funding are forecast to provide between £2.4m and £2.5m across the life of the plan.
- 3.18 For the first time in 2013/14 the PCC has been allocated £1,698k as a 'Community Safety Grant'. Despite its title this grant is not ring fenced and can therefore be spent in whichever way the PCC deems appropriate to deliver his priorities.
- 3.19 It is expected that this grant will be rolled into the main government grant in 2014/15.

3.20 The total funding for the LTFP, based on current assumptions, is therefore summarised within the table below:

	2013/14	2014/15	2015/16	2016/17
<b>Funding</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(94,247)	(90,958)	(89,351)	(88,475)
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)
Specific Grants	(5,654)	(5,654)	(5,654)	(5,654)
Partnership Income/Fees and Charges	(2,387)	(2,436)	(2,521)	(2,521)
<b>Total Funding</b>	<b>(137,543)</b>	<b>(134,665)</b>	<b>(132,980)</b>	<b>(132,735)</b>
%age Change in Funding	0.7%	-2.1%	-1.3%	-0.2%

#### 4. Expenditure Plans

##### 4.1 Office of the PCC

The first budget for the Office of the PCC has been calculated and it is expected that £930k will be needed to run the office, deliver the statutory functions of the office and aid the PCC in delivering their role and priorities.

4.2 The budget of £930k is £270k lower than the 2012/13 budget of the previous Police Authority, a reduction of over 22% which enables this £270k to be spent supporting and delivering front line services.

4.3 The budget provides for the office to be run with 10.49FTEs throughout 2013/14, including the PCC.

4.4 Further details are provided at Appendix A.

##### 4.5 Community Safety

As mentioned earlier the PCC has received £1,698k as part of a Community Safety Grant from the Home Office. This is an un-ring fenced grant which has been funded from redirecting funding, to the PCC, that was provided to other public sectors organisation previously, such as Community Safety Partnerships, Drug Action Teams and Youth Offending Teams.

4.6 The detail of how this money will be allocated and what priorities it will be spent on will be made available for the approval of the PCC before the end of March 2013.

4.7 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 £133,790k for 2013/14.

4.8 The summary of how this is forecast to be spent in 2013/14, in comparison to the 2012/13 budget, is as per the table below:

	2013/14	2012/13	Increase / (Decrease)	Increase / (Decrease)
<b>Police Force Planned Expenditure</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>%age</b>
Police Pay	72,819	75,197	(2,378)	(3.2%)
Police Overtime	1,234	1,204	30	2.5%
Police Community Support Officer Pay	4,885	5,050	(165)	(3.3%)
Staff Pay	7,597	8,458	(861)	(10.2%)
Other Pay and Training	2,994	3,083	(89)	(2.9%)
Injury and Medical Police Pensions	1,700	2,600	(900)	(34.6%)
Premises *	10,663	10,461	202	1.9%
Supplies and Services	25,453	25,517	(64)	(0.3%)
Transport	1,753	2,136	(383)	(17.9%)
External Support	2,265	1,432	833	58.2%
Asset Management	2,426	2,274	152	6.7%
<b>Total Planned Expenditure</b>	<b>133,790</b>	<b>137,412</b>	<b>(3,622)</b>	<b>(2.6%)</b>

\* This is offset by a Grant of £4,110k for our PFI buildings



4.9 In being able to achieve an expenditure plan of £133,790k the Force have identified £7,244k of savings that have been removed from the budget.

4.10 Further details of the Force plans can be found at Appendix B.

4.11 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. In terms of the impact on reserves resulting from the 2013/14 plans it is proposed that a net £1,040k is added to Earmarked Reserves during 2013/14. This is made up of the following transactions:

- £12k contribution to Capital
- £1,060k to establish a Change and Risk Fund
- (£32k) from the PFI Earmarked Reserve

4.12 At this stage it is also proposed to use around £600k from general reserves to support the current plans for 2014/15. This will be kept under review as more information becomes available about future funding levels.

## 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:

	2013/14	2014/15	2015/16	2016/17
<b>Funding</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
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)
<b>Funding for Net Budget Requirement (NBR)</b>	<b>(129,502)</b>	<b>(126,477)</b>	<b>(124,709)</b>	<b>#####</b>
Specific Grants	(5,594)	(5,594)	(5,594)	(5,594)
Partnership Income/Fees and Charges	(2,362)	(2,435)	(2,520)	(2,520)
<b>Total Funding</b>	<b>(137,458)</b>	<b>(134,506)</b>	<b>(132,823)</b>	<b>#####</b>
%age Change in Funding	0.7%	-2.1%	-1.3%	-0.2%
<b>Office of the PCC Planned Expenditure</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	590	600	600	600
Non Pay Expenditure	340	310	290	280
<b>Total Planned Expenditure</b>	<b>930</b>	<b>910</b>	<b>890</b>	<b>880</b>
%age Change in Expenditure	-22.6%	-2.2%	-2.2%	-1.1%
<b>Proposed Community Safety Expenditure</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>Total Community Safety</b>	<b>1,698</b>	<b>1,698</b>	<b>1,698</b>	<b>1,698</b>
<b>Police Force Planned Expenditure</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
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
Staff Pay	7,597	7,404	7,537	7,775
Non-Pay	47,254	47,584	48,360	49,407
<b>Total Planned Expenditure</b>	<b>133,790</b>	<b>132,419</b>	<b>135,195</b>	<b>138,397</b>
%age Change in Expenditure	-2.7%	-1.0%	2.1%	2.4%
<b>(Surplus)/Deficit</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Planned Transfers to/(from) General Fund	0	(563)	0	0
Planned Transfers to/(from) Earmarked Reserves	1,040	41	41	41
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>(0)</b>	<b>5,001</b>	<b>8,437</b>
<b>General Reserves</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
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	<b>7,025</b>	<b>6,462</b>	<b>6,462</b>	<b>6,462</b>
<b>Employee Numbers (Average per year)</b>	<u>FTEs</u>	<u>FTEs</u>	<u>FTEs</u>	<u>FTEs</u>
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
	<b>1,828</b>	<b>1,784</b>	<b>1,784</b>	<b>1,784</b>

5.2 The above forecast is based on the best information and forecasts available at the time of pulling together the 2013/14 budget and LTFP and 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 From 2015/16 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. Implications**

### **6.1 Finance**

There are no financial implications other than those mentioned above.

### **6.2 Diversity & Equal Opportunities**

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

### **6.3 Human Rights Act**

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

### **6.4 Sustainability**

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

### **6.5 Risk**

If the savings factored into the balanced budget for 2013/14 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 2013/14 and will be reported to the PCC on a quarterly basis.

## **7. Conclusion**

7.1 The proposed 2013/14 budget underpins 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

Jacqui Cheer  
Chief Constable

## Office of the PCC Budget 2013/14

2010/11 Budget	2011/12 Budget	Police Authority/PCC Budget	2012/13 Budget	Movement to 2013/14 Budget	2013/14 Budget
£	£	Category of Spend	£	£	£
523,340	500,210	Staff Pay and Allowances (Incl. NI and Pension)	549,282	40,718	590,000
300	4,300	Other Pay and Training	200	5,100	5,300
1,000	1,000	Premises	1,000	0	1,000
780,630	745,828	Supplies and Services	643,297	(316,597)	326,700
19,000	14,000	Transport	7,000	0	7,000
(500)	(643)	Miscellaneous Income	0	0	0
<b>1,323,770</b>	<b>1,264,695</b>	<b>Total Budget</b>	<b>1,200,779</b>	<b>(270,779)</b>	<b>930,000</b>
		Reduction on Previous Year			22.6%
		Cumulative Reduction over CSR Period			29.7%

The increase in the Pay budget between 2012/13 and 2013/14 is as a result of the PCC being paid a 'salary' and therefore classified within Pay whereas Members of the Police Authority were paid Allowances and therefore charged to Supplies and Services. The Office is forecast to have 10.49 FTEs in 2013/14, which is an increase 0.8 FTEs from 2012/13, as a result of an employee who worked in a role equivalent to 0.2 FTEs leaving and the PCC starting.

The majority of savings to be delivered in 2013/14 are:

£125k savings are being made as a result of the change from the Police Authority Members structure (with Allowance and expenses) to the one elected salaried individual. The savings are primarily due to no Deputy PCC having been appointed by the PCC and that the payments to the Audit Committee are also less than previous Members of the Authority would have received in terms of allowances.

£115k resulting from reduced use of, and in some cases reduced costs of, external services. The use of external legal and external HR advice has all but been eliminated. The costs of running and administering the Independent Custody Visitors scheme has been absorbed into the normal workings of the Office and the PCC has also seen a reduction in the Audit Fees.

£30k results from the decision to make the Police and Crime Plan available electronically and not print significant copies and distribute widely. This is expected to save £30k in terms of printing and delivery/distribution costs.

**Report of the Chief Constable to the Police and Crime Commissioner (PCC)  
28<sup>th</sup> February 2013**

**Executive & Presenting Officer: Mrs Ann Hall, Assistant Chief Officer**

**Status: For Approval**

**Budget 2013/14 and Long Term Financial Plan 2013/14 to  
2016/17**

**1. Executive Summary**

**1.1. Purpose of the Report**

This report asked the PCC to agree the Force's Expenditure Budget proposals for 2013/14 and the Long Term Financial Plan (LTFP) for 2013/14 – 2016/17, in line with the legal requirement to set a budget prior to the 1<sup>st</sup> March each year for the following financial year.

**1.2. 2012/13 Budget and Beyond**

During 2012/13, the budget approved by the Police Authority in February 2013 has been deployed to deliver:

- Reductions in crime and antisocial behaviour. As at 31 January 2013:
  - Overall crime reduction of 9.8% (3,228 fewer crimes) (April 2012 – January 2013)
  - Reduction in antisocial behaviour of 20.5% (8,633 fewer offences) (April 2012 – January 2013)
- Public confidence ratings:
  - Cleveland Police is consistently amongst the top in the country as measured by the British Crime Survey.
  - The local public confidence survey reports that 87.3% of residents have confidence in Cleveland Police. (April 2012 – December 2012)
- Continued collaboration with other forces, for example Durham Constabulary on Roads Policing Unit and Firearms Unit.
- Planned national collaboration commencing 1 April 2013 with the National Police Air Service collaboration.

1.3. A balanced position for 2013/14 of expenditure plan to allocation without recourse to General Reserves can be presented based on the planning assumptions in this paper, subject to approval, along with reductions to gross revenue expenditure over 2013/14 of £3.6m.

1.4. The plan is currently in balance also for 2014/15 subject to the allocation of reserves of £0.6m.

- 1.5. There are risks attendant on the plan. These are set out in Appendix A, but primarily highlights the risk of further cuts other than those anticipated in the PCC's income planning which then impacts on the allocation to the Force.
- 1.6. The plan acknowledges that further work to identify on-going recurring savings must be completed along with the continued embedding of our strategic partnerships with the private sector, so maximise savings and to deliver greater efficiency and value for money, as intended in the contract.
- 1.7. This plan is challenging in terms of the reduction to establishment it represents necessary to reflect the cuts in public funding available. Through the Orbis Project, led by the Chief Constable, the Force seeks to secure the service to the public and in particular victims of crime with the reduced numbers of police officers affordable.
- 1.8. Finally, the work to look at efficiency and affordability of estate used for policing services on behalf of the PCC together with improved technology to make our officers and staff more mobile and flexible in delivery, needs further development to assess potential savings in running costs, reduced interest charges and lower our carbon footprint.

## 2. **Planning Assumptions**

### 2.1. Funding

On 22<sup>nd</sup> November 2012, the national governance structure within policing in the UK changed for 42 Forces (the Metropolitan Police had gone through the same change at an earlier date), including Cleveland, as a result of the Police Reform and Social Responsibility Act 2011.

The single legal entity that had the name of Cleveland Police Authority was replaced by two separate corporation soles – "The Police and Crime Commissioner for Cleveland" and "The Chief Constable of Cleveland".

As a result of the legislative change, all income derived accrues to the PCC who then allocates a sum to the corporation sole of the Chief Constable for Cleveland in order for the Force to carry out the policing activities for the communities of Cleveland on behalf of the PCC.

If approved, the budget and the resources are delegated by the PCC to the Force's Assistant Chief Officer as the Chief Finance Officer of the Chief Constable to manage on behalf of the Chief Constable, reflecting the prohibition of delegation.

The reporting mechanism also changes. The previous reports to the former Police Authority contained all assumptions and strategic update on central funding, reserves, precept levels, overall risk, and robustness of estimates, expenditure, estimates and risk to the published budget. All of the

assumptions around income, risk to income and reserves now become the domain of the PCC.

This report from the Chief Constable to the PCC therefore only looks at expenditure, estimates and risk to the budget.

The major items of expenditure are examined in turn below, with applicable estimates.

## 2.2. Pay and Non Pay

### • Police Pay

Police pay, including overtime, accounts for 55.4% of overall Force expenditure.

The freeze on cost of living pay increases for Police Officers and staff comes to an end on 1<sup>st</sup> September 2013 and therefore the plan assumes an annual 1% pay increase from this date. This is assumed to rise to 2% from 1<sup>st</sup> September 2015; based on the latest guidance given by the Home Office.

As part of Part 1 of Tom Winsor's review, the decision was taken (agreed by the Police Arbitration Tribunal (PAT) and ratified by the Home Secretary), that all increments would be frozen for two years from 1<sup>st</sup> April 2012 barring the first 3 PC scale points. Therefore, no increments are built into the 2013/14 Budget on this basis and they are reintroduced from the 2014/15 financial year.

In January 2013, the PAT and Home Secretary also agreed that Competency Related Threshold Payments (CRT)) would be phased out over 3 years from 1<sup>st</sup> April 2013 and therefore an incremental saving of c£250k per annum is built into the LTFP on that basis. By 2016/17, CRTP will no longer exist with the Force making the full £1m saving in that financial year.

### • Police Officer Numbers

As previously reported, the Force has undertaken a major project (Project Orbis), to completely review the structure of the Force. This Project is intended to provide a Force structure that continues to deliver the saving already anticipated in the LTFP and deliver effective operational policing to the communities of Cleveland whilst the Force shrinks, reflecting the cuts from the Comprehensive Spending Review.

To that end, the Force is to be restructured on a functional basis in order to best utilise the resources available for the needs of the public we serve. The structure identified states that the Force will need 1,394 officers (excluding 6 seconded externally) to operate.



However, in order to progress to that structure, the Force must rely upon natural leavers and retirements under Regulation A19 and therefore transition will be incremental over the next 2 years.

For 2013/14, it is assumed the following officers will be in post:

	<b>FTEs</b>
<b>1<sup>st</sup> April 2013</b>	<b>1,463</b>
Retirements	(42)
Additional leavers	(6)
<b>31<sup>st</sup> March 2014</b>	<u><b>1,415</b></u>
<b>Weighted average for budget setting*</b>	<u><b>1,441</b></u>
<b>* Includes 5 FTE assumed secondments that will be fully funded</b>	

The establishment as the number budgeted has been modelled in accordance with the schedule showing the movement towards the anticipated structure from the detailed Orbis plans, on a month by month basis, and is therefore set at a weighted average number of officers anticipated across the year which equates to 1,441 FTE as shown above as it moves to the anticipated establishment of 1,394 and 6 secondments under Orbis.

• Rank Mix

The rank mix to be budgeted has also been derived from the detailed Orbis plans, taking into account the existing rank structure in the Force and all known changes. In addition to this, operational requirements and cover for sickness/maternity leave/unplanned absence is always required to minimise disruption to the primary aim of operational policing. The police pay budget therefore includes an amount of £380k to reflect this work; this is commensurate with previous years.

• Overtime

In 2012/13 the level of overtime in the budget was a total of £1.2m (£0.4m for Normal, £0.4m for Bank Holidays, and £0.4m for Major Incidents). This was prepared under the initial indication of the impact of the Winsor review, with the Force anticipating that funding would only be required for 7 out of the 10 Bank Holidays; the arrangements for Bank Holidays were then changed after the setting of the 2012/13 budget. The budget for 2013/14 remains at the overall level of £1.2m with the same allocations as detailed for 2013/14. This ensures that all 7 Bank Holidays in 2013/14 are fully funded and the contribution to Major Incident Contingency Fund remains the same.

• Staff Pay

This accounts for 5.7% of overall Force expenditure and makes the same assumptions regarding cost of living pay increases as within Police Pay.

In contrast to Police Officers, increments for staff were not frozen and therefore these have been built into expenditure budgets, where applicable, on an annually recurring basis, at 1<sup>st</sup> April for non-management and 1<sup>st</sup> September for management grade each year.

- Staff Numbers

A review of vacant posts and natural leaving patterns of staff has been undertaken. From this, 3.5 posts which have been vacant for a number of months have been deleted. It is assumed, as in 2012/13 that any further posts will be frozen and any essential posts authorised by the Chief Constable may be filled. From this review the establishment is set at 221.26FTE.

Historically, the Force incurs costs at slightly lower than establishment due to sickness, maternity leave, and vacancies held. Therefore, a vacancy rate of 1% is proposed to recognise this and a budget set for 219 FTE.

- PCSO Pay

This accounts for 3.7% of overall Force expenditure and makes the same assumptions regarding cost of living pay increases and increments as within Staff Pay.

- PCSO Numbers

The establishment for PCSOs has previously been set at 166 FTE to be in line with the Government funding requirement for the level of PCSOs.

This Neighbourhood Policing Fund grant has been mainstreamed into the overall Police Grant from 2013/14 and therefore there is no requirement on the Force for a particular level of PCSO numbers.

However, in order to maintain operational capabilities the Force intends for the PCSO establishment to remain at 166 for the life of the LTFP presented. A level of natural leavers will see the Force end 2012/13 with c. 161 FTE and, as it is assumed a level of leavers will continue in line with previous years, the Force proposes a vacancy rate of 5% and therefore a budget set at an average of 158 FTE in post during the year. Dependent upon affordability, it is then hoped that a recruitment programme can be run in the future in order for the Force to regain the establishment level of PCSOs at 166 FTEs.

*Summary of Establishment*

	<b>Number</b>	<b>Vacancy Rate</b>
Police Officers	1441.0	0%
PCSOs	166.0	5%
Staff	221.26	1%

- Non Pay Expenditure

This accounts for 35.3% of overall Force expenditure and the main changes from 2012/13 can be summarised as follows:

- A budget of £900k was set aside in 2012/13 for a programme of medical retirements; this was on a non-recurring basis and therefore this is removed from the 2013/14 budget. Further reference is made to this in the risk register attached at Appendix A.
- The Custody contract has been reviewed in order to ensure that facilities and flow through rates are in line with Force requirements. As a result c. £130k of savings have been achieved.
- On 1<sup>st</sup> April 2013, Cleveland will join the National Police Air Service (NPAS) with one member of staff subject to TUPE transfer and all officers attached to the unit seconded to the new NPAS organisation. As a result of this move, Cleveland will make a saving of £380k.
- In 2012/13, it is being reported as part of the monthly Budget Monitoring report that we are making savings on some of the retained ICT contracts which were not transferred or novated to Steria as part of the transfer of services. This saving is recurring and therefore the budget is reduced by £100k.
- As part of the Estates rationalisation programme, during 2012/13 the Force will move out of one leased premise. As a result, a saving of £100k is made on rent, rates and utilities for the property.
- During the 2012/13 Budget Clinics, some minor areas such as administrative costs and some external contributions that will cease have been identified as savings as therefore c£80k has been released as a result of this work.
- The contracts for Steria, PFI Action Stations and PFI Uray Nook are all, in some part; index linked to the Retail Price Index (RPI) and therefore inflation of c£600k has been applied to these. Inflation has also been applied to rates charges at 6% to align with the charges expected and fuel at 3%.
- As capital borrowing increases in order to fund the annual Capital Programme, the costs of Minimum Revenue Provision (MRP) and interest also increase to reflect the borrowing in the proposed capital plan. An increase of £400k is included this year reflecting MRP attributable to borrowing taken out up to 31<sup>st</sup> March 2013 and interest on borrowing taken out up to 31<sup>st</sup> March 2014. This is offset by a £250k saving in relation to the move to NPAS; thus giving a net £150k increase.
- A one-year budget for £200k has been set up for the costs of external IPCC investigations.
- To reflect the pressure in line with recent years the insurance budget has increased by £100k.

That then leaves the Force with £47.3m of non pay spend which can be broken down into the following major components:

<b>Non Pay Expenditure</b>		
<b>Item</b>	<b>Value</b>	<b>Description</b>
PFI contracts	£6.7m	Contractual
Outsourcing		Contractual
• Custody (Tascor)	£3.4m	Contractual
• Steria	£18.8m	Contractual, includes support services, ICT, Control Room, Criminal Justice and ROPS
MRP and interest	£2.3m	Interest on loans and compulsory account for assets
Injury pension costs	£1.7m	Payments to those previously injured on duty
Rent and rates	£1.6m	
Agency services	£1.5m	Central levies from Home Office, Urlay Nook, Fingerprint Bureau
Utilities	£1.2m	Electricity, gas, water
Fuel	£0.9m	Fleet
Insurance	£0.9m	Premiums and recovery claim
Forensics	£0.9m	Evidence
IT contracts	£0.9m	Those not outsourced
Other	£6.5m	This comprises a large number of smaller items, none of which are greater than £0.9m

### 2.3. Future Years

The future years' expenditure is predicated on levels of staffing set out at Appendix C.

- Inflation is planned at 1½% overall, however this is required to cover contractual obligations linked to RPI as well as some elements of non pay.
- Pay rises are as detailed in paragraph 2.2.
- Retirements when known through A19 and levels of leavers estimated.
- Any items of growth are factored in as they are known; beyond pay and inflation, any increased charges from the centre, no structural growth has been included. This includes no growth for Cleveland Police structural changes.

- Collaborated Units – Beyond reflecting the impact of national pay agreements, and inflation rises as noted elsewhere in this report, we have maintained our current level of contribution re collaborated units. Most significantly, this includes £5.9m, as in 2012/13, for the Cleveland and Durham Special Operations Unit.
- Specials – Whilst there is a stated commitment to increase the number of Specials recruited to the Force, there is no funding currently available in the budget presented in this paper, beyond maintaining the current cohort of Specials. A business case is currently in development under T/ACC Roberts who holds the Territorial Policing portfolio.

The national landscape of policing is changing, with new College of Policing and National Crime Agency, a more mandatory aspect to ICT and procurement, and a commitment by the Home Office that many services which were provided on a no cost or marginal cost to the service, may now be charged as full cost recovery. Changes are reflected only as we have been formally informed. As these develop through the months, further updates will be brought to the PCC.

### 3. Budget Summary

- 3.1. Should the assumptions and expenditure plans in this report be accepted, and based on the future funding levels expected from the PCC, the summary position would be as illustrated in the following table.

	2013/14	2014/15	2015/16	2016/17
<b>Force Funding made available by PCC</b>	<b>(133,790)</b>	<b>(132,419)</b>	<b>(130,194)</b>	<b>(129,959)</b>
<b>Police Force Planned Expenditure</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
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
Staff Pay	7,597	7,404	7,537	7,775
Non-Pay	47,254	47,584	48,360	49,407
<b>Total Planned Expenditure</b>	<b>133,790</b>	<b>132,419</b>	<b>135,195</b>	<b>138,396</b>
%age Change in Expenditure	-2.7%	-1.0%	2.1%	2.4%
<b>(Surplus)/Deficit</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
	<b>0</b>	<b>0</b>	<b>5,001</b>	<b>8,437</b>
<b>Employee Numbers (Average across each year)</b>	2013/14	2014/15	2015/16	2016/17
	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
	<b>1,818</b>	<b>1,774</b>	<b>1,774</b>	<b>1,774</b>

- 3.2. In reaching a balanced expenditure plan from the identified gap in funding, the cuts to be made by the Force in both 2013/14 and future years as currently anticipated are articulated at Appendix B.

## 4. **Implications**

### 4.1. Finance

There are no financial implications other than those mentioned above.

### 4.2. Diversity and Equal Opportunities

Diversity considerations are kept under constant review in line with Force policies and 'Putting People First'. There are no issues arising from this report to bring to the PCC's attention

### 4.3. Human Rights Act

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

### 4.4. Sustainability

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

### 4.5. Risk

Areas of risk associated with the plan presented here are shown in Appendix A and in detail in the "Robustness of Estimates" report that was discussed with the PCC prior to this report.

## 5. **Conclusion**

5.1. The proposed 2013/14 budget underpins the PCC's Policing Plan objective 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

Ann Hall  
Assistant Chief Officer  
CFO to the Chief Constable

Jacqui Cheer  
Chief Constable

## Risk Monitor for 2013/14 Budget and 2013/17 LTFP

Risk	Potential Impact £000s	Detail
Budget allocation from PCC for 2014/15 Onwards	c. 900k for every 1% of grant; c. £250k for every 1% of Precept	The plan presented here is based upon the current allocations proposed by the PCC based on their assumptions regarding grant, precept and other income. Should those assumptions change then the allocation to Force may also change.
Police Officer Rank Mix	Unknown	The rank mix budgeted is that proposed on a monthly basis as the Force transitions to a fully implemented Orbis structure also allowing for a level of acting. Should implementation dates change then these assumptions would be affected.
Police Officer Leavers	c. £50k for each leaver (full year average)	The budget assumes 6 Police Officer leavers (in addition to retirements) during 2013/14 and if that level does not occur then it would present a pressure on the Police pay budget.
Medical Retirements	c. £75k per retirement	The budget currently allocates no funds for medical retirements and therefore, if any are required, it will result in a pressure to the budget presented.
PCSO Leavers	c. £30k for each leaver (full year average)	The budget assumes 5 PCSO leavers during 2013/14 and if that level does not occur then it would present a pressure on the PCSO pay budget.
Major incident Budget	Unknown	The Major Incident Fund remains sensitive to operational requirements and therefore unpredictable in its nature. The level of funding in 2012/13 in maintained but an increased level of activity above that would see a pressure here.
Strategic Contracts	Unknown	All strategic contracts are included in this plan in accordance with prices and terms of the current contracts should those contracts or their workings be subject to change as agreed by the PCC.
National Mandation	Unknown	During 2012/13, there have been several items nationally mandated that have resulted in costs to the Force. If that trend continues in 2013/14 then funds may need to be reallocated.
Orbis transition	Unknown	As the Force transitions to an Orbis structure, the reporting structures need to be in line with organisational change. System change can be a lengthy and intricate process involving both the Force and our partner, Steria and therefore the challenge is in maintaining Force reporting from a financial and human resources perspective whilst the transition is occurring and managing cost.

	2013/14 £000s	2014/15 £000s	2015/16 £000s	2016/17 £000s
<b>Previous Years' Expenditure Budget</b>	<b>138,642</b>	<b>142,234</b>	<b>143,960</b>	<b>147,457</b>
<b>Expenditure Increases</b>				
Inflation	1,619	1,039	2,574	2,819
NI increases/Pension Contribution increases/Increments	1,110	486	124	924
Other adjustments	863	200	800	0
<b>Comparable Expenditure Budget (pre- savings)</b>	<b>142,234</b>	<b>143,960</b>	<b>147,457</b>	<b>151,201</b>
<b>Previous Years' Funding</b>	<b>(136,563)</b>	<b>(135,759)</b>	<b>(132,808)</b>	<b>(131,124)</b>
<b>Funding Changes</b>				
Government Funding	1,199	2,441	611	475
NNDR/RSG	696	946	1,794	400
Specific Grants	(433)	0	0	0
Partnership Funding	198	0	0	0
Fees, Charges and Partnership Funding	105	(73)	(85)	0
Council Tax	(962)	(363)	(637)	(631)
<b>Forecast Funding Levels</b>	<b>(135,759)</b>	<b>(132,808)</b>	<b>(131,124)</b>	<b>(130,879)</b>
<b>Savings Target after Changes in Assumptions</b>	<b>6,475</b>	<b>11,152</b>	<b>16,333</b>	<b>20,321</b>
<b>Savings Plans</b>				
Transitional Police Officer Costs	(765)	(1,079)	(1,079)	(1,079)
Capitalisation of spend in Steria contract	140	280	280	280
Additional Savings once transition completed	(65)	(65)	(65)	(65)
<b>Total Initial Contract Savings</b>	<b>(690)</b>	<b>(864)</b>	<b>(864)</b>	<b>(864)</b>
12 more medical retirements	(1,050)	(1,050)	(1,050)	(1,050)
Transitional Police Officer Costs	(950)	(950)	(950)	(950)
<b>Savings from additional Civilianisation</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(2,000)</b>
<b>Project I, Medical Retirement and Civilianisation Savings</b>	<b>(2,690)</b>	<b>(2,864)</b>	<b>(2,864)</b>	<b>(2,864)</b>
<b>Agreed Savings Proposals</b>				
Maintenance Free Period for the new Helicopter	100	100	100	100
NPAS	(528)	(528)	(528)	(528)
Lower average PCSOs	(240)	(240)	0	0
Staff Vacancies	(245)	(385)	(455)	(455)
Special Operations Contingency	(120)	(120)	(120)	(120)
Bank Holiday Overtime		77	306	36
Interest Payable		88	94	69
Estates Running Costs	(34)	(34)	(34)	(34)
Non Pay Review		10	10	10
Ceasing of Plan B civilianisation	(735)	(735)	(735)	(735)
CRTP	(259)	(506)	(753)	(1,000)
Winsor review	(798)	(898)	(988)	(988)
Non Pay savings proposed	(333)	(353)	(373)	(383)
Estates Rationalisation	(100)	(100)	(150)	(150)
ICT contracts	(100)	(100)	(100)	(100)
Contract Savings	(132)	(132)	(132)	(132)
Police Officers Retirement under regulation A19	(1,300)	(1,300)	(1,300)	(1,300)
<b>Savings already highlighted and agreed</b>	<b>(4,824)</b>	<b>(5,156)</b>	<b>(5,158)</b>	<b>(5,710)</b>
<b>Proposed Savings within CPA Control</b>				
Lower Employer Pension Contributions		(609)	(609)	(609)
Police Officers Retirement under regulation A19		(1,700)	(1,739)	(1,739)
<b>Savings within CPA control but requiring further development</b>	<b>0</b>	<b>(2,309)</b>	<b>(2,348)</b>	<b>(2,348)</b>
<b>Savings requiring further development/decisions outside of CPA control</b>				
Reduced Running Costs of new HQ			(400)	(400)
Police Officers Leavers		(300)	(600)	(600)
Savings to be made			(5,002)	(8,438)
<b>Total Further Savings Proposals</b>	<b>0</b>	<b>(300)</b>	<b>(6,002)</b>	<b>(9,438)</b>
<b>Total Non-Project I, WorkForce Modernisation and Plan B Savings Proposals</b>	<b>(4,824)</b>	<b>(7,765)</b>	<b>(13,508)</b>	<b>(17,496)</b>
<b>(Surplus)/Deficit after Savings</b>	<b>(1,039)</b>	<b>523</b>	<b>(39)</b>	<b>(39)</b>
<b>Contributions to/(From) Reserves</b>				
General Fund	0	(563)	0	0
Earmarked	1,040	41	41	41
<b>Reserve Movements</b>	<b>1,040</b>	<b>(522)</b>	<b>41</b>	<b>41</b>
<b>(Surplus)/Deficit after Reserve Movements</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>