

# CAMBRIDGESHIRE POLICE AUTHORITY

## MEDIUM TERM FINANCIAL PLAN

2013/14 TO 2016/17



Creating a safer  
**Cambridgeshire**

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## **1. Introduction**

1.1 The Medium Term Financial Plan (MTFP) is Cambridgeshire Police Authority's and Cambridgeshire Constabulary's key financial planning document. From 22 November 2012 the Authority's responsibilities will pass to the elected Cambridgeshire Police and Crime Commissioner.

1.2 The MTFP identifies:-

- the revenue budget requirement for the next financial year and the forecasts for the following three years,
- how the budget requirement is financed,
- how the difficult budget settlements in the next few years will be addressed whilst still trying to preserve 'front-line' resources, especially neighbourhood policing, and
- future funding changes and risks.

1.3 The MTFP identifies the challenges and opportunities faced by the Service in seeking to achieve a balance between:-

- the delivery of frontline policing and achievement of the key objectives over the next three years
- accommodating known increases in costs, particularly in the current economic climate

and:

- government grant diminishing over the life of the MTFP
- maintaining Council Tax at an affordable level.

## **2. Cambridgeshire's Police and Crime Plan**

2.1 The key objectives for policing are set out in the existing three-year Local Policing Plan (2012/15).

2.2 Our Mission is to create a safer Cambridgeshire.

Our Vision is to provide a first class policing service in which the public have total confidence, and

Our Values are sensitivity, integrity, and respect.

2.3 Cambridgeshire Local Policing Priorities (2012/15) are:

1. Maintain local police performance
2. Deliver policing within the available budget
3. Reduce crime and disorder (including tackling anti-social behaviour)
4. Keeping people safe
5. Maintaining the resilience of protective services

2.4 However, the Police Reform and Social Responsibility Act 2011, which abolishes police authorities, places a responsibility on newly elected police and crime commissioners to issue **five-year police and crime plans**. These plans can be refreshed annually.

2.5 The Plan will set out the Police and Crime Commissioner's objectives for reducing crime and disorder in the area, how policing resources will be allocated and agreements for funding and reporting on the work. Due regard must be given to the Strategic Policing Requirement issued by the Home Secretary.

2.6 The Plan must also set out the detail of any crime and disorder reduction grants which the commissioner will make, and the conditions, if any, of those grants.

2.7 The Police and Crime Plan will essentially be shaped by the successful candidate's manifesto. It must also have regard to crime and disorder reduction priorities set by partners, and the strategic direction of the criminal justice system. The Commissioner must consult with the Chief Constable on the draft plan before it is sent to the Police and Crime Panel for consideration.

**3. Revenue Funding (Police Fund income from which spending is financed)**

3.1 Police and crime spending (the Net Budget Requirement) is financed from 2 main sources, government (formula) grant and council tax. The NBR includes specific government grants and locally generated income.

**Government (Formula) Grant**

3.2 2013/14 will be the third year of the 4 year Spending Review 2010 (SR10). When published in October 2010 it set out unprecedented cuts in public spending and for policing this amounted to real terms cuts in grant funding of

20% over the four year period (with -6%, -7% -4% and -3% respectively being quoted for each of the four years).

- 3.3 The total grant reduction for Cambridgeshire was estimated at £17m for the 4 year period.
- 3.4 The Plan attached at Appendix 1 is the Plan approved by the Police Authority in February 2012. To this has been added a best estimate for 2016/17. Although there has been no announcement regarding the new Spending Review period the working assumption is that government grant will continue to reduce in 2016/17.
- 3.5 The assumption for 2013/14 is that grant will reduce by 2.5%, this forecast is slightly higher (more pessimistic) than recent indicative allocations published by the Dept for Communities and Local Government.
- 3.6 The Authority has always believed it is under-funded and has pressed for a fairer share of the funding 'cake', which recognises local population growth and eliminates the funding 'floor' ('costing' this Authority over £2m year on year since 2004/05).
- 3.7 The Provisional Grant Settlement 2013/14 is now expected at least a week after the Chancellor's Autumn Statement (scheduled for 5 December 2012).

### **Specific Grants**

- 3.8 The Authority also receives a number of other grants but these are diminishing yearly. These include funding for dedicated security posts and prison liaison officers. These Specific grants have strict controls in place and it must be demonstrated that the money has been used for the correct purpose.
- 3.9 In 2013/14 the Neighbourhood Policing Fund (a specific grant used by this Authority to finance Police Community Support Officers) is being rolled into Home Office Police Main Grant. Cambridgeshire's allocation is £3.6m in 2012/13. It will not be ring fenced as the government's policy intention is to allow the Police and Crime Commissioner, in discussion with the Chief Constable, to determine local spending priorities.

## **Charging for Services**

- 3.10 Powers exist to charge for external use of police services, but only on a break-even basis. This can be problematic due to the nature of some events. If all costs were charged, an event might not be viable. The Authority has an approved Charging Policy, updated yearly to reflect changes, which is compliant with the guidance and consistent with surrounding Forces on charging for police services.

## **Council Tax**

- 3.11 As part of Spending Review 2010 (SR10) the Government offered local authorities a council tax freeze grant equivalent to a 2.5% increase in council tax for 2011/12. This was accepted by the Authority and the grant is payable for 4 years and will cease at the end of 2014/15, widening the budget gap by £1.2m in 2015/16.
- 3.12 The Government announced a further council tax freeze grant for 2012/13 equivalent to a 3% council tax increase but this time payable for one year only. This was not accepted by the Authority as it would have led to a widening of the budget gap by £1.5m in 2013/14.
- 3.13 The Authority agreed to include a 2% council tax increase in its planning assumptions for 2013/14. However, the Office of Budget Responsibility's calculations of council tax receipts (as set out in the Chancellor's 2012 Budget of March 2012) show increases of 6% in 2013/14 and around 4% for the following 3 years. (NB these increases will be the product of assumed Band D tax increases and increases in the council tax base).
- 3.14 The policing element of the 2012/13 Band D council tax is £174.51 and 1% on council tax raises ~£0.5m.
- 3.15 Under the Localism Act 2011, the Government sets a limit (the excessive amount) on council tax increases. For policing it is set by the Communities Secretary in discussion with the Home Secretary. The limit was set at 4% for police authorities for 2012/13. It is hoped that details of the limit will be published at the same time as the Provisional Local Government Finance Settlement (including Police) in December 2012.
- 3.16 If an incoming Commissioner wished to champion a council tax increase in excess of the prescribed limit a referendum would have to be held and the significant costs of the referendum picked up by the Commissioner. In contrast, if an incoming Commissioner wished to champion, say, no increase in council tax for 2013/14, this would increase the budget gap by £1m annually.

## **Localisation of Council Tax Benefits - New Scheme**

- 3.17 The Government has signalled its intention to nationally reduce the cost of council tax benefit. In simple terms, council tax benefit will be replaced by council tax reductions and the council tax base will reduce (in effect, it is the creation of a new discount). Government Grant will be received to reduce the effect on the council tax base and both billing and precepting authorities will be affected. Local schemes are being developed by billing authorities in consultation with precepting authorities, and final schemes must be adopted by 31 January 2013 for the 2013/14 financial year. It is recommended that in 2013/14 any reduction in precept arising from these changes is covered by the use of reserves.
- 3.18 The Council Tax Base is, in simple terms, a calculation of the number of properties on which council tax can be levied (and adjusted for discounts and other factors). For the reasons set out above the tax base is likely to reduce in 2013/14 but the forecasts will include a 1.2% increase in forecast years for anticipated housing development.
- 3.19 The Commissioner's proposed precept (and budget) must be presented to the Police and Crime Panel (PCP) by 1 February 2013 and can be vetoed by the Panel. In that case a revised proposal would have to be prepared. A flow chart, setting out the timescales for decisions, is attached at Appendix 3.

## **4. Revenue Budget Planning**

### **Budget Strategy**

- 4.1 Underpinning the decision making process is a prudent approach to the stewardship and management of financial resources by both the Authority and the Chief Constable. This is reflected in the service and financial planning process, and in the management of borrowings, investments and reserves.
- 4.2 A robust approach to the budget process is essential in order to achieve clarity about what the Authority can reasonably afford to do and sustain.
- 4.3 The Constabulary has in place procedures to ensure that the financial implications of all proposed policies and actions, whether capital or revenue (including the revenue implications of capital investment) receive due consideration before commitments are entered into. All decisions which fall outside the policy and budgetary framework, referred to as "key decisions" are

required to be subject to Force Executive Board approval before being considered by the Authority.

### **Key Features of the Budget Process**

4.4 One of the key functions of the MTFP is to develop a series of financial projections to determine the achievability and sustainability of the Policing and Crime Plan which is required to deliver the priorities as set out in Section 2 above. The financial projections are based around the forecast requirements for revenue expenditure, both directly and arising from capital investment. The process for determining the forward levels of net revenue expenditure for each financial year covered by the MTFP is to:-

- Use the current financial year as a base position and inflate, as appropriate, to take account of pay and price changes and full year costs of previous year growth items
- Add any prior year on-going costs previously funded from reserves
- Add known unavoidable spending and contract pressures
- Add in-year implications of implementing corporate objective priorities (and full year costs thereafter)
- Add revenue implications of new capital investment (both direct and indirect)
- Review and set fees/charges to reflect a policy of maximising income
- Factor in the implications for the loss of grant funding in real terms over the life of the plan
- Factor in the implications of the government's advice on council tax levels, and
- Factor in savings from transformational plans, e.g. collaboration.

The budget build outputs and issues are considered by/discussed at

- Force Review Group Meetings
- Half-yearly star chambers with budget holders to ensure progress against both in-year and future year revenue plans
- Force Development Board which recommends capital projects and large change projects for approval to the Force Executive Board
- Joint reviews by heads of service and finance team
- Peer challenge at Force Executive Board



- The Police Authority and Police and Crime Commissioner (from November 2012).
- 4.5 The procedure for evaluating revenue service pressure bids that arise either at budget time or in year due to changes in focus from the Home Office is based on an assessment which takes into account the following key factors.
- Clear identification of the links to the Constabulary's aims and objectives to which the bid relates;
  - A measure of a scheme's benefits in the form of outcome targets;
  - Consideration of the financial impact of the expenditure i.e. one year funding or recurring financial consequences over a three year period;
  - Consideration of implications for other service areas.

### **Spending Pressures**

- 4.6 Apart from the pressure arising from less grant income, a number of specific pressures on revenue expenditure which will impact from April 2013 onwards. It is not comprehensive and other issues may emerge during the service and financial planning process.
- 4.7 Local Partnerships - As money tightens across the public sector there is expected to be pressure on our partners funding of joint projects.
- 4.8 Employers' Contributions to Pensions – An increase in the cost of employer contributions for police staff pensions has been built into the plan over the next 3 years as a result of actuarial valuation of the Fund. Following the outcome of negotiations from the Hutton report, future year's contributions may be subject to further change.
- 4.9 Police officer employer's contributions remain unchanged at this time (24.2% of pensionable pay) but there are proposals currently being discussed in the Home Office which may affect the employer contributions in the future. This hasn't yet been factored into the plan due to uncertainties about how the change will affect us.

### **Addressing the Budget Gaps**

- 4.10 The MTFP 2012/16 identifies budget gaps totalling £11m over the next four years :-

2013/14	£2.8m
2014/15	£2.9m
2015/16	£2.8m
2016/17	£2.2m

- 4.11 The total budget gap over the MTFP 2013/17 period is therefore approaching £11m.
- 4.12 Work to balance the budget for 2013/14 onwards has now focused on collaborative initiatives particularly for Organisational Support.
- 4.13 When the full Authority met on the 28<sup>th</sup> June 2012 it agreed that the full business case for Organisational Support should be developed for final decision by the Police and Crime Commissioner after 22 November 2012. However, the Authority also felt that a 'Plan B' should be worked up to balance the budget, if, for any reason, the Organisational Support work was delayed or outsourcing abandoned.
- 4.14 Whilst a decision is awaited on the full business case for Organisational Support this reports presents some broad options for delivery of savings. These options will need to be fleshed out with the incoming Police and Crime Commissioner.
- 4.15 Over the last 2 years budget savings have been achieved in advance and these (one-off savings) have been transferred to the General Reserve.

#### **In-House Projects (Plan B)**

- 4.16 Appendix 2 analyses the 2012/13 budget over local policing, business support and collaborated activity. Local policing accounts for about 56% of the total revenue spending and this was fully considered by Operation Redesign last year. For 2013/14 there are plans to make savings in the following areas to balance the budget in the short-term while the Strategic Alliance major projects come to fruition.
- 4.17 The work streams are:-
- Police Staff
  - Police Overtime
  - Training
  - ICT supplies and services

- Air support – helicopter moves to National Air Support Service
- Collaboration
- Capital Financing

### **Strategic Alliance – Bedfordshire, Cambridgeshire and Hertfordshire**

4.18 The rest of the revenue budget, about 44%, is spent on major investigations, protective services and business support services. These services are already being delivered collaboratively or being considered by the Strategic Alliance for delivery under a 3 Force model. The road policing business case will deliver savings during 2013/14 for Cambridgeshire but the big areas of saving over the next few years will be in Organisational Support and Operational Support.

#### 4.19 Organisational Support

Initial findings from the full business case for an outsourcing option to G4S are due in mid November. The level of savings will be clearer at that stage. The estimated savings, presented in the outline business case to the Police Authority at the end of June, showed estimates in the range of £2.9m for 2013/14 and £8.1m in 2014/15.

#### 4.20 Operational Support

This area includes call handling and criminal justice. The implementation of Athena in this area of business will see savings accrue from common ways of working and one time input of data onto a range of systems. The savings in officer time will need to be assessed once the system goes live.

### 5. Capital Strategy and Budgeting

5.1 Capital investment proposals are appraised in a structured and consistent manner so as to ascertain whether the plans are affordable, prudent and sustainable and that they contribute to the delivery of the Policing and Crime Plan priorities.

5.2 Going forward, the capital programme now includes the projects which will underpin collaboration with other Forces.

5.3 There are limited resources, other than borrowing, available to finance capital spending. They include:-

- Capital Grant – from the Home Office
- Capital Receipts – from the sale of land or property,
- Capital Reserves, and
- Borrowing – when internal cash is used up and in accordance with the Prudential Code for Capital Finance.

5.4 It would be desirable to reduce reliance on borrowing (e.g. by moving to more revenue financing of capital). Work is on-going to see if the existing Capital Reserve could be applied in such a way as to reduce the revenue costs of capital financing in the medium term.

- 5.5 The Authority has an Estates Development Plan which will be updated as a new Strategy; it is heavily influenced by the austerity requirements. Joint work with Cambridgeshire and Peterborough local authorities as well as the Strategic Alliance will need to come together in the Strategy.
- 5.6 The four year Capital Programme is updated on an annual rolling review basis and a first draft of the 2013/17 Programme will be presented to the Commissioner in due course.

## **6. Police and Crime Commissioners – “New” Funding Streams**

- 6.1 The Police and Social Responsibility Act 2011 gives police and crime commissioners powers to make crime and disorder reduction grants. During the passage of the Bill through parliament, and subsequently, the Policing Minister has made many statements about existing central government grants for community safety being transferred to police and crime commissioners.
- 6.2 Most recently (July) the Minister has announced that Commissioners will receive funding to commission services for victims, probably from April 2015. Offenders will have to pay up to £50m a year to help victims and this will be on top of the £66m a year the government already spends on services supporting victims and witnesses.
- 6.3 It is reasonable to assume that if Commissioners get better value (outcomes) from spending that other funding will come their way.
- 6.4 Whilst government has announced its intentions to transfer funds, it has given no indication of funding levels. Existing funding streams were set out in the previous report to Finance and Resources Committee. Community safety funding reduced by 50% in 2012/13 (from the prior year) and is expected to reduce again in 2013/14.
- 6.5 Funding announcements are expected with the Provisional Grant Settlement in December 2012.
- 6.6 Although the amounts in question are likely to be relatively small, the Commissioner will have an opportunity to look holistically at community safety activity and funding across Cambridgeshire and Peterborough. The LGA has already highlighted that the anticipated reduction in Community Safety funding will mean that some CSPs will no longer be viable and will need to consider merger if they are to continue to function.

## **7. Reserves**

- 7.1 The Authority holds a general reserve, primarily as a contingency for the cost of major police operations. It also holds various earmarked reserves for particular purposes.
- 7.2 Appendix 4 sets out the Authority's Reserves and proposed use in 2012/13 and 2013/14.
- 7.3 Reserves can only be spent once, so can be used to finance one-off spending (e.g. capital schemes) or to finance revenue spending pending savings coming on stream.

## **8. Conclusion**

- 8.1 The Authority and Constabulary are able to hand over well planned and managed financial arrangements to the Commissioner. Assuming the grant reductions are not significantly worse than estimated the Commissioner will be able to agree a balanced budget for 2013/14.

## Appendix 1

### MTFP 2012/16 – As approved February 2012, with 2016/17 forecast added

	Estimate 2012/13 £'000	Forecast 2013/14 £'000	Forecast 2014/15 £'000	Forecast 2015/16 £'000	Forecast 2016/17 £'000
Police Officer Pay	55,478	55,274	55,487	56,376	57,222
Police Officer Overtime	2,000	2,000	2,000	2,000	6,958
PCSO Pay & Allowances	5,983	6,072	6,224	6,411	6,603
Police Staff	27,375	27,284	27,737	28,197	28,620
Police Staff Overtime	238	238	238	238	238
Training	800	800	800	800	800
Other Employee Expenses	123	123	123	123	899
Police Pensions	14,648	14,712	14,859	15,007	15,156
<b>Total Employee Costs</b>	<b>106,645</b>	<b>106,503</b>	<b>107,468</b>	<b>109,152</b>	<b>116,496</b>
Premises Costs	4,570	4,844	5,038	5,239	5,449
Transport Costs	2,487	2,636	2,742	2,851	2,965
Supplies & Services	17,720	18,703	19,245	19,288	19,851
Capital Financing Costs	2,929	3,363	4,334	4,958	4,958
Revenue Contribution to Capital	0	0	0	0	0
Third Party Payments	683	710	732	754	776
Change Management Contingency	0	0	0	0	0
<b>GROSS REVENUE EXPENDITURE</b>	<b>135,033</b>	<b>136,760</b>	<b>139,558</b>	<b>142,242</b>	<b>150,496</b>
Grant Income	-3,862	-3,765	-3,708	-3,675	-3,602
Other Income	-2,139	-2,225	-2,292	-2,360	-2,431
<b>Total Income</b>	<b>-6,001</b>	<b>-5,990</b>	<b>-6,000</b>	<b>-6,036</b>	<b>-6,033</b>
<b>NET REVENUE EXPENDITURE</b>	<b>129,032</b>	<b>130,770</b>	<b>133,557</b>	<b>136,206</b>	<b>144,463</b>
Contributions +To / - From Reserves	-1,417	-534	0	0	0
<b>NET BUDGET REQUIREMENT (NBR)</b>	<b>127,615</b>	<b>130,236</b>	<b>133,557</b>	<b>136,206</b>	<b>144,463</b>
Budget -Decrease / +Increase Year on Year	-3.1%	2.1%	-3.0%	-3.0%	-3.0%
<b>Financed by:</b>					
<b>Total Formula Grant</b>	<b>77,852</b>	<b>75,907</b>	<b>74,768</b>	<b>74,095</b>	<b>72,613</b>
Precept	48,793	50,346	51,955	53,622	55,402
Council Tax Freeze Grant	1,173	1,173	1,173		
Collection Fund - Deficit / +Surplus	-202				
<b>TOTAL FINANCING</b>	<b>127,615</b>	<b>127,425</b>	<b>127,896</b>	<b>127,717</b>	<b>128,015</b>
<b>BUDGET GAP</b>	<b>0</b>	<b>-2,810</b>	<b>-5,661</b>	<b>-8,489</b>	<b>-10,715</b>
			<b>-2,851</b>	<b>-2,829</b>	<b>-2,225</b>
Band D Council Tax £	£174.51	£177.93	£181.44	£185.04	£188.71
<b>KEY ASSUMPTIONS INCLUDED IN THE FORECASTS ABOVE</b>					
Council Tax base increases					
Actual	1.08%				
Forecast		1.20%	1.20%	1.20%	1.20%
<b>Council Tax</b>	<b>2.92%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
Tax base	279,599	282,954	286,350	289,786	293,263
Grant increase / Decrease (-)	-6.70%	-2.50%	-1.50%	-0.90%	-2.00%
Police officer pay rise (w.e.f 01/09)	0.00%	1.00%	1.00%	1.00%	1.00%
Police staff pay rise (w.e.f. 01/9)	0.00%	1.00%	1.00%	1.00%	1.00%
General Inflation	4.00%	4.00%	3.00%	3.00%	3.00%
Fuel & Energy Inflation	6.00%	6.00%	4.00%	4.00%	4.00%

## Appendix 2

### Analysis of 2012/13 Budget over Local Policing, Collaborated Activities and Business Support functions.

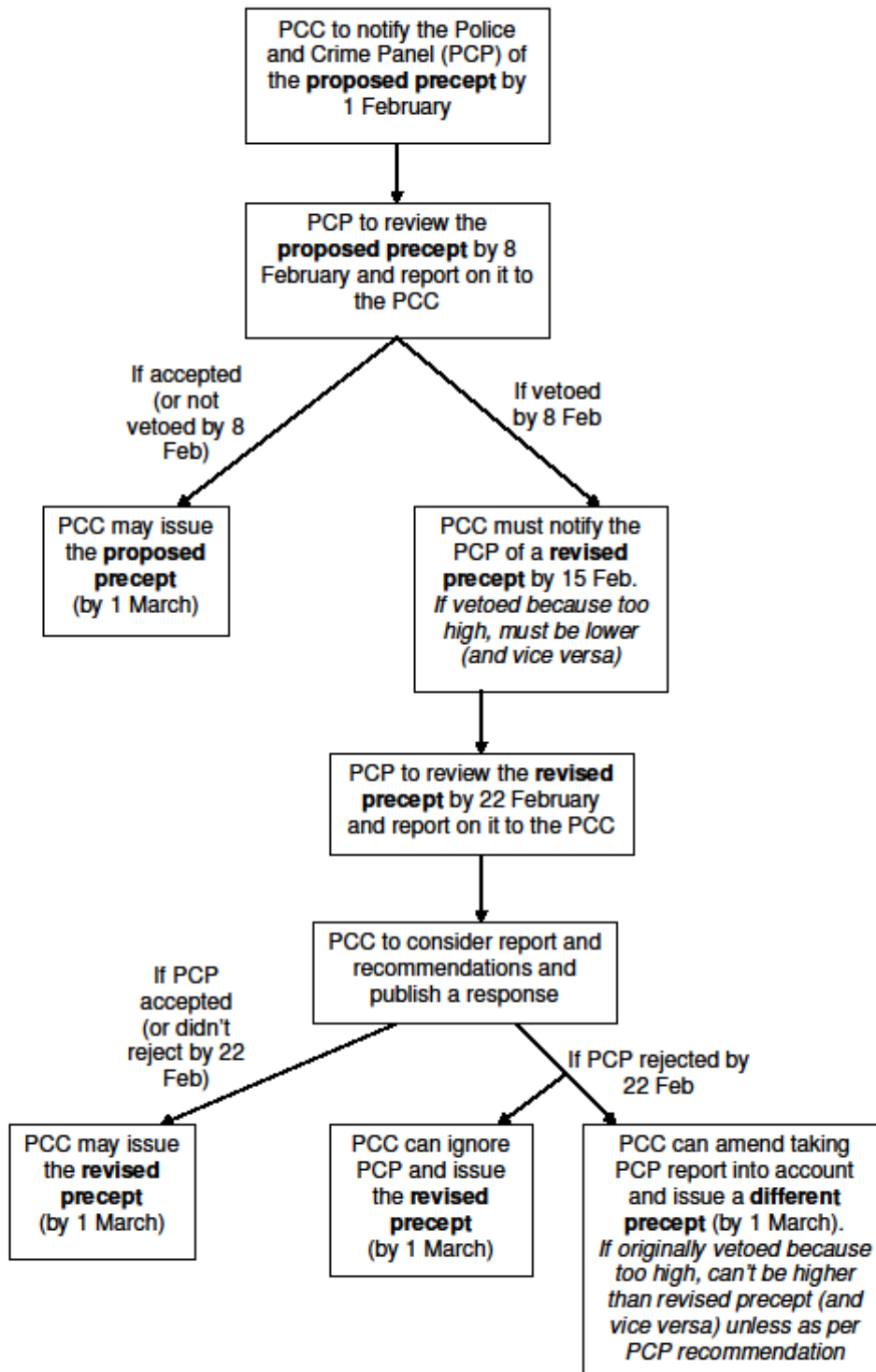
	<b>Budget 2012/13 £'000</b>	
<b>Local Policing Expenditure</b>		
Police Officer Pay	51,093	
Police Officer Overtime	1,911	
Police Pensions	13,826	
Police Staff	2,645	
Police Staff Overtime	49	
PCSO Pay & Allowances	5,983	
<b>Total Local Policing Expenditure</b>	<b>75,507</b>	<b>56%</b>
<b>Business Support Expenditure</b>		
Police Officer Pay	433	
Police Staff	21,348	
Training	761	
Other Employee Expenses	36	
Police Pensions	117	
Premises Costs	4,019	
Transport Costs	2,280	
Supplies & Services	13,609	
Capital Financing Costs	2,929	
Revenue Contribution to Capital	0	
Third Party Payments	683	
<b>Total Business Support Expenditure</b>	<b>46,215</b>	<b>34%</b>
<b>Collaboration Expenditure</b>		
Collaboration General	847	
Procurement	239	
Armed Policing	2,397	
Scientific Services	2,592	
Major Crime	3,449	
Protective Service	176	
Professional Standards	868	
ERSOU	984	
Helicopter	903	
Kings Lynn PIC	856	
<b>Total Collaboration Expenditure</b>	<b>13,311</b>	<b>10%</b>
<b>GROSS REVENUE EXPENDITURE</b>	<b>135,033</b>	<b>100%</b>

More detail can be found in the Revenue Monitoring report (Agenda Item 6)



Process for approval of the Police and Crime Commissioner's Precept

PCC PRECEPT APPROVAL (Final Regulations)



Cambridgeshire Police Authority  
Movements in Reserves in 2012/13 and 2013/14

		Balance 31 March 2012	Estimated 2012/13	Balance 31 March 2013	Estimated 2013/14	Balance 31 March 2014
	Ref	£000	Added to Reserve £000	Applied £000	Added to Reserve £000	Applied £000
Innovation Reserve	1	624		(147)		
Carry Forward Underspending Reserve	2	1,990				
Insurance Reserve	3	1,895				
Ill-Health Retirement Reserve	4	627				
Capital Reserve	5	10,908		(1,035)		
Operational Maintenance Reserve	6	500		(500)		
Collaborative Initiatives Reserve	7	1,350		(750)		
Recruitment Reserve	8	474				
Reorganisation Reserve	9	677				
Drug Forfeiture (Operational) Reserve	10	96				
<b>Total Earmarked Reserves</b>		<u>19,141</u>	<u>-</u>	<u>(2,432)</u>	<u>16,613</u>	<u>-</u>
General Reserve	11	7,000	500	(1,417)		(534)
<b>Total Reserves</b>		<u>26,141</u>	<u>500</u>	<u>(3,849)</u>	<u>22,696</u>	<u>(534)</u>
ADD: Insurance Provision	12	741				
<b>Total</b>		<u>26,882</u>				
Net Budget Requirement		127,600			130,200	133,600
General Reserve / NBR%		5.5%			4.7%	5.0%

Ref.	Comments
1	Financing of energy efficiency (carbon reduction)
5	Financing of major repairs to Parkside Police Station
6	Move to General Reserve in 2012/13 (after helicopter goes to NPAS)
7	Financing of Athena capital in 2012/13
11	Contributions to balance 2012/13 budget and 2013/14 forecast