

**STRATEGIC GOVERNANCE BOARD**  
**23 FEBRUARY 2015**  
**REPORT OF THE**  
**TREASURER TO THE POLICE AND CRIME COMMISSIONER**

**7A REVENUE BUDGET AND FINAL PRECEPT REPORT 2015/16**

**PURPOSE OF THE REPORT**

- 1.1 To approve the final details of the revenue budget for 2014/15
- 1.2 To update the capital funding position following the receipt of the final grant
- 1.3 To publish the report of the Police & Crime Panel on the proposed precept and the response of the Police and Crime Commissioner for Derbyshire.
- 1.4 To issue the police precept following its consideration by the Police & Crime Panel.

**EXECUTIVE SUMMARY**

- 1.5 This is the third year when the budget for policing Derbyshire will be set by the Police and Crime Commissioner for Derbyshire. The detailed budget proposals for 2015/16 were considered by the Strategic Governance Board at its meeting on 27 January 2015 prior to the Commissioner submitting his proposed precept to the Police and Crime Panel. The budget report is available on the Commissioner's website [here](#).
- 1.6 The financial outlook continues to be uncertain. While it is clear that the level of cuts will continue and austerity will be extended possibly until 2020, the precise impact on the police service remains unclear, and this is made worse by the uncertainty surrounding the outcome of the upcoming General Election in May.
- 1.7 Notwithstanding the continued reductions in police grant which makes up nearly 2/3rds of the resources available to support Derbyshire Police, the Constabulary is currently in a sound financial position. This is in part due to the level of reserves that have been built up with the specific purpose of

helping to manage future budget cuts and austerity. This gives the Commissioner and the Chief Constable the opportunity to plan for and deliver future changes in a controlled and measured way.

- 1.8 Delivering the savings needed will be challenging and over the coming years the Constabulary will need to ensure resources are focused on threat, risk and demand. It is inevitable that Derbyshire Constabulary will reduce in size as funding diminishes.
- 1.9 The Constabulary has focussed its efficiency and cost saving process through a programme of Priority Based Budgeting (PBB). The aim of PBB is to understand the services that are currently delivered and how much they cost; to prioritise the services that should be invested in and delivered in the future to meet the Constabulary's priorities and the Police and Crime Plan. The review has looked at every aspect of police spending and sets out a clear long term plan to close the remaining budget gap over the next five years. Some tough choices will need to be made as the Commissioner and the Chief Constable balance the need to continue to deliver high quality services during this period of austerity, as well as redirecting resources towards new emerging policing demands.
- 1.10 Throughout this period of austerity the Constabulary has placed great emphasis on maintaining performance even during a time of unprecedented budget cuts. This is becoming more challenging not only in Derbyshire but at a National level.

### **POLICE FUNDING 2015/16**

- 1.11 On 26 June 2013 the Chancellor of the Exchequer announced the outcome of the Spending Round 2013 (SR2013), which sets out public spending totals to the financial year 2015/16.
- 1.12 For 2015/16 police funding will further reduce from £8.479bn in 2014/15 to £8.210bn in 2015/16, a cash reduction of 3.2% or 4.9% in real terms (based on an inflation rate for 2015/16 of 1.8%).
- 1.13 The Home Office finally published funding allocations for individual forces on 17<sup>th</sup> December 2014, less than six weeks before Commissioners are expected to set out their spending plans.

1.14 These revenue allocations, which have since been confirmed, signalled further cuts in resources for individual forces to help fund a number of national policing initiatives. This meant that the actual reduction subject to damping had increased to 5.1%. This increase is in part due to ‘top-slicing’ of the police grant to fund central and national initiatives which reduces the amount of funding available locally to Derbyshire Police. This covers:

- maintain funding for counter-terrorism policing of at least £564m;
- provide a further £30m for the Independent Police Complaints Commission;
- support HMIC’s PEEL inspection programme with £9.4m;
- offer £4.6m for the College of Policing’s direct entry schemes;
- allocate £70m of funding to the Police Innovation Fund; and
- provide £40m of funding for Major Programmes.

1.15 Derbyshire Police stands to lose out an additional £1.178m as a result of the top-slicing applied to the main grant. This is on top of the £1.274m already taken from last year’s grant settlement and is set out in the table below:-

Expenditure (funded from ‘top-slicing’ the Police Main Grant)	Estimated Grant Lost by Derbyshire 2014/15 £m	Estimated Grant Lost by Derbyshire 2015/16 £m	Total £m
Police Innovation Fund	0.755	0.302	1.057
IPCC	0.272	0.181	0.453
HMIC	0.142	-	0.142
Direct entry schemes	0.045	0.030	0.075
National Police Co-ordination Centre	0.030	(0.030)	-
Capital City Grant	0.030	0.015	0.045
Police Knowledge Fund	-	0.076	0.076
Major Programmes	-	0.604	0.604
<b>Total</b>	<b>1.274</b>	<b>1.178</b>	<b>2.452</b>

1.16 The Home Secretary has continued to apply damping in line with the percentage reduction in 2014/15. As the funding formula was not updated this year, we can only assume that our loss of grant is similar to last year's loss of some £2m.

1.17 Final grant levels for Derbyshire are detailed in the following table (excluding Council Tax Freeze Grant): -

<b>Formula Funding</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16 final</b>
Police Main Grant	73.186	70.155	65.039	68.940	66.551	62.500
Non-Domestic Rates/ Revenue Support Grant	49.096	45.841	43.182	41.185	39.261	37.900
Neighbourhood Policing Grant	3.681	3.681	3.681	0	0	0
Community Safety Fund	0	0	0	0.981	0	0
<b>Total Formula Funding</b>	<b>125.963</b>	<b>119.677</b>	<b>111.902</b>	<b>111.106</b>	<b>105.812</b>	<b>100.400</b>
Reduction in Funding (£)		(6.286)	(7.775)	(0.796)	(5.294)	(5.412)
Reduction in Funding (%)		(5.0)	(6.5)	(0.7)	(4.8)	(5.1)

**FINAL REVENUE BUDGET: OFFICE OF THE POLICE AND CRIME COMMISSIONER**

1.18 The budget retained for direct control by the Commissioner falls into three main elements; the cost of his office and staff, the cost of services for helping victims of crime to cope and recover (supported by grant from the Ministry of Justice) and for crime reduction initiatives, and treasury and accounting costs such as debt charges & interest receipts. A substantial grant is received from the Ministry of Justice derived from the Victims' Surcharge levied by the

courts and is specifically to pay for services to support victims of crime and to deliver restorative justice solutions.

1.19 The table below shows the final budget for the Office of Police and Crime Commissioner, which is set out in more detail within **Appendix C**: -

<b>Office of the Police and Crime Commissioner</b>	<b>Revised Budget 2014/15 £m</b>	<b>Final Budget 2015/16 £m</b>
Commissioner's Office	0.999	1.032
Crime Prevention Fund	0.250	0.250
Community Safety Fund	1.266	1.266
Partnerships (transferred to the Chief Constable from 1 April 2015)	0.752	-
Victim and Witness Services	0.970	1.018
<b>Sub-Total</b>	<b>4.237</b>	<b>3.566</b>
Revenue Contributions to Capital	1.025	1.000
Debt Charges	0.907	0.862
Interest Receipts	(0.260)	(0.280)
<b>Sub-total</b>	<b>5.909</b>	<b>5.148</b>
Contribution from Reserves	(0.250)	(0.250)
Contribution to Reserves	0.031	0.043
Grant from the Ministry of Justice	(0.671)	(1.100)
<b>Net Budget Requirement for the Police and Crime Commissioner's Office</b>	<b>5.019</b>	<b>3.841</b>

- 1.20 The budget signals the importance and value of partnership working, to ensure wherever possible all opportunities are explored for co-commissioning services.
- 1.21 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 on-going capital commitments can be met from capital grant and the revenue budget without increasing borrowing levels.
- 1.22 The remaining budget controlled by the Police and Crime Commissioner is for financing items as follows:-
- Contributions to Reserves.
  - Debt Charges – this represents the costs of serving the relatively low levels of borrowing taken out in previous years.
  - Interest Receipts – this represents interest earned on reserves. This has been depressed by the ongoing global economic out-turn.

**FINAL REVENUE BUDGET: CHIEF CONSTABLES BUDGET**

- 1.23 The table below shows the final budget for the Commissioner to allocate to the Chief Constable. This is set out in more detail in **Appendix D**: -

<b>Chief Constable</b>	<b>Revised Budget 2014/15 £m</b>	<b>Final Budget 2015/16 £m</b>
Derbyshire Constabulary	151.869	147.803
East Midlands Collaboration	9.529	9.409
BCU Fund	0.357	0.307
Partnerships	-	0.546
Contribution to National Policing	0.097	0.287
<b>Sub-total</b>	<b>161.852</b>	<b>158.352</b>
Contributions from Reserves	(2.465)	(0.558)

<b>Net Budget Requirement for the Chief Constable</b>	<b>159.387</b>	<b>157.794</b>
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- 1.24 The budget is based on recruiting a total of 16 police officers during the financial year in line with the PBB proposals approved by the Moving Forward Strategic Board in October 2014. This will only partially offset the 80 officers who are expected to retire or leave the force during this period. Overall Police Officer numbers are therefore expected to fall.
- 1.25 From a financial perspective planning for this level of recruitment is the most prudent approach, which is likely to last for the next 3 years. However, due to uncertainties around retirements, if estimates are found to be overly pessimistic the Constabulary has the option to increase recruitment accordingly.
- 1.26 The most significant other changes to the Chief Constable's budget in addition to the PBB savings outlined in paragraph 6.6 are:-
- Meeting the cost of the early release scheme £0.9m. A sum of £2m was set aside from under spends in 2014/15 to fund the cost of implementing PBB proposals; this included the voluntary redundancy and the pension strain for those who qualified to take their pension early.
  - Additional temporary staffing to support the expansion of the Police Support Volunteer programme £0.040m.
  - Cost of providing the staff benefits scheme 'My Benefits' £0.075m for the duration of the 3 year contract.
  - Recruitment of a Head of Procurement and Procurement Officer in response to the change within the East Midlands Strategic Commercial Unit (EMSCU). This should largely be cost neutral as there will be a corresponding fall in the contribution to EMSCU.
  - Savings to premises running costs from the reduction in properties.

## **PUBLIC ENGAGEMENT**

- 1.27 Throughout the year, the Commissioner maintains on going engagement with the public and receives feedback from many sources on the public's views of policing and the level of police precept. In particular a specific budget consultation exercise has been carried out where respondents were asked their views, amongst other things, on the Commissioner's proposal to increase the policing precept by 2% (about 34p a month for a band D property, over 10 months). Nearly half (44%) of the 120 people who responded said a 2% increase was about right; in addition a further 24% said the increase should be higher than 2%.

### **CONSIDERATION BY THE POLICE AND CRIME PANEL & IMPACT OF REFERENDUM PRINCIPLES**

- 1.28 When considering the precept options available to him, the Commissioner has to take into account the referendum principles set by the government which limits the maximum increase in council tax which can be set without consulting the public through a referendum. This figure was announced on 17<sup>th</sup> December and confirmed in February which is after the date that Commissioners must advise their Police and Crime Panel of their proposed precept which is by 1 February.
- 1.29 At the Strategic Governance Board meeting on 27<sup>th</sup> January, the Commissioner determined his proposed precept increase would be 1.99%, and to present this to the Panel for its consideration.
- 1.30 The Derbyshire Panel met on 29<sup>th</sup> January to receive and consider the Commissioner's proposals which were a proposed 2015/16 precept of £173.61p at band D, an increase of 1.99% or £3.39. This was within the referendum threshold of 2%.
- 1.31 The Panel has made a report to the Commissioner, supporting this increase. A copy of the Panel report is attached to this document at **Appendix A**
- 1.32 The principles were formally published on 4<sup>th</sup> February and set a limit of 2% or above to trigger a referendum. Clarification had been sought from the Home Office that provided the Police and Crime Commissioner's precept is at least 1p below the 2% threshold, this is satisfactory. Commissioner Charles proposal is below the threshold and meets the 1p criteria.



- 1.33 The Commissioner is required to respond to the Panel's report and recommendations (if any); a copy of the Commissioner response is attached at **Appendix B**.

**FINAL BUDGET AND PRECEPT REQUIREMENT**

- 1.34 The table below shows the budget allocation retained by the Police and Crime Commissioner and that allocated to the Chief Constable as Gross Expenditure for Services. It further shows the funding available to support that expenditure, the use of reserves, the Council Tax Requirement and the Basic Amount of Council Tax.

	2014/15	2015/16
Gross Expenditure for services	£169,817,297	£166,278,597
Contribution to Reserves	0	0
<b>Gross Expenditure</b>	<b>£169,817,297</b>	<b>£166,278,597</b>
less: Grants		
RSG	-£39,261,238	-£37,927,709
Police Grant	-£66,551,093	-£62,478,059
Council Tax Benefit Grant	-£7,345,984	-£7,345,984
2011/12 CT Freeze Grant	-£1,354,010	-£1,354,010
CT Transition Grant	-£145,000	£0
PFI Grant	-£2,734,800	-£2,734,800
MOJ Grant	-£480,000	-£1,100,000
Community Safety Fund Grant	0	0
less: Contributions from Reserves		
PFI	-£298,400	-£294,800
Crime Prevention Reserve	-£250,000	-£250,000
Carry Forwards	0	-£263,500
Operational Funding Reserve	-£1,183,226	-£128,683
less: Surplus on Collection Funds	-£258,861	-£791,414
<b>Council Tax Requirement</b>	<b>£49,938,185</b>	<b>£51,609,638</b>
Taxbase	293,374.37	297,273.42
<b>Basic Amount of Council Tax</b>	<b>£170.22</b>	<b>£173.61</b>

- 1.35 The overall budget includes the limited use of reserves to balance the budget. The proposed precept is based on the final notified Council Tax base figures.

### **LONGER TERM REVENUE PROJECTIONS**

- 1.36 As stated previously, while considerable uncertainty remains it is clear that further substantial funding cuts are expected. In the short term, reserves are healthy and can manage the projected deficits up to 2016/17 as shown in the table below.

Surplus/(Deficit)	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m
Operational Funding Reserve at Start of Year	19.282	19.643	18.460	12.626
Projected surplus/(deficit)	0.361	(1.183)	(5.834)	(12.425)
Operational Funding Reserve at End of Year	19.643	18.460	12.626	0.201

- 1.37 The table shows that while reserves are sufficient to cover the shortfall for at least 3 years, the position in 2016/17 gives cause for concern. Further detail on the use of reserves over this period is shown in **Appendix E**.

### **CAPITAL GRANT ALLOCATION**

- 1.38 At the Strategic Governance Board meeting in January 2015, a report on the Capital Programme 2015/19 was considered. This report covered the elements contained in the proposed capital programme, divided into on-going schemes and specific schemes. Funding to resource the programme was identified as either 'other' funding or 'core' funding; core funding comprises an annual revenue contribution of £1m, plus government grant which was expected at £1.52m.

- 1.39 Since that report was considered, the Home Office have notified a reduction in the level of capital grant by £200k down to £1.216m. The table below summarises the updated position up to 2018/19: -

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
On-going Schemes	4.959	3,655	2,905	2.905
Specific Schemes	7.275	4.910	1.000	1.000
<b>Total Schemes</b>	<b>12.234</b>	<b>8.565</b>	<b>3.905</b>	<b>3.905</b>
Core Funding	2.216	2.216	2.216	2.216
Other Funding	12.340	6.803	1,490	58
<b>Total Funding</b>	<b>14.556</b>	<b>8.715</b>	<b>3.098</b>	<b>2.274</b>
<b>Surplus</b>	<b>2.322</b>	<b>0.150</b>	<b>(0.807)</b>	<b>(1.631)</b>

- 1.40 The implications on the future funding of the capital programme are felt in 2017/18 in particular. But care must be exercised in closely monitoring the delivery of the capital programme between now and the end of March 2017. Further detail is contained at **APPENDIX H**.

### **FINANCIAL RISKS**

- 1.41 The detailed key financial risks were set out in the report to the Strategic Governance Board in January, but in summary, 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 costs in any one year. Without reserves, this would place an unsustainable burden on the budget. It is therefore appropriate that reserves are held to manage these potential risks.

### **TREASURER'S ASSURANCE STATEMENT**

- 1.42 The Treasurer's Assurance Statement as presented in the Revenue Report of 27 January 2015 is confirmed as applicable, now that the Police and Crime Panel have approved the Commissioner's proposed precept increase of 1.99% and that this is within the Referendum Principles of a 2% threshold.

## **RECOMMENDATIONS**

- i. To approve the final revenue budget, the council tax requirement and the Basic Amount of Council Tax for 2015/2016 as detailed and notify the billing authorities of the precept requirement and the relevant council tax bands as detailed at **APPENDIX G** to the report.

	<b>Precept Increase 2015/16</b>
Gross Expenditure for services	£166,278,597
Less grants and use of reserves	-£114,668,959
Council Tax Requirement	£51,609,638
Tax Base	297,273.42
Basic Amount of Council Tax	£173.61
Basic Amount of Council Tax Increase(£)	£3.39
Basic Amount of Council Tax Increase (%)	1.99%

- ii. To publish the report of the Police & Crime Panel on the proposed precept and the response of the Police and Crime Commissioner for Derbyshire as Appendices to this report.
- iii. To note the reduction in the level of government capital grant from £1.52m to £1.216m.

## **IMPLICATIONS**

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

<b>Contact details in the event of enquiries</b>	<b>Name: Helen Boffy</b> <b>External telephone number: 0300 122 6005</b> <b>Email address: <a href="mailto:helen.boffy.4808@derbyshire.pnn.police.uk">helen.boffy.4808@derbyshire.pnn.police.uk</a></b>
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## **BACKGROUND PAPERS**

1. Police Grant Report 2015-2016, Home Office, 4 February 2015

## **ATTACHMENTS**

### **List of Appendices**

<b>A</b>	Report of the Police and Crime Panel 30 January 2015
<b>B</b>	Report of the Police and Crime Commissioner in response to the Panel report of 12 February 2015
<b>C</b>	Budget for the Office of the Police and Crime Commissioner
<b>D</b>	Budget for the Chief Constable
<b>E</b>	Reserves
<b>F</b>	Revenue Budget Projections Council Tax increase of 1.99%
<b>G</b>	Police Precept 2015/16
<b>H</b>	4 Year Capital Programme (updated funding)