

STRATEGIC GOVERNANCE BOARD
21 JANUARY 2013
REPORT OF THE CHIEF CONSTABLE
AND TREASURER FOR THE POLICE AND CRIME COMMISSIONER

9B REVENUE BUDGET AND PRECEPT REPORT 2013/14

1. PURPOSE OF THE REPORT

- 1.1 To confirm details of the local government finance settlement for 2013/14, to summarise the proposed revenue budget allocations and to recommend the precepts on billing authorities for 2013/14.

2. EXECUTIVE SUMMARY

- 2.1 **Annex A** sets out the detailed budget proposals for Derbyshire Police for the next financial year 2013/14.
- 2.2 This is the first year when the budget for policing Derbyshire will be set by the Police and Crime Commissioner for Derbyshire.
- 2.3 These financial plans continue to be set during a time of unprecedented austerity and considerable uncertainty.
- 2.4 **Annex A** details the good progress that the Constabulary has already made in meeting this unprecedented challenge, including savings of some £21m over the last three years.
- 2.5 This has put Derbyshire Police in a strong financial position and in particular enabled the former police authority to build up reserves to help manage future budget cuts and austerity.

- 2.6 The financial outlook continues to be uncertain. While it is clear that there are likely to be deeper cuts and austerity will be extended for at least another year, the precise impact on the police service is still unclear.
- 2.7 In the current financial year the Home Office has tried to lessen the impact of further funding cuts on the police but it remains to be seen whether this will continue in 2014/15. Unlike other public authorities, the Police are still awaiting details of their funding for year 2 (2014/15). The position beyond 2015/16 is even more uncertain.
- 2.8 Throughout this period of austerity the Constabulary has placed great emphasis on maintaining performance even during a time of unprecedented budget cuts. **Annex A** details the excellent performance that has been delivered by the constabulary, particularly working with its partners. During this period of austerity crime continues to fall and public confidence in the police has increased.
- 2.9 Despite this good performance it would be unrealistic to expect that funding cuts can continue to be made without impacting on performance. This was recognised by the Police Authority last year when they agreed to recommence police officer recruitment based on a managed use of reserves.
- 2.10 This has helped the Constabulary maintain its strong performance and indeed in the current year, Derbyshire has seen one of the biggest reductions in crime nationally.

Police Funding 2013/14

- 2.11 The settlement for 2013/14 is in line with the expectations that followed the Comprehensive Spending Review (CSR), although the Government has not chosen to claw back savings from the public sector pay freeze.
- 2.12 Overall funding for the Police service reduced by 1.9%, which was equivalent to a real terms reduction of 1.6% after adjusting for the cost of elections for Police and Crime Commissioners.
- 2.13 No detailed information is available on the settlement for 2014/15 onwards, although the Autumn Statement sets out further reductions in grant. Predicted grant levels are detailed in the following table (excluding Council Tax Freeze Grant): -

Year	Formula Grant	Year-on-year Decrease	
	£m	£m	%
*2012/13	111.902	-	-
2013/14	110.125	(1.78)	(1.59)
2014/15	106.050	(4.08)	(3.70)
2015/16	103.929	(2.12)	(2.00)

* *Includes Neighbourhood Policing Grant, which from 2013/14 has been included in the Main Police Grant*

- 2.14 The following table shows the resulting level of general government support provided to cover the costs of policing in Derbyshire in 2013/14 (excluding freeze grant): -

	£m
Principal Formula Police Grant	68.940
Business Rates and Revenue Support Grant	41.185
Formula Grant	110.125
Raw Grant Before Floor Protection	112.270
Loss of Grant to Floor	2.145

- 2.15 In addition to the above a specific community safety grant was allocated to Police & Crime Commissioners to fund a number of crime prevention initiatives. This total some £981,000 and is made up from a number of funding streams, previously allocated to other partners including the City and County Council.
- 2.16 The Government has also indicated that it would pay a Council Tax Freeze grant equivalent to a precept increase of 1% for all those authorities that do not choose to increase their precept. This is for two years only.

Office of the Police and Crime Commissioner

- 2.17 The table below shows the proposed budget for the Office of Police and Crime Commissioner, which is set out in more detail within **Annex B**: -

	Revised Budget 2012/13 £m	Proposed Budget 2013/14 £m
Commissioner's Office	1.071	0.971
Crime Prevention Fund	0	0.250
Community Safety Fund	0	0.981
Partnerships	0.786	0.531
Sub-Total	1.857	2.733
Revenue Contributions to Capital	0.116	1.000
Contributions to Reserves	0.056	0.065
Debt Charges	1.002	0.956
Interest Receipts	(0.410)	(0.400)
Sub-total	2,621	4.355
Contribution from Reserves	0	(0.250)
Net Budget Requirement for the Police and Crime Commission Office	2.621	4.104

2.18 The above table demonstrates that the cost of the Commissioner's office has reduced by some £100,000, which reflects the outcome of a review undertaken by the Commissioner. The Commissioner is recommending these resources are earmarked and used by the Constabulary to recruit an additional 4 Police Community Support Officers.

- 2.19 The budget signals the value of partnership working with a new fund of some £0.25m set aside for crime prevention initiatives on top of the other sums that the Commissioner will be allocating for Community Safety (£0.981m) and for other partnership working (£0.532m).
- 2.20 The Commissioner’s budget also includes a contribution of £1m to the capital programme to make the core programme more sustainable. This will ensure that the key ongoing capital commitments can be met from capital grant and the revenue budget without increasing borrowing levels.

Chief Constables Budget

- 2.21 The table below shows the proposed budget for the Commissioner to allocate to the Chief Constable. This is set out in more detail in **Annex C**: -

	Revised Budget 2012/13 £m	Proposed Budget 2013/14 £m
Derbyshire Constabulary	156.127	155.681
East Midlands Collaboration	9.956	10.432
BCU Fund	0.615	0.615
Contribution to National Policing	(0.736)	0.027
Sub-Total	165.962	166.755
Contributions from Reserves	(0.960)	(0.266)
Net Budget Requirement for the Chief Constable	165.002	166.489

- 2.22 In particular the budget will enable the Chief Constable to maintain the existing police officer establishment at 1900 officers as well as the Commissioner’s proposed allocation of an additional 4 PCSO’s to work in local communities.

2.23 The budget also reflects the increasing importance of collaboration in the delivery of specialist policing services. Most collaborations involve up to four other East Midlands forces and have delivered both financial savings and better resilience to the force.

2.24 The Chief Constable's rationale for proposing this budget is set out clearly in the attached report at Appendix 1.

Precept Options

2.25 The Commissioner has two precept options to consider: -

- To accept the Council Tax Freeze grant equivalent to a precept increase of 1%. This grant is payable for the next two years only.
- To increase the Police Precept by 1.96% in line with the threshold for precept increases set by the Government.

2.26 The table below shows the implications of these two options and the resulting police precept.

	Council Tax Freeze Grant £m	Precept Increase 1.96% £m
Police and Crime Commissioner	4.104	4.104
Chief Constable	166.489	166.489
Total Budget for Derbyshire Police	170.593	170.593
Funded by: -		
Police Formula Grant	110.125	110.125
Other Specific Government Grants	3.715	3.715
2011/12 Council Tax Freeze Grant	1.354	1.354
Council Tax Benefit Grant	7.323	7.323
Sub-Total	122.517	122.517
2013/14 Council Tax Freeze Grant	0.546	0
Budget Deficit to be met from Reserves	0.377	0
Council Tax Requirement	47.153	48.076
Police Precept	163.74	166.95

- 2.27 Due to the timing of this budget meeting and also the changes to the localisation of council tax benefit, the precept is based on our best estimate of the Council Tax base. We have taken a prudent view on this given the considerable level of uncertainty surrounding the introduction of these schemes.
- 2.28 If the Tax Base is higher than we anticipated this will increase the size of the projected surplus for 2013/14. Conversely if the Tax Base proves to be less than expected then the projected surplus will be reduced.

2.29 It is also worth pointing out that although the amount of precept income may notionally be increased there is still uncertainty around collection levels under the new scheme.

Longer Term Projections

2.30 The table below shows the projected budget position for the next 3 years and how it will change depending on whether the Commissioner opts to take the Council Tax Freeze: -

Surplus/(Deficit)	2013/14 £'m	2014/15 £'m	2015/16 £'m
Council Tax Increase	0	(3.666)	(7.527) – (10.708)
Council Tax Freeze	(0.377)	(4.071)	(8.506) – (11.687)
Difference	0.377	0.405	0.979

2.31 The above projections need to be treated with considerable caution: -

- The Home Office is still reviewing grant levels for 2014/15.
- The spending review for 2015/16 will be in an election year.
- There are a number of factors that could materially affect the projection, regardless of grant, e.g. further decision on the Winsor Review of police officer/staff terms and conditions, police pension contribution etc.

2.32 As stated previously, while considerable uncertainty remains it is clear that further funding cuts are on the way. In the short term reserves are healthy and can manage the projected deficits up to 2015/16 as shown in the table below. Further detail on the use of reserves over this period is shown in **Annex D: -**

Surplus/(Deficit)	2012/13 £'m	2013/14 £'m	2014/15 £'m	2015/16 £'m
Operational Funding Reserve at Start of Year	11.666	17.089	17.089	13.423
Projected surplus/(deficit)	5.423	0	(3.666)	(7.537)
Operational Funding Reserve at End of Year	17.089	17.089	13.423	5.886

2.33 While reserves are sufficient to cover the shortfall for at least 3 years, the position in 2015/16 gives cause for concern.

2.34 Appendix 1 assesses the potential calls upon reserves and provides a more detailed assessment of the level of reserves that are needed to manage the risks within the medium term financial plan.

Financial Risks

2.35 The key financial risks are set out in Appendix 1, these are around future pay awards, complex and unforeseen policing operations, additional grant reductions and even potential over-spending. Taken together these risks could add as much as £6m to our costs in any one year. Without reserves, this would place an unsustainable burden on our budget. It is therefore appropriate that we hold reserves to manage these potential risks.

Future Strategy

2.36 In the past Derbyshire Constabulary has successfully met its financial challenge by reacting early and putting in place measures to close its budget gap at an early stage.

2.37 The constabulary has been able to achieve significant reductions, while still maintaining and improving performance. There is however no guarantee that this will always happen.

2.38 The position we face now is slightly different. The scale of the gap in later years is far harder to predict.

2.39 Our strategy will ensure that we plan early but do not react prematurely. Therefore we will: -

- Do all we can to make our budget sustainable i.e. consider a precept increase and making an ongoing contribution to improve the sustainability of the capital programme.
- Continue with recruitment at existing levels i.e. maintain existing police officer numbers as provided for within the budget.
- Continue to bridge the budget gap from reserves – this is sustainable for up to 3 years even on the most pessimistic assumptions. This will be kept under review in the light of future grant announcements.
- Build our budget strategy while we await the outcome of the Home Office 2014/15 grant review – this will provide a further signal as to how challenging our position is likely to be.
- Continue to pursue savings opportunities across all areas, including reviewing further savings opportunities e.g. the case and custody system to provide real opportunities to reduce administration within the courts process.
- Continue to lobby for changes to funding arrangements – Derbyshire continues to lose out on its funding allocation and it is important that we continue to press our case for this to be reviewed.

3. **RECOMMENDATIONS**

- i. To note the information and analysis as set out in **Appendix 1**.
- ii. To note the assumptions as set out in **Annex E**.

- iii. To agree the proposed adjustments to the 2013/14 budget as detailed in **Annex A.**
- iv. To approve the recruitment of 4 PCSOs at an annual cost of £0.105m.
- v. To approve the creation of a Commissioner’s Crime Prevention Fund of £0.25m funded from reserves in 2013/14.
- vi. To apply the £0.981m Community Safety Fund to partners during 2013/14 in advance of a review to assess future years’ allocations.
- vii. To build a revenue contribution of £1m into the base revenue budget to improve the sustainability of the capital programme.
- viii. Subject to final council tax base notifications, to approve the revenue budget, provisional council tax requirement and associated police precept and provisional contribution to(from) reserves as follows: -

Option 1

	Council Tax Freeze
Revenue Budget	£170.593m
Provisional Council Tax Requirement	£47.153m
Police Precept Increase (£)	0
Police Precept Increase (%)	0
Provisional Contribution from reserves	£0.377m

Option 2

	Precept Increase
Revenue Budget	£170.593m
Provisional Council Tax Requirement	£48.076m
Police Precept Increase (£)	£3.21
Police Precept Increase (%)	1.96%
Provisional Contribution from reserves	0

- ix. To agree to continue with the use of reserves to bridge the budget gap in 2014/15 and beyond linked to a review to identify further savings to alleviate the pressure on reserves in accordance with the approved budget strategy.
- x. To note the associated financial projection for 2013/16.

4. IMPLICATIONS

	LOW	MEDIUM	HIGH
Crime & Disorder			x
Environmental	x		
Equality & Diversity	x		
Financial			x
Health & Safety	x		
Human Rights	x		
Legal		X	
Personnel		X	

Contact details in the event of enquiries	Name: External telephone number: 01773 Email address: @derbyshire.pnn.police.uk
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SPENDING PLANS 2013/14

1. BACKGROUND

- 1.1 This document sets out the spending plans for the Police and Crime Commissioner for Derbyshire and Derbyshire Constabulary for 2013/14 and indicative plans for 2014/16. It provides the detailed rationale to support the revenue budget and precept proposals for 2013/14
- 1.2 On 22 November 2012 the Police and Crime Commissioner took over responsibility for setting the budget for Derbyshire Police from the Police Authority. These budget plans will be subject to scrutiny and veto by a Police and Crime Panel consisting of local authority and independent representatives.
- 1.3 Over the past three years the financial focus has been concentrated on the challenges brought about by the cuts announced in the 2011/12 comprehensive spending review (CSR).
- 1.4 Action was taken in 2010/11 in advance of the CSR to deliver savings of £4m and further savings in 2011/13 saw £17m of spending reductions, totalling £21m over three years.
- 1.5 Due to the considerable success of the Moving Forward Programmes, the budget gap was substantially closed earlier than anticipated. This allowed for reserves to be built up providing some protection from further cuts during this time of uncertainty.
- 1.6 The sound financial position was achieved through some very tough choices, including a freeze on police officer recruitment and the reduction in establishment of some 162 officers and 269 police staff posts.

- 1.7 Throughout this period Derbyshire Constabulary still faced considerable policing risks and levels of demand. The high number of police officer retirements only increased pressure on policing resources although it helped to contribute to savings. The Police Authority took the decision in February 2012 to reinvest some of these savings back into the Constabulary.
- 1.8 This investment took the form of:-
- Commencing police officer recruitment to maintain officer numbers at approximately 1,900.
 - Recruiting 15 Police Community Support Officers (PCSOs) to increase numbers back to close to funded levels to help support the police presence in neighbourhoods.
 - Recruiting to 11 police staff roles within a specialist support unit to deal with major incidents specific to Derbyshire involving; high risk vulnerable missing persons, organised crime groups and illegal drugs.
 - Recruiting to a further 2 police staff roles to assist with maximising the input of the Special Constabulary and for additional support for the various staff networks.
 - Allocating a further £5.5m from reserves to cover additional costs of capital schemes and the projected imbalance in funding of the capital programme.
- 1.9 The Police Authority recognised that the long term sustainability of these plans depended on the use of balances and any further austerity measures that the Government introduced.
- 1.10 Since the Police Authority took these decisions further funding cuts have been announced, which impact on the long term viability of these plans.
- 1.11 This report provides budget options for the Police and Crime Commissioner to consider. It is important to strike the right balance between providing sufficient resources to meet policing risk against the need to deliver a sustainable budget for the next three years in what continues to be a very difficult financial and economic climate.

1.12 The report also confirms that Derbyshire Constabulary is in a strong financial position to meet the policing and financial challenges that lie ahead.

2. COMPREHENSIVE SPENDING REVIEW (CSR)

2.1 During 2010 the scale of the Financial Challenge facing the country became much clearer, as on 20 October 2010, the Chancellor, George Osborne announced the outcome of the Spending Review 2011, which heralded an unprecedented and prolonged reduction in public spending.

2.2 Overall the Chancellor announced a real terms reduction of some 19% in public spending over the next four years, alongside further £7bn cuts in benefits. This masked wide variations in spending cuts across Government Departments with the Department for Communities and Local Government facing the largest reductions (51%) while International Development secured an increase of 37% over the next four years.

2.3 The Home Office budget was cut by 23%, the sixth largest cut, of these, the greatest cuts were suffered by central services delivered within the Home Office. The reduction in the Police budget was 20% with the cuts being front loaded for the first two years 2011/13.

2.4 At the time the Government also assumed that precept income would rise by only 0.8% in 2012/13 and 3.3% in following years. This is a combination of: –

- 0.8% growth in the council tax base per year mostly as a result of new properties being constructed.
- 2.5% increases in council tax from 2012/13 onwards.

2.5 The Government offered to compensate all authorities that freeze council tax at Band D in 2011/12 and 2012/13. The 2011/12 Council Tax Freeze grant was equivalent to a precept increase of 2.5% and was payable for four years. The Council Tax Freeze Grant in 2012/13 for the Police was equivalent to a Council Tax increase of 3%, but for one year only. This has implications for future year's precept funding, which will start at a lower base.

- 2.6 On 5th December 2012 the Chancellor delivered his Autumn Statement to Parliament. The Autumn Statement has traditionally provided updated forecasts for Government finances. More recently in response to challenging economic conditions it has become much more like a mini budget. This signalled deeper austerity measures that will continue for an extra year up to 2017/18.
- 2.7 In the statement it was announced that for 2013/14 there would be no further cuts for local authorities over and above the ones that the CSR in October 2010 were predicting. The Home Office also took steps to maintain this position for the Police Service in 2013/14. Unlike other public authorities no indication for 2014/15 has been given as the Home Secretary has deferred publication in order to first scrutinise all Home Office budgets.
- 2.8 The Government have announced that Police and Crime Commissioners, who do not increase their basic amount of council tax in 2013/14, will receive a grant equivalent to the revenue they would have generated by increasing their basic amount of council tax by 1%.
- 2.9 The Government has proposed trigger points for council tax referendums so that any excessive increases in 2013/14 are put to the local electorate for approval, which for 2013/14 is set at a maximum for Derbyshire of 2%.
- 2.10 There will be another spending review, which is due to commence in 2013 that will cover the financial year 2015/16. The outcome of this review will probably be linked to the government's ability to reduce the deficit, either through improvement in the economy or by deeper benefit cuts. If neither of these solutions work, then the impact will undoubtedly fall more heavily on the Police and the rest of local government.

3. NATIONAL AND LOCAL POLICING PRIORITIES

- 3.1 During the past year the Government has continued with its plans for improved efficiency in the policing service. The second tranche of proposals for reforms of Police Officer and Police Staff pay and conditions have been published by Tom Winsor and are currently in the consultation process. The Public Services Pensions Bill, currently in the House of Lords has set out the reforms to the Police Officer and Police Staff pensions. Other planned initiatives that have been taken forward include the creation of the College of Policing and the Police ICT Company.
- 3.2 The Government is also in the process of reviewing the impact of e-crime. In particular gaining a better understanding of what this crime is, the threat it poses and how effectively it is being tackled.
- 3.3 Following a number of recent high profile cases the Government is undertaking a detailed review of leadership and standards within the policing service. The review will determine the current situation and how the service must adapt in the new landscape of policing. The Government also views ethics and standards as a high priority, where more work is needed.
- 3.4 The annual strategic risk seminar, which took place in October 2012, brought together key staff from the Constabulary, the Police Authority, Community Safety Partnerships and Safer Derbyshire to agree the crime and community safety priorities facing the county in order to better target resources.
- 3.5 The purpose of the seminar is to look at what is currently in place to deal with risks, what police and partners deliver, what gaps there are in certain areas and what are considered to be the key actions that need to be undertaken in the next 12 months. Public views, expressed through the Police Authority's Have Your Say consultation event, are also taken into consideration. This seminar is critical in shaping how Derbyshire Constabulary provides policing for the city and county by determining priorities for the coming year and allows for strategic decisions around investment, resource allocation and operational priorities.

3.6 The top seven priority threat areas the Constabulary is faced with are detailed below: -

- Alcohol related harm.
- Drugs.
- Anti-social behaviour.
- Safeguarding children.
- Acquisitive crime and offender management.
- Domestic abuse.
- Organised crime groups.

3.7 The top five risks identified are: -

- Cyber crime.
- New and emerging communities.
- Economic crime.
- Domestic abuse.
- Drugs.

4. OUR CURRENT FUNDING POSITION

4.1 Derbyshire Constabulary is the eighth lowest spending force in England and Wales.

4.2 The table below shows the impact of this under-funding compared to Derbyshire's neighbouring forces and shows that at the extreme Derbyshire would need another £23m to match the funding of one of its neighbouring forces: -

	Net Spend per Head £	Derbyshire budget increase at this level
Derbyshire	162.387	
<u>Neighbouring Forces: -</u>		
Cheshire	170.968	£8.6m
Leicestershire	170.641	£8.3m
Nottinghamshire	176.070	£13.7m
Staffordshire	168.762	£6.4m
South Yorkshire	185.489	£23.1m
Warwickshire	166.381	£4.0m

Source: CIPFA Statistical Estimates 2012/13

- 4.3 Derbyshire Constabulary relies more heavily on government grant than many other forces. A total of 67% of spending in Derbyshire is met by grant with the remaining 33% met by police precept. There is considerable national variation amongst forces in respect of how much funding comes from national grant against local council tax through the precept charge.
- 4.4 At the extreme Surrey receives some 49% of its funding from the police precept, while a number of metropolitan forces receive less than 14% of their funding through the precept.
- 4.5 This is particularly significant during a period of substantial grant reductions as only the grant element of funding is set to reduce. In essence it means that forces like Derbyshire, who rely more heavily on government grants, will face proportionately bigger spending reductions.

5. OUR CURRENT PERFORMANCE

- 5.1 Despite the backdrop of the financial challenge, Derbyshire Constabulary has sustained continued reductions in crime over the past nine consecutive years, with the crime reduction equating to nearly 41,000 fewer victims of crime over this period. Crime figures also saw violent crime reduced by 15% in comparison to the previous year, domestic burglary by 12% and criminal damage by 10%. Anti-social behaviour also fell by 9%. Projections for 2012/13 suggest that a ten year of reduction will be achieved this year.
- 5.2 Nevertheless, the challenge of reducing crime is getting more difficult each year and will be all the more so in forthcoming years with further anticipated cuts in funding as announced in the Autumn Statement.
- 5.3 The following table shows the estimated reductions in a number of key crime areas over the 10 year period since 2002/3: -

Reduction in Crime				
	2002/03	2012/13 Estimate	Estimated Change	% Change 2002/03 to 2012/13 Est
All Crime	103,180	52,180	(51,000)	(49.4%)
Domestic Burglary	8,557	2,888	(5,669)	(66.2%)
Vehicle Crime	16,792	4,879	(11,913)	(70.9%)
Violent Crime	17,344	12,495	(4,849)	(28.0%)
Criminal Damage	17,789	8,946	(8,843)	(49.7%)

5.4 In addition to achieving substantial success in relation to crime reduction, Derbyshire Constabulary has maintained good detection and positive outcome rates. This has been particularly challenging given the level of staffing reductions in recent years. The current positive outcome rate of 36.2% would still place Derbyshire in the top quartile nationally. The following table shows the proportion of offences that have been detected either through the Criminal Justice System or via Restorative Disposals as per the victims' wishes: -

Decrease in Crime Detections			
	2011/12	2012/13 Estimate	% Change 2011/12 to 2012/13 Est
All Crime	36.6%	36.2%	(0.4)
Domestic Burglary	23.0%	21.8%	(1.2)
Vehicle Crime	11.9%	9.7%	(2.2)
Violent Crime	60.9%	58.1%	(2.8)
Criminal Damage	22.9%	23.8%	0.9

6. ANTI-SOCIAL BEHAVIOUR (ASB)

6.1 Derbyshire Constabulary has also been targeting anti-social behaviour across the county and is heading for the sixth consecutive year of ASB reduction. The estimated outturn for 2012/13 equates to a 38.8% reduction on the 2006/07 benchmark. The following table shows the total number of ASB incidents recorded over the last six years: -

Reductions in ASB			
Year	No. of ASB Incidents	Change on Previous Year	% Change on Previous Year
2006/07	83,589	-	-
2007/08	75,335	(8,254)	(9.9%)
2008/09	73,793	(1,542)	(2.0%)
2009/10	67,841	(5,952)	(8.1%)
2010/11	62,994	(4,847)	(7.1%)
2011/12	57,086	(5,908)	(9.4%)
2012/13 Estimate	51,150	(5,936)	(10.4%)
Seven Year Reduction (38.8%)			

Note: - *Statistics of ASB incidents have only been accurately and consistently recorded in line with the National Standard of Incident Recording (NSIR) which was introduced on 1 April 2006, hence the data does not cover the same period as the crime data. Further changes to NSIR came into effect on 1 April 2011, in that Hoax Calls are no longer classified as ASB and therefore excluded from the current year estimate. Hoax calls previously accounted for approximately 1% of all ASB.*

7. PUBLIC PERCEPTION

7.1 During 2012, 20 Have Your Say events were held across Derbyshire where members of the public were invited to give their opinion on policing within their local area. At these events, 1,714 people expressed their opinions in relation to a number of topics relating to policing. In addition to this a further 748 people who were not able to attend an event expressed their opinions through the post or via the Internet. The questionnaire this year concentrated on anti-social behaviour and policing at a local level.

7.2 The key highlights include: -

- 85.9% of people felt very or fairly safe in their neighbourhood with 7.5 % feeling fairly or very unsafe.
- 76.4% felt very or fairly satisfied with how the police dealt with crime and anti-social behaviour in their area with 10.9% not very or not at all satisfied.
- 94.7% felt the police were doing an excellent or fair job in policing the area where they live (71.5% excellent and 19.6% fair) with 5.2% in the poor or very poor range.

8. THE FORCE'S EFFICIENCY RECORD

8.1 Derbyshire Constabulary is an efficient force. The External Auditors and HM Inspectorate of Constabulary (HMIC) consider that the force performs well in delivering value for money and its financial management, which puts it amongst the top performing police forces. This reflects the achievement of Derbyshire Constabulary in delivering very good performance from a very low cost base, but at the same time is expected to maintain and indeed enhance front line policing and deliver improved performance.

8.2 In the seven years prior to austerity, Derbyshire Constabulary had already achieved approximately £45m efficiency savings. The table below shows how these are broken down between: -

- **Cashable Savings** – which resulted in real cash being saved from the budget e.g. reductions in posts following a police staff recruitment freeze, savings in putting the payment date for officer/staff salaries to the end of the month.
- **(b) Non-cashable Savings** – which did not save real cash but were about improvements in efficiency i.e. delivering a better service with the same staff e.g. improvements in the front-line policing percentage.

Year	Cashable Savings	Non-cashable Savings	Total
	£	£	£
2002/05	286,400	17,265,100	17,551,500
2005/06	4,230,000	5,370,000	9,600,000
2006/07	2,900,000	4,970,000	7,870,000
2007/08	934,300	1,973,000	2,907,300
2008/09	2,232,300		2,232,300
2009/10	5,517,400		5,517,400
Total			45,678,500

9. THE NEW FINANCIAL REALITY & CURRENT BUDGET POSITION

- 9.1 Derbyshire Police Authority and Derbyshire Constabulary started to prepare for the 'New Financial Reality' as early as June 2009.
- 9.2 In June 2009, the Moving Forward Project was established to scope the potential to deliver savings and position the organisation for the challenges that lay ahead over the next several years. Initial work sought to identify areas of business where the organisation could achieve immediate savings of £3m during 2010.
- 9.3 The project was not just focussed on making cuts but also about improving service. The key principles were to: -
- Challenge bureaucracy in everything the Constabulary does, to build and increase public confidence.
 - Embed the Constabulary's values.
 - Deliver increased efficiencies and value for money.
 - Understand, accept and manage consequential risk.
 - Maintain the Constabulary's priorities as a focus in decision making.
 - Ensure that activity supports those responsible for delivering operational policing.
 - To build and increase public confidence.
- 9.4 In January 2010, the Moving Forward Programme team was established to drive and oversee the implementation of the programme. The team also undertook responsibility to research and review other opportunities for potential financial savings.

9.5 Three Moving Forward programmes have been implemented the first one-year programme in 2010/11 was followed by a two year programme in 2011/12 and a further one year programme in 2012/13. In total the programmes have delivered some £21m of savings, which are detailed in the table below: -

	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
Moving Forward 1	4.074	2.449	-	6.523
Moving Forward 2	-	9.179	5.523	14.702
Moving Forward 3	-	-	0.154	0.154
Total	4.074	11.628	5.677	21.379

9.6 The above table demonstrates the extent to which the Moving Forward Programmes have now been implemented. Above all it provides reassurance that the Constabulary has delivered substantially against its savings plans.

9.7 Also further additional savings have been identified to help close its remaining budget gap. These include: -

- Enquiry Office Review – to review opening hours based on the current level of usage for enquiry offices.
- Estates Review – to reduce the overall number of buildings occupied by the Constabulary and focus scarce maintenance resources on a smaller number of buildings.
- Winsor Review – implementation of proposals stemming from the Winsor Review, which are anticipated to deliver initial savings of some £2m. Most of the savings were in police staff pay and remain uncertain as they require negotiation and agreement at a national level.

- Collaborations with other East Midlands Forces has started to make a contribution to the savings target. Approximately £0.4m of cashable savings and a further £1.0m of efficiency savings have been generated up to December 2012. With the introduction of a three force HR Service Centre later in 2013 and further changes being planned to working practices within the Forensics Service further cashable savings in the region of £0.2m are expected to be achieved by the end of the financial year 2013/14.

10. NATIONAL FUNDING POSITION

- 10.1 On 19 December 2012, the Minister for Policing and Criminal Justice (Damian Green) issued the Police Grant Allocations for 2013/14. The figures for 2014/15 have been deferred to allow the Home Secretary time to review all Home Office budgets following the announcement of further public spending cuts in the Autumn Statement.
- 10.2 The difference in total central Government funding for the Police compared to 2012/13, which included additional funding relating to the PCC elections is set to reduce by 1.9% in 2013/14. This means that the reduction in core Government funding for 2013/14 is 1.6%. The indications are that for 2014/15 funding will reduce by a further 2% on top of the planned 1.7% reduction. Beyond 2014/15 is extremely unclear and will very much be dependant on the measures taken to reduce the national deficit. The following table details the police funding for 2013/14: -

Police Revenue Funding for 2013/14	
	2013/14 £m
Total General Funding:	
Police Core Settlement	4,725
DCLG	3,144
Welsh Government	148
Total Home Office Specific Grants:	
Welsh Top-up	13
Counter Terrorism Specific Grant	563
PFI Grant	60
Other	7
Total Government Funding	8,660
% cash change in Total Government Funding () = reduction	(1.9%)

- 10.3 Elsewhere the Government continues to allocate funding for capital schemes in line with the reduced 2012/13 allocations. Although a portion of capital will continue to be top sliced to fund the National Police Air Service in 2013/14 and 2014/15.
- 10.4 Revenue resources continue to be allocated notionally on the basis of a revised funding formula, introduced in 2006/7. This set out to provide a more up-to-date and detailed assessment of the pressures facing individual police forces. However, the Government has signalled its intension to commence a review of the Police Allocation Formula in 2013.
- 10.5 The Government continues to implement arrangements to protect forces that would otherwise lose grant. For 2013/14 the Government has applied the same percentage reduction (1.6% cash) to every police force area. The Government intend to apply damping in the same way in 2014/15.

10.6 Effectively this continues to protect forces that would otherwise lose grant following the formula changes. This protection is funded by scaling back dramatically the higher increases that a number of Police Forces, including Derbyshire, stood to gain under the new formula.

11. COMMUNITY SAFETY FUND

11.1 The vast majority of drugs, crime and community safety funding that the Home Office currently provides to a range of partners will cease at the end of 2012/13. Instead, Police and Crime Commissioners will receive funding from a transitional and un-ring fenced Community Safety Fund worth £90m. The funding has been allocated according to the current allocation of those funding streams which are ending. For Derbyshire the allocation equates to £0.981m. This funding will be rolled into Police Main Grant in 2014/15, and the baseline prior to damping being applied will be adjusted accordingly.

12. THE EAST MIDLANDS PICTURE

12.1 The five East Midlands Police Forces lose grant under the floor protection arrangements. In total, the East Midlands Police Forces stand to lose some £20.18m (3.87%) in grant in 2013/14, with Nottinghamshire facing the greatest loss (losing £10.48m), albeit from a substantially larger budget and spend per head of population. Derbyshire has consistently lost out through these protection arrangements for the last 8 years to a total amount in excess of £30m.

13. THE DERBYSHIRE PICTURE

13.1 In 2013/14, public authorities within Derbyshire will lose some £11.3m as a result of grant floors. The biggest losses in cash terms are suffered by the County Council (£7.9m), City Council (£1.6m) and Police (£2.1m).

14. COUNCIL TAX FREEZE GRANT

- 14.1 The Government is setting aside an extra £450 million over the next two years to help local government in England to freeze their council tax in 2013-14, which will be the third successive year in which a freeze scheme applies. This grant is equivalent to a 1% increase in council tax for Police Forces.
- 14.2 All public authorities are eligible for the grant if they do not increase their Band D in 2013/14. It is worth noting that the overall income from the Police precept may increase due to increases in the tax base. It may also increase or decrease further depending on any surpluses or deficits declared by billing authorities and the impact of the localisation of Council Tax Benefit (paragraph 16 refers).

15. LOCALISM ACT 2011

- 15.1 Council Tax rises are subject to the provisions of the Localism Act 2011. In place of the previous 'capping limits', the Secretary of State for Communities and Local Government sets an excessiveness principle which puts a Council Tax limit of 2% for police precept increases in 2013/14. The cost of holding a referendum would fall to the force and it is estimated that this would cost in the region of £0.75 to £1m for Derbyshire.
- 15.2 The table below demonstrates the fact that the freeze grant effectively reduces funding by some £1.7m (see table below) over the next three years compared to the option of setting a 2% precept increase, which is below the original financial projections of 2.5%. This impact would be even greater for 2015/16 and beyond as the funding loss would be £1m.

	2013/14 £m	2014/15 £m	2015/16 £m	Total Deficit £m
Council Tax Freeze Grant	(0.377)	(4.071)	(8.506)	(12.954)
Police Precept Increase (2%)	0	(3.666)	(7.527)	(11.193)
Total Gap	0.377	0.405	0.979	1.761

16. LOCALISATION OF COUNCIL TAX BENEFIT SUPPORT

- 16.1 In April 2013, the Government is transferring the responsibility for paying council tax benefit to local authorities.
- 16.2 The Government will pay grant to local authority's equivalent to 90% of the estimated cost of paying this benefit.
- 16.3 The administering authorities (Borough, District and City Councils) have had to develop their own local schemes that set out the eligibility for council tax benefit.
- 16.4 Local councils are able to change their eligibility criteria to restrict council tax benefit and effectively keep within the reduced level of grant that the Government intends to make available.
- 16.5 The Government does however require that pensioners will continue to have their benefit protected at existing levels. This applies in most cases to some 50% of claimants or more, which means that the impact of any eligibility changes will fall disproportionately on other benefit claimants. Although the Government has announced transitional measures aimed at limiting the impact on working age benefit claimants.

- 16.6 In turn, as the impact on other benefit claimants will be magnified, they may be unable or unwilling to pay the additional council tax that is not covered by benefit. In turn this will impact on collection levels and the speed of collection.
- 16.7 The Police like other precepting authorities are not exempt from these changes. The police are required to pick up their share of any benefit costs, proportionate to their share of the overall council tax in any area.
- 16.8 This means that Derbyshire Police will pick up around 10% of the residual cost of the benefit schemes across Derbyshire, although this will vary from area to area.
- 16.9 All local councils have developed schemes and in the process were required to consult precepting authorities, including Derbyshire Police on the format and content of these schemes.
- 16.10 Most local councils are adopting the recently introduced national transitional scheme that is intended to break even. Most are also proposing to make changes to other council tax discounts e.g. on empty homes to help bridge the gap and lessen the impact on precept income.
- 16.11 Derbyshire Police has commented on the design of these schemes and in general has emphasised the following:-
- The need for schemes to break even.
 - That schemes should take a realistic view on the potential level of future claims and provide a degree of headroom in case claims increase.
 - The need for schemes to take a realistic view on collection levels, which may reduce as a result of benefit changes or changes to other council tax discounts.
 - The importance of keeping schemes under review in light of the experience of the first year of operating the scheme.
- 16.12 Due to the changes from localisation of Council Tax Benefit the Council Tax base for the precept is based on our best estimate. We have taken a prudent

view on this given the considerable level of uncertainty surrounding the introduction of these schemes.

- 16.13 If the Tax Base is higher than we anticipated this will increase the size of the projected surplus for 2013/14. Conversely if the Tax Base proves to be less than expected then the projected surplus will be reduced.
- 16.14 It is also worth pointing out that although the amount of precept income may notionally be increased there is still uncertainty around collection levels under the new scheme.
- 16.15 Assumptions made in the 2013/14 base budget to factor in changes to the tax base include: -
- A one off reduction in tax base of 13.5%, the loss being covered by central government grant.
 - The tax base increases by 1% each year in 2014/15 and 2015/16 from the adjusted tax base for 2013/14.
 - Central government grant will increase by 2% each year in 2014/15 and 2015/16, in line with the permitted threshold increase in council tax announced for 13/14.

17. DERBYSHIRE POSITION

- 17.1 From 2013/14 the specific grant for Neighbourhood Policing has been included within the formula grant. Next year, the formula grant will reduce from £111.902m to £110.125m, a reduction of £1.777m.
- 17.2 The settlement for 2013/14 is in line with the expectations that followed the Comprehensive Spending Review (CSR), although the Government has not chosen to claw back savings from the public sector pay freeze. No detailed information is available on the settlement for 2014/15 onwards. However, from the headlines of the Chancellor's Autumn statement the anticipated further reductions in grant is detailed in the following table (excluding Council Tax Freeze Grant): -

Year	Formula Grant	Year-on-year Decrease	
	£m	£m	%
*2012/13	111.902	-	-
2013/14	110.125	(1.78)	(1.59)
2014/15	106.050	(4.08)	(3.70)
2015/16	103.929	(2.12)	(2.00)

* Includes Neighbourhood Policing Grant, which from 2013/14 has been included in the Main Police Grant

17.3 The following table shows the resulting level of general government support provided to cover the costs of policing in Derbyshire in 2013/14 (excluding freeze grant): -

	£m
Principal Formula Police Grant	68.940
Business Rates and Revenue Support Grant	41.185
Formula Grant	110.125
Raw Grant Before Floor Protection	112.270
Loss of Grant to Floor	2.145

18.

19. BASE BUDGET 2013/16

19.1 The following table summarises the three-year base budget projection for 2013/16 if Council Tax is increased by 1.96% in 2013/14. This shows the projected budget requirement to maintain existing services based on current plans and policies, taking into account all known commitments. This is set out in more detail in **Annex A** which also sets out the position if the Commissioner opts to take the Council Tax Freeze Grant.

	2012/13 Revised £m	2013/14 £m	2014/15 £m	2015/16 £m
Previous Year's Gross Expenditure (excluding Specific Grants)	171.664	163.495	166.878	168.031
Expenditure funded from Specific Grants and Reserves	6.415	3.715	3.715	3.715
Inflation (including pay awards and increments)	1.830	0.719	2.758	3.491
Other spending pressures	2.533	9.264	2.261	2.470
Additional savings and income	(12.532)	(6.600)	(3.866)	(3.933)
Revenue Budget	169.910	170.593	171.746	173.774
Income from Specific Grants	(6.415)	(3.715)	(3.715)	(3.715)
Net Revenue Budget	163.495	166.878	168.031	170.059
Projected Funding (including Police Precept at 2% from 2014/15)	165.739	166.878	164.365	162.532
Annual Budget Base (Surplus)/Deficit	(2.244)	0	3.666	7.527
Cumulative base Budget (Surplus)/Deficit 2013/16	-	0	3.666	11.193

19.2 The table above shows that Derbyshire Police requires a net revenue budget of £166.878m to maintain existing service levels.

19.3 Due to the continued uncertainty that surrounds future funding further financial modelling has been undertaken to estimate the level of deficit in 2015/16 if the Government presses ahead with even more austerity measures, as detailed in the table below: -

% Reduction in Formula Funding	Estimated Grant 2015/16 £m	Estimated Deficit 2015/16 £m
3%	102.869	9.566
4%	101.808	10.627
5%	100.748	11.687

19.4 The projections are based on the following key assumptions: -

- **Council Tax Freeze Grant** is taken in 2013/14.
- **Government Grant** will reduce in line with the December 2012 Autumn Statement with further 3.7% reductions in grant in addition for 2014/15 and reductions of 3%, 4% or 5% as detailed in paragraph 2.84 above.
- **Pay Awards** increase by 1% per annum from 2013 in line with Government plans. This is also reflected in the grant settlement above.
- **Indicative Police Precept** rises by 2% from 2014/15 onwards in line with current Council Tax Referendum Principles.
- **Council Tax Base** increases by 1% in each of the next two years following the estimated one off reduction in 2013/14 for the introduction of local Council Tax Benefit Schemes.

20. BUDGET REQUIREMENT 2013/14

20.1 The key assumptions under-pinning the base budget for 2013/14 is set out in **Annex E.**

21. BUDGET STRATEGY

21.1 In the past Derbyshire Constabulary has successfully met its financial challenge by reacting early and putting in place measures to close its budget gap at an early stage.

21.2 The Constabulary has been able to achieve significant reductions, while still maintaining and improving performance. There is however no guarantee that this will always happen.

21.3 The position now faced is slightly different. The scale of the gap in later years is far harder to predict.

21.4 It is important that Derbyshire Police continues to take a measured approach to future savings.

21.5 On that basis the strategy sets out the following principles: -

- **Do all we can to make our budget sustainable** – including making an ongoing contribution to improve the sustainability of the capital programme.
- **Continue with recruitment at existing levels** i.e. maintain existing police officer numbers as provided for within the budget.
- **Continue to bridge the budget gap from reserves** – this is sustainable for up to 3 years.
- **Await the outcome of the Home Office 2014/15 grant review** – this will provide a further signal as to how challenging our position is likely to be.

- **Continue to pursue savings opportunities** – the case and custody system provides real opportunities to reduce administration within the courts process. It would be good to focus attention on how best this can be achieved.
- **Continue to lobby for changes to funding arrangements** – Derbyshire continues to lose as a result of funding arrangements and it is important that we continue to press our case for this to be reviewed.

22. A RISK BASED APPROACH TO BUDGET SETTING

- 22.1 In 2008, Derbyshire Constabulary adopted a comprehensive risk based approach to setting the budget. This aligned the budget process with the strategic operational risks facing Derbyshire Constabulary. This was highlighted by Her Majesty's Inspectorate of Constabulary (HMIC) as notable practice within their national report on Protective Services "Get Smart – Planning to Protect".
- 22.2 During the autumn Derbyshire Constabulary undertook a major exercise to review its operational risks which is set out within the "Constabulary's Strategic Threat and Risk Assessment".
- 22.3 The purpose of the Strategic Risk Assessment was to identify those areas of greatest risk. Essentially a high risk area is where only limited resources had been allocated to address a substantial risk i.e. this creates a significant risk gap.
- 22.4 A key part of this work was to bring together the Police Authority, Key Partners and Senior Officers across the Constabulary to consider the key risks that are faced and how best to address them.

23. STRATEGIC RISK SEMINAR (OCTOBER 2012)

- 23.1 This seminar set out to identify the most significant operational and organisational risks that the Derbyshire Constabulary will face over the next three years. The most significant risks are summarised in the following table:-

Operational Risks	Organisational Risks
<ul style="list-style-type: none"> ▪ Alcohol-related harm ▪ Safeguarding children ▪ Domestic abuse ▪ Rape and serious sexual assault ▪ Drugs ▪ Organised crime groups ▪ Anti-social behaviour ▪ Acquisitive crime and offender management ▪ Terrorism and domestic extremism ▪ Killed and serious injury road collisions ▪ Safeguarding adults ▪ Economic crime ▪ Missing people 	<ul style="list-style-type: none"> ▪ Finance ▪ Managing our People ▪ Managing our Information ▪ Safer Detention of Prisoners ▪ Protecting our Organisational Integrity ▪ Managing our Infrastructure ▪ Business Continuity

23.2 There is a clear link between these risks and the “Have Your Say” public consultation events during 2012, which identified the following local priorities.

Have Your Say Local Priorities
<ul style="list-style-type: none"> ▪ Speeding ▪ Inconsiderate parking & other traffic issues ▪ Drug related activity ▪ Underage drinking ▪ Young people congregating ▪ People being drunk/rowdy in public places ▪ Noise nuisance ▪ Verbal abuse/abusive behaviour ▪ Vandalism/damage/graffiti ▪ Inconsiderate use of mini moto/motorcycles ▪ Hate crime ▪ Violent crime

24. **RISKS**

24.1 Failure to address the policing risk that Derbyshire Constabulary faces comes at a price. Failure to address the policing and financial risks adequately could have a damaging affect on public confidence. In terms of: -

- **Financial Impact** – if serious harm results through failure to address any of the risks identified above, this will have a significant financial consequence for Derbyshire Constabulary, with the investigation effort and resources needed to address it.
- **Damage to service delivery** – apart from the financial impact, funding a major investigation will also take resources away from local policing.
- **Inspection Performance** – with inspections focussed on serious and organised crime, failure to address risks in these areas will lead to a decline in the inspection performance of Derbyshire Constabulary.
- **Damage to its reputation** – Derbyshire Constabulary has first hand experience of the impact of failures to address issues around domestic violence e.g. the widely publicised case of Tanya Moore.
- **Health & Safety** – The shooting at the Stockwell tube station and the subsequent conviction of the Metropolitan Police Service under Health and Safety legislation highlighted the considerable risk and level of responsibility for Police and Crime Commissioners and Constabulary's to address known or anticipated risks.

25. **ADDRESSING THE RISK GAP**

25.1 Derbyshire Constabulary recognises that it would be unrealistic to close its entire risk gap in one year. Indeed the new financial reality makes this an even greater challenge.

25.2 Over the last three years the Derbyshire Constabulary has delivered considerable budget reductions through such initiatives as the Moving Forward Programme. This clearly creates a considerable risk to service delivery, which Derbyshire Constabulary has managed effectively to date. This is demonstrated by the continued reduction in crime levels across the county and the improvement in customer confidence.

25.3 The following table assesses the financial risks currently facing Derbyshire Constabulary and the actions taken to address these risks: -

Risk	Mitigation
Further substantial loss of grant.	<ul style="list-style-type: none"> ▪ An operational funding reserve and general reserve is maintained to cushion the impact of further grant losses. ▪ A further fundamental budget review would be undertaken if projections for the loss of grant were worse than expected.
Reliance on investment income to fund base budget – volatility in interest rates may have a significant impact on income.	<ul style="list-style-type: none"> ▪ The budget is based on a significantly reduced level of investment income as interest rates remain low.
Revenue Funding – the Constabulary relies on specific grants to fund a significant share of its net revenue budget. In particular the Constabulary is the lead for the EMCTIU.	<ul style="list-style-type: none"> ▪ The Constabulary is now less reliant on specific grants. ▪ The EMCTIU presents a considerable risk which is mitigated by the fact that other East Midlands Constabulary's are still responsible for the employment of police officers within the EMCTIU.
Major Incidents – potential impact on police overtime of a number of major incidents.	<ul style="list-style-type: none"> ▪ Maintain reserves in accordance with the Reserves Strategy.
Reliance on use of reserves to fund the capital programme.	<ul style="list-style-type: none"> ▪ Disposal of surplus land and property helps to achieve some of the capital aspirations that are set out within the capital strategy.

Risk	Mitigation
Unforeseen spending items and inflationary pressures.	<ul style="list-style-type: none"> ▪ Maintain reserves at a realistic level to ensure that they can sustain items of unforeseen spending. ▪ Monitor the level of provision set aside to cover inflationary pressures. ▪ Frequently update four-year financial forecasts to provide a more realistic view of future spending commitments. ▪ Specific insurance reserve exists to cover insurance excess.

26. BUDGET 2013/14

26.1 This is the first year that the Police budget will be set by the Police and Crime Commissioner for Derbyshire. This section covers both the budget that the Police and Crime Commissioner will control directly and identifies separately the budget that he will allocate to the Chief Constable for operational policing.

27. OFFICE OF THE POLICE AND CRIME COMMISSIONER

27.1 The proposed budget for 2013/14 for the Office of the Police and Crime Commissioner is summarised in the table below: -

	Revised Budget 2012/13 £m	Proposed Budget 2013/14 £m
Commissioner's Office	1.071	0.971
Crime Prevention Fund	0	0.250
Community Safety Fund	0	0.981
Partnerships	0.786	0.531
Sub-Total	1.857	2.733
Revenue Contributions to Capital	0.116	1.000
Contributions to Reserves	0.056	0.065
Debt Charges	1.002	0.956
Interest Receipts	(0.410)	(0.400)
Sub-total	2.621	4.355
Contribution from Reserves	0	(0.250)
Net Budget Requirement for the Police and Crime Commissioner Office	2.621	4.104

27.2 The Police and Crime Commissioner has set aside £0.971m for the cost of his office, this compares to the previous cost of the Police Authority of £1.071m. It is recommended that the £0.1m reduction in budget is earmarked for the recruitment of an additional 4 Police Community Support Officers (PCSOs). The full detail of the Police and Crime Commissioner budget is set out in **Annex B**.

- 27.3 The Police and Crime Commissioner also intends to set aside a fund of £0.25m for crime prevention measures. This fund will be created from money, previously set aside in reserves for the transition to Police and Crime Commissioners. This money was not used during the transition and will now be used for crime prevention measures.
- 27.4 The Commissioner will also manage the allocation of Community Safety Grant totalling some £0.981m, which has now been allocated direct to the Commissioner by the Government. This money was formerly allocated to the city and county council for community safety initiatives and the Commissioner has already indicated that he expects to continue to fund these initiatives.
- 27.5 The Commissioner also has a more general partnership budget which is used to stimulate more locally based crime prevention activity at a BCU level. This totals some £0.532m.
- 27.6 This year the Commissioner proposes to build a revenue contribution of £1m to the capital programme within the base budget. This is intended to address the underlying imbalance within the core capital programme and ensure that the on-going items of capital spending can be funded each year without relying on either reserves or on previous under-spending. This is explained in more detail within the capital programme report.
- 27.7 The remaining budget controlled by the Police and Crime Commissioner is for financing items as follows:-
- Contributions to Reserves (£0.065m).
 - Debt Charges – this represents the costs of serving the relatively low levels of borrowing taken out by the police authority in previous years.
 - Interest Receipts – this represents interest earned on reserves. This has been depressed by the recent global economic out-turn.

28. CHIEF CONSTABLE'S BUDGET

28.1 The proposed budget for the Chief Constable is set out in the table below:-

	Revised Budget 2012/13 £m	Proposed Budget 2013/14 £m
Derbyshire Constabulary	156.127	155.681
East Midlands Collaboration	9.956	10.432
BCU Fund	0.615	0.615
Contribution to National Policing	(0.736)	0.027
Sub-total	165.962	166.755
Contributions from Reserves	(0.960)	(0.266)
Net Budget Requirement for the Chief Constable	165.002	166.489

28.2 The detailed budget for Derbyshire Constabulary is set out in **Annex C**. This is based on maintaining existing levels of recruitment in 2013/14 and a police officer establishment of some 1900 officers.

28.3 The budget reflects the risk based approach to budget setting outlined earlier within this report.

28.4 Over the last year an increasing share of specialist policing within Derbyshire has been delivered collaboratively with other police forces within the East Midlands. The budget for East Midlands Collaboration is summarised in the table below:-

	Revised Budget 2012/13 £m	Proposed Budget 2013/14 £m
East Midlands Collaboration		
EMSOU Serious and Organised Crime	3.853	3.935
Technical Support Unit	0.473	0.504
Major Crime	0.323	0.317
Forensics	1.050	0.938
Learning and Development / Occupational Health	1.118	1.020
HR Service Centre	0	0.555
Legal	0.325	0.250
Procurement	0.203	0.302
IS	0.065	0.065
EM Police Collaboration Team	0.200	0.221
Major Crime (budget retained within Derbyshire's base)	2.345	2.325
Total Collaboration	9.955	10.432

- 28.5 The budget reflects the regional collaboration budget agreed by all East Midlands Police and Crime Commissioners for 2013/14 and represents an increase of £0.477m on current contributions.
- 28.6 Finally, the Chief Constable also manages the BCU fund, which is allocated to the three policing divisions across Derbyshire. This will be used to fund proactive policing initiatives at a local BCU level.

29. CHIEF CONSTABLE'S BUDGET COMMENTARY

- 29.1 The last three years have been incredibly challenging ones for Derbyshire Constabulary as it has faced an unprecedented financial challenge.
- 29.2 The Constabulary took prompt action to address this challenge and has so far delivered savings in excess of £21m in the last three years. This is testament to the commitment of many officers and staff who have had to fundamentally review the way they deliver policing services.
- 29.3 These savings have not been delivered without personal impact on many police staff and police officers, who may have retired earlier than they would have wished or in some extreme cases have been made redundant.
- 29.4 Throughout this challenging time, Derbyshire Constabulary has maintained its focus on being an effective police force. Working alongside our partners, crime continues to fall and public confidence in the service we provide continues to rise.
- 29.5 This is an incredible achievement during these austere times but there is no guarantee that this can continue forever. During these tough financial times any performance improvements are fragile, particularly on a service like policing that relies so heavily on people to deliver it.
- 29.6 Our current financial plans therefore focus on the need to maintain police officer numbers at their current level. The prompt action we took to address our funding gap means that we have been able to build up reserves to help us maintain Police Officer and PCSO numbers for at least the next year and hopefully longer. This is essential if we are to maintain the strong performance that we have delivered during this period of austerity.
- 29.7 While we have achieved a great deal in recent years, we cannot be complacent about the scale of the financial challenge that we still face.
- 29.8 The Government has already indicated that they intend to make even deeper cuts to public spending over the next 2 years as well as extending the period of austerity for another year to 2017/18.

- 29.9 At the same time we need to continue to take a measured approach to the challenge that lies ahead. This year the Home Office has taken steps to lessen the impact of further funding cuts on the Police and there is potential that they may also take similar steps in 2014/15.
- 29.10 Equally there are other factors, which could also lessen the impact of further funding cuts, including the review of Police Officer and Staff pensions, not to mention much hoped for improvements in the economy.
- 29.11 I am very conscious of the need to plan early for future funding cuts but there is a danger that we could react too soon and make deeper cuts than are absolutely necessary. We also need to be conscious that officers and staff across our organisation have been subject to considerable change and it is important that we have a period of stability to enable current performance to be maintained.
- 29.12 It would therefore be sensible to await the outcome of the Home Office spending review for 2014/15, which is likely to be announced in the summer. This will give us greater certainty around the level of future funding cuts and the scale of the challenge that we face.
- 29.13 In the meantime we will continue to pursue opportunities to improve our efficiency as part of projects already underway to rationalise our estate and gain the efficiency benefits from investment in IS e.g. the case and custody system.
- 29.14 I fully support the approach to make the budget as sustainable as possible. I support the proposed steps to make our capital programme more sustainable. It is important that we can continue to fund our core capital needs without relying on reserves or under-spending from one year to the next.
- 29.15 I also support the recommendation to opt for a precept increase of 1.96% rather than accept the Council Tax Freeze grant. While the additional income in the first two years is some £0.4m, in later years the additional income is £1m per annum. In these austere times it is not easy to forego such a significant level of income, which would protect funding for 20 police officers across our county.

29.16 Finally, I am pleased that the Commissioner is able to recognise the important contribution that our partners make to keep our county safe. The Constabulary has worked closely with partners for many years and has developed close working relationships at City, County and District level. It is therefore important that this partnership working is supported financially within the budget.

30. PRECEPT OPTIONS

30.1 As stated previously the Government has introduced new arrangements to limit “excessive” council tax increases. These require local authorities (including Police and Crime Commissioners) to hold a referendum if they increase their precept above guidelines set by the Secretary of State for Communities & Local Government.

30.2 The Secretary of State has set the limit for next year 2013/14 will be 2%.

30.3 The table below summarises the overall budget for Derbyshire Police, which will be determined by the Commissioner, along with the two options for funding the budget by:-

- Accepting the Council Tax Freeze Grant.
- Increasing the Council Tax by 1.96%.

	Council Tax Freeze Grant £m	Precept Increase 1.96% £m
Police and Crime Commissioner	4.104	4.104
Chief Constable	166.489	166.489
Total Budget for Derbyshire Police	170.593	170.593
Funded by: -		
Police Formula Grant	110.125	110.125
Other Specific Government Grants	3.715	3.715
2011/12 Council Tax Freeze Grant	1.354	1.354
Council Tax Benefit Grant	7.323	7.323
Sub-Total	122.517	122.517
2013/14 Council Tax Freeze Grant	0.546	0
Budget Deficit to be met from Reserves	0.377	0
Council Tax Requirement	47.153	48.076
Police Precept	163.74	166.95

- 30.4 It is important to be aware that the decision to accept the Council Tax Freeze Grant has longer term implications. This is because they permanently suppress the amount of precept income that Derbyshire Police will receive. This is demonstrated in the table below: -

Surplus/(Deficit)	2013/14 £'m	2014/15 £'m	2015/16 £'m
Council Tax Increase	0	(3.666)	(7.527) – (10.708)
Council Tax Freeze	(0.377)	(4.071)	(8.506) – (11.687)
Difference	0.377	0.405	0.979

- 30.5 The above table shows that the projected deficit is increased by over £0.4m in the first two years through adopting the freeze grant. This increases to £1m when the freeze grant is withdrawn in 2015/16. This clearly has a marked impact on the sustainability of the spending and recruitment plans for Derbyshire Police.
- 30.6 It is clear that further funding cuts are on the way. In the short term reserves are healthy and can manage the projected deficits up to 2015/16.
- 30.7 While reserves are sufficient to cover the shortfall for at least 3 years, the position in 2015/16 gives cause for concern.
- 30.8 In view of this it is important that everything possible is done to bolster the Constabulary's financial position at this stage. This means that the second option, opting for a precept increase is recommended rather than taking the Council Tax Freeze Grant.
- 30.9 While the difference in funding is approximately £0.4m in the first two years it rises to some £1m in later years when the on-going impact of freezing Council Tax bites.
- 30.10 This will put the Constabulary in the best financial position to deal with the future financial challenges that it will face.
- 30.11 **Annex A** shows the detailed budget breakdown for each option.

31. CONTRIBUTION FROM RESERVES

- 31.1 Reserves will play an increasingly important role in helping to manage the medium to long term financial position of Derbyshire Constabulary. The level of reserves has grown temporarily due to progress made in delivering savings to close the funding gap. The level of reserves are likely to continue to grow until the end of the 2013/14, when they will then be needed to bridge further budget gaps that are projected in the Medium Term Financial Plan.
- 31.2 There is always the need to strike the right balance between holding money in reserve to protect against future risk against using that money to invest for the future.
- 31.3 There is a danger that an overly cautious approach can lead to delays in using reserves to address more immediate policing risks and service issues. The current level of reserves shows that in the short term there is sufficient cover to address new policing risk.
- 31.4 The table below summarises the reserves held and shows the projected level to 2015. Further detail is set out in **Annex D**.

Reserve	31/03/13	31/03/14	31/03/15	31/03/16
	£m	£m	£m	£m
General	3.300	3.300	3.300	3.300
Earmarked – Usable				
Operational Priorities	1.325	1.325	1.325	1.325
Operational Funding	17.089	17.089	13.423	5.886
Contribution to Capital	5.958	4.045	1.685	0
Helicopter	0.050	0.050	0.050	0.050
Carry Forwards	4.183	4.183	4.183	4.183
Police and Crime Commissioner – Community Initiatives Fund (formally transition fund)	0.250	0	0	0
Pensions	0.500	0.500	0.500	0.500
Total Earmarked – Usable	29.355	27.192	21.166	11.944
Earmarked – Non-usable	6.971	6.773	6.560	6.352
Total	39.626	37.265	31.026	21.596

31.5 The above table shows that by March 2016 reserves of some £5.886m have not been committed for a specific purpose. This comes from the Operational Funding reserve, which is expected to be required to fund deficits in 2015/16.

31.6 In addition a general reserve of £3.3m is maintained to deal with immediate unforeseen spending pressures.

31.7 While reserves cushion the impact of unforeseen spending and known future commitments, they also result in money being held back from local taxpayers. It is therefore important to ensure reserves are maintained at an appropriate level.

31.8 To aid this process the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance setting out the factors that should be taken into account when assessing the level of reserves: -

- Assumptions regarding inflation (e.g. police pay awards).
- Estimates and timing of capital receipts (e.g. proceeds of land sales).
- Management of demand-led pressures (e.g. major policing operations).
- Achievement of savings (e.g. efficiency savings).
- Risks inherent in any partnerships.
- Financial Standing.
- Track record in budget management.
- Capacity to manage in year budget pressures.
- A procedure in relation to under and over spends.
- Adequacy of insurance arrangements.

31.9 Underpinning all of this are the key financial risks that need to be considered to ensure that reserves are adequate in relation to these risks. Examples of how risk may increase the pressure on already constrained budgets is detailed in the table below: -

Unforeseen / Unpredictable Risk	£m
<i>Pay and Price Increases</i>	
<i>Additional 1% increase: -</i>	
Police Pay	0.981
Police Staff Pay	0.446
Police Staff Pension Contribution	0.336
<i>Additional 10% increase: -</i>	
Fuel costs	0.136
Utilities costs	0.100
<i>Capital Programme Risks</i>	
10% increase in tender costs for 25% of the capital programme	0.270
<i>Policing Pressures</i>	
Complex Murder Enquiry	1.0
Medium Range Murder Enquiry	0.500
Major Policing Operation e.g. public order	0.500
<i>Partnership Funding</i>	
10% loss of partnership funding	0.62
<i>Loss of Specific Grant</i>	
<i>Impact of loss: -</i>	
1% of general funding	1.082
10% of specific grant	1.142
<i>Over-spending</i>	
1% over-spend against budget	1.657

32. PRUDENTIAL CODE

- 32.1 Whilst the Prudential Code relates to new capital controls, it does impact on the revenue budget. Any agreed long term borrowing, meeting all the Prudential Code guidelines will have ongoing revenue implications over a long period.
- 32.2 Separate reports deal with the Capital Programme and also the Prudential Indicators for Derbyshire Constabulary.

33. ASSURANCE STATEMENT FROM THE S151 OFFICER

Considerations

- 33.1 When setting the Budget and Capital Programme for the forthcoming year the Police Commissioner must be satisfied that adequate consideration has been given to the following:-
- (a) Government policy on police spending, as applied to the Police Commissioner.
 - (b) The CIPFA Prudential Code and the CIPFA Treasury Management Code.
 - (c) The impact on the Council Tax and the threat or risk of exceeding the excessiveness principle (previously capping).
 - (d) Whether the proposals represent a balanced budget for the year.
 - (e) The robustness of estimates and the size and adequacy of general and specific earmarked reserves.
 - (f) The medium term implications of the Budget and Capital Programme (MTFP).
- 33.2 Section 25 of the Local Government Act 2003 requires the Commissioners Chief Financial Officer to provide the Commissioner with assurance on the robustness of estimates made for the purposes of the budget calculations and the adequacy of reserves.
- 33.3 The Act requires that the Commissioner has regard to the report of the Treasurer in making their budget decision. Where this advice is not accepted, this needs to be formally recorded in the minutes of the Strategic Governance Board.

Assurance

33.4 As the Commissioners Chief Financial Officer I can provide the following assurances:

- (a) Government Policy – The MTFP is produced in line with the latest government policy as applied to Police Commissioners
- (b) CIPFA Code – the MTFP is produced in line with the Prudential Code and the CIPFA Treasury Management Code. Details are outlined in the Treasury Management and Capital Programme reports
- (c) Council Tax – The Government confirmed that legislation through the Localism Act provides communities with the power to veto excessive council tax increases through a referendum. The level at which council tax is deemed excessive is decided in accordance with a set of principles determined by the Secretary of State for Communities. In 2013/14, council tax increases would trigger a referendum if they exceed 2% for Police Commissioners. This report presents two precept options for the Commissioner to consider. One of the options is predicated on a zero increase in Band D precept whereby the Police Commissioner will be eligible to receive a 1% Council Tax Freeze Grant in 2013/14 and 2014/15. The other option is for an increase in the Police element of Council Tax at Band D by 1.96%. Both options are within recommended levels and are therefore appropriate for proposing to the Police and Crime Panel.
- (d) Balanced budget – a balanced budget is presented under both precept options, however the funding received under a precept increase is:
 - permanently secured for all future years;
 - provides an extra £1.7m of funding over the three year MTFP;
 - provides permanent annual funding by 2015/16 of approximately £1.0m; and
 - reduces the need to apply operational reserves to support the 2013/14 budget
 -
- (e) Robustness of Estimates – I have reviewed the matters that have been considered in drafting the proposed budget and the consequential budget requirement, and alternative levels of the police precept. I am satisfied that the procedures adopted by the Finance Department are sufficiently robust to ensure the financial data is accurate and forms a sound basis for the preparation of the estimates for 2013/14.
- (f) Adequacy of reserves – I consider the level of general reserves to be adequate for meeting estimated future risks. Specific reserves are at appropriate levels to support future expenditure in the medium term.

- (g) Medium Term implications – the level of reserves and expenditure proposals secure a balanced and robust budget for 2013/14. The future use of the operational reserve needs to be closely monitored, in conjunction with spending plans beyond 2013/14 in order to ensure longer term sustainability. This should be managed through a robust review of budgets from 2014/15 as the significant annual use of reserves to support permanent expenditure beyond 2013/14 is not recommended as good financial practice.

POLICE & CRIME COMMISSIONER FOR DERBYSHIRE
REVENUE BUDGET FORECAST 2012/13 TO 2015/16 at December 2012 - following 2013/14 settlement
Option 1: PCC accepts offer of a Council Tax Freeze Grant in 2013/14
(see below for list of other key assumptions)

ANNEX A 1
AGENDA ITEM 9B
STRATEGIC GOVERNANCE BOARD
21 JANUARY 2013

		2012/13	2013/14	2014/15	2015/16
BUDGET REQUIREMENT		£m	£m	£m	£m
Previous Year's Budget Requirement		171.664	163.495	166.878	168.031
Pay & Price Increases					
1) Full Year Effect of Previous Year's Pay Award:-					
Police Officers	(1)	0.000	0.000	0.392	0.393
Police Staff	(1)	0.060	0.000	0.194	0.173
2) Provision for Current Year's Pay Award & Inflation:-					
Police Officers pay award	(1)	0.000	0.544	0.550	0.554
Police Staff pay award	(1)	0.060	0.205	0.243	0.248
Officer & Staff Increments	(2)	1.109	(.083)	1.350	1.400
General Inflation	(3)	0.601	0.053	0.029	0.723
Previous Year plus Pay & Price increases		173.494	164.214	169.636	171.522
Other Items within previous MTFP position					
Police Commissioner		0.150	(.103)		
2011/12 Moving Forward Savings / Recruitment freeze	(4)	(6.876)	(3.583)	(3.237)	(3.582)
2011/12 Moving Forward Set-up costs		(2.600)			
2012/13 Moving Forward 3 savings			(.154)		
Police Officers - Recruitment recommenced	(4)	1.416	2.156	2.065	2.205
Police Officers - Winsor costs			1.290		
Police Officers - Winsor savings			(.159)		
Police Officers - Number of Bank Holidays		(.123)	(.377)	0.126	0.126
Police Officers - Rent / Housing Allowance eligibility		(.261)	(.192)	(.244)	(.255)
Police Officers - Secondments to NPAS			(.103)	(.103)	
Police Staff - 2012/13 Precept posts (full year effect)		0.572	0.183		
Police Staff - Crime Support Strategic Business Review			0.145		
Police Staff - Apprenticeship Scheme			0.058		
Police Staff - Increased Vacancy Allowance			(.715)		
Police Staff - Enquiry Office Review			(.453)		
Police Staff - Contact Management savings			(.210)		
4 additional PCSO's			0.105		
Officer / Staff reductions - outside other savings		(.178)	0.011		
Police Officer pensions			0.057		
Maintenance work at force HQ			0.220	(.220)	
Climate Change Levy		0.092			
Property Rent and Rates			(.102)		
Cleaning Contract			(.027)		
CCMC - Temporary Travel Allowances		(.070)			
Insurance Contract savings		(.267)			
Contribution to EMSOU / Collaboration		0.213	(.157)	(.015)	0.139
NPIA - migration of central project costs		0.090	0.081		
Asset Revaluation				0.050	(.050)
Microsoft Software Licences			0.202		
Ordnance Survey maps			(.060)		
FSS Additional savings		(.205)			
Debt Charges		(.053)	(.048)	(.047)	(.046)
Revenue Contribution to Capital / Repairs & Mtce		(1.316)	1.000		
Revenue Consequences of Capital Expenditure			(.060)	0.020	
Neighbourhood Policing Grant merged with Formula Gr	(5)		3.681		
Football Income			0.065		
Treasury Management income		(.202)	0.010		
Contributions to Reserves - PFI / Helicopter / Insurance		(.080)	(.009)		
Review of formation budgets			(.081)		
Other Net Increases (Reductions)		(.301)	(.007)		
GROSS EXPENDITURE		163.495	166.878	168.031	170.059
FUNDING POSITION					
Settlement funding	(5)	108.221	110.125	106.050	103.929
2011/12 Freeze Grant		1.354	1.354	1.354	
2012/13 Freeze Grant		1.632			
2013/14 Freeze Grant	(7)		0.546	0.546	
Council Tax Benefit Grant	(6)		7.323	7.469	7.619
Central Funding		111.207	119.348	115.420	111.548
Projected precept funding					
Previous year Council Tax Funding		54.314	54.532	47.152	48.541
Change in tax base - annual growth	(6)	0.281	0.000	0.471	0.485
Change in tax base - localisation of Council Tax Benefit	(6)		(7.323)		
Change in Collection A/c Surplus / (Deficit)		(.063)	(.057)	(.035)	
Increase in Council Tax	(7)	0.000	0.000	0.953	0.980
Precept Funding		54.532	47.152	48.541	50.006
TOTAL PROJECTED FUNDING		165.739	166.501	163.961	161.554
Budget Deficit		(2.244)	0.377	4.070	8.505
Cumulative		(2.244)	(1.866)	2.204	10.709

Useable Reserves at start of year		11.667	17.089	16.711	12.641
Revenue surplus / (deficits) per above		2.244	2.187	(4.070)	(8.505)
2012/13 Revenue Underspend		2.218			
Transfer from Capital Reserve		0.960			
Useable Reserves at end of year		17.089	16.711	12.641	4.136
If 2015/16 Funding reduces by 3%					3.076
If 2015/16 Funding reduces by 4%					2.015
If 2015/16 Funding reduces by 5%					0.955

Main assumptions

- 1) Pay awards of 1% for both officers and staff are implemented in September 2013, 2014 and 2015
- 2) Full 'scale progression' increments for police officers re-commence from April 2014. Increments for Police Staff continue as normal throughout the period
- 3) A price contingency for non-pay inflation is re-introduced from 2014/15 at 2.5% pa (5% for utility and vehicle fuel costs)
- 4) Police Officer wastage is 60, 70 and 72 in 2013/14, 2014/15 and 2105/16 respectively, each matched by an equivalent number of new recruits.
- 5) The Neighbourhood Policing Grant is merged with formula grant from 2013/14
Formula grant in 2013/14 is as per the 13/14 Settlement and reduces by a further 3.7% in 2014/15 - as per Department Spending reductions announced as part of the 2010 CSR (-1.7%) and 2012 Autumn Statement (a further -2%). A further 2% reduction in 2015/16 is projected above, with the impact of higher reductions - up to 5% - shown on a separate sheet
- 6) The introduction of localised Council Tax Benefit schemes causes a one-off reduction in the taxbase in 2013/14 which is exactly offset by the Council Tax Benefit grant allocation for 2013/14
The taxbase then increases from its new 'base' by 1% in 2014/15 and 2015/16
- 7) The PCC accepts the government's Council Tax Freeze Grant for 2013/14 (equivalent to a 1% increase in Council Tax) and then increases the Council Tax by 2.0% in 2014/15 and 2015/16

POLICE & CRIME COMMISSIONER FOR DERBYSHIRE

ANNEX A2

REVENUE BUDGET FORECAST 2012/13 TO 2015/16 at December 2012 - following 2013/14 settlement

AGENDA ITEM 9B

Option 2: PCC rejects offer of a Council Tax Freeze Grant in 2013/14 and increases Council Tax up to the reference level in 2013/14 (see below for list of other key assumptions)

		2012/13	2013/14	2014/15	2015/16
		£m	£m	£m	£m
BUDGET REQUIREMENT					
notes					
Previous Year's Budget Requirement		171.664	163.495	166.878	168.031
Pay & Price Increases					
1) Full Year Effect of Previous Year's Pay Award:-					
Police Officers	(1)	0.000	0.000	0.392	0.393
Police Staff	(1)	0.060	0.000	0.194	0.173
2) Provision for Current Year's Pay Award & Inflation:-					
Police Officers pay award	(1)	0.000	0.544	0.550	0.554
Police Staff pay award	(1)	0.060	0.205	0.243	0.248
Officer & Staff Increments	(2)	1.109	(.083)	1.350	1.400
General Inflation	(3)	0.601	0.053	0.029	0.723
Previous Year plus Pay & Price increases		173.494	164.214	169.636	171.522
Other Items within previous MTFP position					
Police Commissioner		0.150	(.103)		
2011/12 Moving Forward Savings / Recruitment freeze	(4)	(6.876)	(3.583)	(3.237)	(3.582)
2011/12 Moving Forward Set-up costs		(2.600)			
2012/13 Moving Forward 3 savings			(.154)		
Police Officers - Recruitment recommenced	(4)	1.416	2.156	2.065	2.205
Police Officers - Winsor costs			1.290		
Police Officers - Winsor savings			(.159)		
Police Officers - Number of Bank Holidays		(.123)	(.377)	0.126	0.126
Police Officers - Rent / Housing Allowance eligibility		(.261)	(.192)	(.244)	(.255)
Police Officers - Secondments to NPAS			(.103)	(.103)	
Police Staff - 2012/13 Precept posts (full year effect)		0.572	0.183		
Police Staff - Crime Support Strategic Business Review			0.145		
Police Staff - Apprenticeship Scheme			0.058		
Police Staff - Increased Vacancy Allowance			(.715)		
Police Staff - Enquiry Office Review			(.453)		
Police Staff - Contact Management savings			(.210)		
4 additional PCSO's			0.105		
Officer / Staff reductions - outside other savings		(.178)	0.011		
Police Officer pensions			0.057		
Maintenance work at force HQ			0.220	(.220)	
Climate Change Levy		0.092			
Property Rent and Rates			(.102)		
Cleaning Contract			(.027)		
CCMC - Temporary Travel Allowances		(.070)			
Insurance Contract savings		(.267)			
Contribution to EMSOU / Collaboration		0.213	(.157)	(.015)	0.139
NPIA - migration of central project costs		0.090	0.081		
Asset Revaluation				0.050	(.050)
Microsoft Software Licences			0.202		
Ordnance Survey maps			(.060)		
FSS Additional savings		(.205)			
Debt Charges		(.053)	(.048)	(.047)	(.046)
Revenue Contribution to Capital / Repairs & Mtce		(1.316)	1.000		
Revenue Consequences of Capital Expenditure			(.060)	0.020	
Neighbourhood Policing Grant merged with Formula Gr	(5)		3.681		
Football Income			0.065		
Treasury Management income		(.202)	0.010		
Contributions to Reserves - PFI / Helicopter / Insurance		(.080)	(.009)		
Review of formation budgets			(.081)		
Other Net Increases (Reductions)		(.301)	(.007)		
GROSS EXPENDITURE		163.495	166.878	168.031	170.059
FUNDING POSITION					
Settlement funding	(5)	108.221	110.125	106.050	103.929
2011/12 Freeze Grant		1.354	1.354	1.354	
2012/13 Freeze Grant		1.632			
2013/14 Freeze Grant	(7)				
Council Tax Benefit Grant	(6)		7.323	7.469	7.619
Central Funding		111.207	118.802	114.873	111.548
Projected precept funding					
Previous year Council Tax Funding		54.314	54.532	48.076	49.492
Change in tax base - annual growth	(6)	0.281	0.000	0.480	0.495
Change in tax base - localisation of Council Tax Benefit	(6)		(7.323)		
Change in Collection A/c Surplus / (Deficit)		(.063)	(.057)	(.035)	
Increase in Council Tax	(7)	0.000	0.924	0.971	0.998
Precept Funding		54.532	48.076	49.492	50.985
TOTAL PROJECTED FUNDING		165.739	166.878	164.366	162.533
Budget Deficit		(2.244)	(.000)	3.665	7.526
Cumulative		(2.244)	(2.244)	1.421	8.947

Useable Reserves at start of year		11.667	17.089	17.089	13.424
Revenue surplus / (deficits) per above		2.244	0.000	(3.665)	(7.421)
2012/13 Revenue Underspend		2.218			
Transfer from Capital Reserve		0.960			
Useable Reserves at end of year		17.089	17.089	13.424	5.898
If 2015/16 Funding reduces by 3%					4.838
If 2015/16 Funding reduces by 4%					3.777
If 2015/16 Funding reduces by 5%					2.717

Main assumptions

- 1) Pay awards of 1% for both officers and staff are implemented in September 2013, 2014 and 2015
- 2) Full 'scale progression' increments for police officers re-commence from April 2014. Increments for Police Staff continue as normal throughout the period
- 3) A price contingency for non-pay inflation is re-introduced from 2014/15 at 2.5% pa (5% for utility and vehicle fuel costs)
- 4) Police Officer wastage is 60, 70 and 72 in 2013/14, 2014/15 and 2015/16 respectively, each matched by an equivalent number of new recruits.
- 5) The Neighbourhood Policing Grant is merged with formula grant from 2013/14
Formula grant in 2013/14 is as per the 13/14 Settlement and reduces by a further 3.7% in 2014/15 - as per Department Spending reductions announced as part of the 2010 CSR (-1.7%) and 2012 Autumn Statement (a further -2%). A further 2% reduction in 2015/16 is projected above, with the impact of higher reductions - up to 5% - shown on a separate sheet
- 6) The introduction of localised Council Tax Benefit schemes causes a one-off reduction in the taxbase in 2013/14 which is exactly offset by the Council Tax Benefit grant allocation for 2013/14
The taxbase then increases from its new 'base' by 1% in 2014/15 and 2015/16
- 7) The PCC rejects the government's Council Tax Freeze Grant for 2013/14 and increases the Council Tax by 1.96% in 2013/14 and then increases the Council Tax by 2.0% in 2014/15 and 2015/16

Subjective Analysis - 2013/14 Commissioners Office Budget

Account	Account Heading	Police Authority 2012/13 Budget	Full Year Inflation	New Year Other Adjustment	PCC 2013/14 Budget
1100	Police Staff Pay	272,300	2,500	147,900	422,700
TBA	Police Staff Resources - introduction of PCC	150,000		(150,000)	0
1120	Police Staff Overtime	2,500		(1,500)	1,000
1140	Police Staff National Insurance	23,200		6,400	29,600
1160	Police Staff Superannuation	44,100		23,900	68,000
1600	NHS Re-Imbursement	200			200
1603	Interview Expenses	3,000		6,000	9,000
2210	Hire of Rooms	7,100		(2,100)	5,000
3400	Other Mileage (PSV)	16,200		(8,700)	7,500
3401	Casual Mileage	0		2,400	2,400
3408	Car Parking, Taxis, etc	0		7,000	7,000
4000	Equipment - General	2,500		(2,000)	500
4003	Photocopiers	1,000			1,000
4040	Furniture	500			500
4100	Accommodation / Hotel Expenses	2,700		(700)	2,000
4101	Subsistence Expenses	500		(200)	300
4291	Catering Contract Subsistence	10,000		(8,500)	1,500
4400	Printing and Stationery - General	3,600		(1,600)	2,000
4401	Publications	1,500		(1,000)	500
4505	Financial Contracts	112,100		(30,600)	81,500
4520	Professional Fees	29,000		(19,000)	10,000
4543	Professional Fees - Legal	17,000		(2,000)	15,000
4575	Media Relations	25,000		15,000	40,000
4610	Telephones	4,500		(2,000)	2,500
4612	Circuits	2,000		(1,000)	1,000
4630	Hardware - Purchase	3,000		(2,000)	1,000
4632	Hardware Maintenance	2,000		(2,000)	0
4720	Members - Fares	6,000		(6,000)	0
4721	Members - Mileage	15,500		(15,500)	0
4722	Members - Subsistence	1,000		(1,000)	0
4726	Members - Special Regs Allowance	70,700		(70,700)	0
4729	Members - Basic Allowance	153,000		(153,000)	0
4730	Members - Daily Allowance	10,100		(10,100)	0
4731	Members - NI Contributions	18,300		(18,300)	0
TBA	PCC / Deputy - Salaries & oncosts	0		171,500	171,500
4807	Conference Expenses	7,000		(4,500)	2,500
4832	Official Functions	300		(300)	0
4888	Bank Charges	5,500			5,500
4890	Misc Expenditure	14,200		30,800	45,000
4895	Subscriptions General	34,200		800	35,000
TOTAL BUDGET		1,071,300	2,500	(102,600)	971,200

2013/14 PROPOSED BUDGET REQUIREMENT
Services Commissioned via the Chief Constable

	2012/13 Approved £m	2012/13 Revised £m	2013/14 Proposed £m
Police Officers	98.002	95.421	94.287
Community Support Officers	4.665	4.665	5.253
Other Police Staff	34.317	30.507	29.917
Police Pensions	2.090	2.488	2.194
Other Employee Expenses	0.603	0.538	0.534
Premises	8.506	8.665	8.757
Transport	3.843	3.770	3.779
Supplies & Services	14.942	12.017	11.915
Agency & Contracted Services	1.303	0.944	1.245
Secondments	0.000	0.000	0.033
Pay & Price Contingency	0.822	0.000	0.776
General Income	(2.938)	(2.888)	(3.009)
BCU Funding	0.615	0.615	0.615
Contribution to East Midlands Collaboration	1.044	9.956	10.432
Contribution to National Policing		(.736)	0.027
PROPOSED GROSS SPENDING	167.814	165.962	166.755
Contribution from reserves			
- Devolved Carry-Forwards		(.730)	
- PFI	(.260)	(.230)	(.266)
	(.260)	(.960)	(.266)
PROPOSED NET SPENDING	167.554	165.002	166.489

POLICE & CRIME COMMISSIONER FOR DERBYSHIRE
STATEMENT OF FORECAST LEVEL OF RESERVES TO 31 MARCH 2015
As at December 2012 (following 2013/14 Settlement) - based on 'CT at threshold increase' option

	Axtral Balances at 31/03/12	Projected Movements In 2012/13	Transfers Between Reserves	Projected Contributions to Capital in 2012/13	Estimated Balances at 31/03/13	Movements In 2013/14	Projected Contributions to Capital in 2013/14	Estimated Balances at 31/03/14	Movements In 2014/15	Projected Contributions to Capital in 2014/15	Estimated Balances at 31/03/15	Movements In 2015/16	Projected Contributions to Capital in 2015/16	Estimated Balances at 31/03/16
	£	£		£	£	£	£	£	£	£	£	£	£	£
GENERAL RESERVES	3,300,000				3,300,000			3,300,000			3,300,000			3,300,000
EARMARKED RESERVES														
Useable:-														
Operational Priorities	1,324,693				1,324,693			1,324,693			1,324,693			1,324,693
Operational Funding	11,666,565	4,462,800	960,000		17,089,365			17,089,365	(3,666,000)		13,423,365	(7,537,000)		5,886,365
IT/IS *	-				-			-			-			-
Contribution to Capital *	9,198,240	188,139	(960,000)	(2,468,379)	5,958,000		(1,913,000)	4,045,000		(2,360,000)	1,685,000		(1,685,000)	0
Central Contact Management Centre *	357,139	(188,139)		(169,000)	-			-			-			-
Helicopter	49,645				49,645			49,645			49,645			49,645
Carry-forwards	4,913,416	(730,420)			4,182,996			4,182,996			4,182,996			4,182,996
Police & Crime Commissioner Transition	250,000				250,000	(250,000)		0			0			0
Pensions	500,000				500,000			500,000			500,000			500,000
Invest To Save	1,266,183			(1,266,183)	-			-			-			-
	29,525,881	3,732,380	0	(3,903,562)	29,354,699	(250,000)	(1,913,000)	27,191,699	(3,666,000)	(2,360,000)	21,165,699	(7,537,000)	(1,685,000)	11,943,699
Non-useable:-														
PFI - Ilkeston	1,305,229	(23,315)			1,281,914	(26,426)		1,255,488	(28,466)		1,227,022	(28,466)		1,198,556
PFI - Derby	4,430,569	(162,251)			4,268,318	(187,516)		4,080,802	(199,785)		3,881,017	(199,785)		3,681,232
Helicopter Debt Charges	259,968	7,200			267,168	7,000		274,168	5,200		279,368	10,200		289,568
Insurance	1,142,919	10,200			1,153,119	10,000		1,163,119	10,000		1,173,119	10,000		1,183,119
	7,138,685	(168,166)	0	0	6,970,519	(196,942)	0	6,773,577	(213,051)	0	6,560,526	(208,051)	0	6,352,475
TOTAL EARMARKED RESERVES	36,664,566	3,564,214	0	(3,903,562)	36,325,218	(446,942)	(1,913,000)	33,965,276	(3,879,051)	(2,360,000)	27,726,225	(7,745,051)	(1,685,000)	18,296,174
TOTAL RESERVES	39,964,566	3,564,214	0	(3,903,562)	39,625,218	(446,942)	(1,913,000)	37,265,276	(3,879,051)	(2,360,000)	31,026,225	(7,745,051)	(1,685,000)	21,596,174

Note

Reserves marked with a * have been created from revenue resources but are earmarked to fund items within the Capital Programme

General Assumptions

Pay Award 2013/14

1. The budget assumes that there will a 1% increase in police officer and police staff pay in 2013/14.

General Price Inflation

2. General Inflation has been removed from the 2013/14 budget, as known price increases been already built into the base. Utility and vehicle fuel prices remain an area of risk and these are predicted to rise by some 2.5% per annum over the next four years.

Pensions and Superannuation

Police Officers

3. The changes to pension financing introduced in 2006/7 mean that the budget now includes a general provision of 24.2% on all police officer pensionable pay. Contributions are paid into a pension account and used to pay pension benefits including lump sums and ongoing pensions. Any deficit will be met by grant and is no longer funded within the general revenue budget.

Police Staff

4. The local government pension scheme is currently under review with proposals to raise contribution levels and improve the long term viability of the scheme. At this stage it is too early to predict the impact of these changes on employer contribution levels, especially when investment returns are also volatile. Therefore the projection takes a neutral position at this stage.

Other Spending Pressures

5. Details of the unavoidable cost pressures include: -

New Police Officer Allowances under Winsor (£1.290m)

6. The majority of this figure is the projected cost of the new 10% shift allowance for working between 8pm and 6am.

Police Staff Posts (£0.183m)

7. A total of 11 new posts were approved by the Police Authority in February 2012. The full year cost for these posts has now been built into the budget.

Police Staff Posts – Crime Support Strategic Business Review (£0.145m)

8. This represents the cost of the 6 posts within the public protection area, as identified as a high priority by this review.

Police Staff Posts – Police Community Support Officers (£0.105m)

9. This represents the cost of employing an additional 4 PCSOs.

Apprenticeship Scheme (£0.058m)

10. This represents the cost of the decision taken by the Police Authority in July 2012 to employ 12 apprentices.

Police Officer Pensions (£0.057m)

11. This is to cover potential increased eligibility to ill-health and injury allowances.

Mast Maintenance at force HQ (£0.220m)

12. This is a one-off cost to allow for essential maintenance of the radio mast at force headquarters.

Costs Migrating from the National Police Improvement Agency (NPIA) (£0.081m)

13. The Agency will cease to exist in 2012/13. This means that certain costs previously met by the NPIA will fall on Police Forces. A provision of £81,000 has been made in addition to the previous year's provision of £90,000.

Software Licences (£0.202m)

14. The Police Authority in April 2012 approved the lease of software licences over a five-year agreement. This moved away from purchasing licences outright, which had been previously included in the Capital Programme.

Taser Replacement (£0.040m)

15. This will allow for an ongoing replacement programme for the Force's taser weapons.

Revenue Contributions to Capital Schemes (£1m)

16. This provision is to fund investment in assets to compensate for the reduction in Capital Grant allocations and avoiding the need to borrow.

Neighbourhood Policing Grant (£3.681m)

17. The Neighbourhood Policing Grant has is no longer classified as a specific grant and has merged with formula grant from 2013/14.

Income (£0.065m)

18. The majority of the reduction is due to revised agreements for charges for football matches.

Anticipated Savings

Police Officer Pay and Oncosts (£0.927m)

19. The Force plans to recruit sufficient student officers to replace those who leave the organisation. The costs of the new officers are inevitably less than the experienced officers who leave.

Police Officer Recruitment Costs (£0.5m)

20. When recruitment recommenced in 2012/13, provision was made for initial 'start-up' costs. This provision has been removed from 2013/14.

Reductions in Rent and Housing Allowances (£0.192m)

21. Further savings as eligibility reduces across the Force.

Police Officer Overtime Winsor (£0.159m)

22. Part I of Winsor introduced lower premiums for certain categories of overtime such as when officers are requested to work on rest days.

Police Officer Overtime Bank Holidays (£0.377m)

23. Additional costs have been incurred in 2012/13 due to the Diamond Jubilee and the fact that Good Friday 2013 falls in March 2013. As a result, of less bank holidays in 2013/14 overtime payments will be lower.

Police Officer Secondment to the National Police Air Service (£0.103m)

24. The National Police Air Service takes over responsibility for the North Midlands Helicopter Support Unit in 2013/14. Under the agreement with the National Police Air Service the cost of seconded Police Officers can be recovered.

Vacancy Factor (£0.715m)

25. To reflect an increased turnover within Derbyshire Constabulary the percentage built into pay budgets has been increased from 2% to 4%.

Enquiry Office Review (£0.453m)

26. Savings from the adjusting opening hours to better reflect the level of visits made to enquiry offices.

Contact Management Centre (£0.210m)

27. Due to the recent high turnover of staff new employees are starting on lower salaries than the more experienced staff that have left.

Premises (£0.102m)

28. Reduction in the cost of rent and rates from the rationalisation of the property portfolio.

Regional Collaboration (£0.157m)

29. Further savings associated with collaborating with other forces in the East Midlands.

Ordnance Survey Charges (£0.060m)

30. This saving results from revised national arrangements which allow police forces to access Ordnance Survey resources at a lower cost.

Revenue Consequences of Capital (£0.060m)

31. The provision for revenue costs that arise from capital investment e.g. IT maintenance has been re-assessed and reduced accordingly.

Debt Charges (£0.048m)

32. The Capital Programme is being funded without recourse to further external borrowing.

Moving Forward 3 (£0.154m)

33. These are further savings identified by the Moving Forward Programme and implemented part way through 2012/13.

Review of Formation Budgets (£0.081m)

34. Various divisions and departments have identified miscellaneous reductions in expenditure that can be implemented.

2013/14 PRECEPT OPTION: 0% COUNCIL TAX INCREASE - ie A COUNCIL TAX FREEZE

Band D	Council Tax Base	Total Funding	Collection Fund		Council Tax	
			Surplus	Deficit		
£163.74	287,760.00	47,152,712	34,890	-	47,117,822	
Amber Valley Borough Council	36,139.00	5,917,400	-	-	5,917,400	Provisional
Bolsover District Council	18,432.00	3,018,056	-	-	3,018,056	Estimate
Chesterfield Borough Council	26,383.00	4,319,952	-	-	4,319,952	Estimate
Derby City Council	61,193.00	10,019,742	-	-	10,019,742	Provisional
Derbyshire Dales District Council	27,721.00	4,539,037	-	-	4,539,037	Provisional
Erewash Borough Council	30,965.00	5,070,209	-	-	5,070,209	Provisional
High Peak Borough Council	28,568.00	4,712,614	34,890	-	4,677,724	Provisional
North East Derbyshire District Council	29,000.00	4,748,460	-	-	4,748,460	Provisional
South Derbyshire District Council	29,359.00	4,807,243	-	-	4,807,243	Provisional

Gross Expenditure

	£
2012/13 Approved	172,415,309
2013/14 Proposed	170,448,734
Budget Decrease	-1.14%

Council Tax Requirement

	£
2012/13 Approved	54,440,940
2013/14 Proposed	47,117,822
Council Tax Increase	0.00%

BAND	<u>Council Tax</u>	
	<u>2012/13</u>	<u>2013/14</u>
	£	£
A	109.16	109.16
B	127.35	127.35
C	145.55	145.55
D	163.74	163.74
E	200.13	200.13
F	236.51	236.51
G	272.90	272.90
H	327.48	327.48

Note

The amounts above are indicative only and are subject to change as billing authorities are yet to formally approve their taxbases for 2013/14

2013/14 PRECEPT OPTION: A 1.96% COUNCIL TAX INCREASE

Band D	Council Tax Base	Total Funding	Collection Fund		Council Tax	
			Surplus	Deficit		
£166.95	287,760.00	48,076,422	34,890	-	48,041,532	
Amber Valley Borough Council	36,139.00	6,033,406	-	-	6,033,406	Provisional
Bolsover District Council	18,432.00	3,077,222	-	-	3,077,222	Estimate
Chesterfield Borough Council	26,383.00	4,404,642	-	-	4,404,642	Estimate
Derby City Council	61,193.00	10,216,171	-	-	10,216,171	Provisional
Derbyshire Dales District Council	27,721.00	4,628,021	-	-	4,628,021	Provisional
Erewash Borough Council	30,965.00	5,169,607	-	-	5,169,607	Provisional
High Peak Borough Council	28,568.00	4,804,318	34,890	-	4,769,428	Provisional
North East Derbyshire District Council	29,000.00	4,841,550	-	-	4,841,550	Provisional
South Derbyshire District Council	29,359.00	4,901,485	-	-	4,901,485	Provisional

Gross Expenditure

	£
2012/13 Approved	172,415,309
2013/14 Proposed	170,820,347
Budget Decrease	-0.93%

Council Tax Requirement

	£
2012/13 Approved	54,440,940
2013/14 Proposed	48,041,532

Council Tax Increase 1.96%

BAND	Council Tax	
	2012/13	2013/14
	£	£
A	109.16	111.30
B	127.35	129.85
C	145.55	148.40
D	163.74	166.95
E	200.13	204.05
F	236.51	241.15
G	272.90	278.25
H	327.48	333.90

Note

The amounts above are indicative only and are subject to change as billing authorities are yet to formally approve their taxbases for 2013/14