

Appendix A



PRECEPT REPORT 2014-15

1. Purpose of the Report

- 1.1 The purpose of this report is to enable the Police and Crime Panel to approve the precept proposal set out by the Police and Crime Commissioner. Provided for background information are a series of documents which inform the precept including the latest Medium Term Financial Plan.

2. Police and Crime Plan

- 2.1 The budget enables delivery of the Commissioner's Police and Crime Plan. The Police Reform and Social Responsibility Act 2011 places a responsibility on Police and Crime Commissioners to keep the Police and Crime Plan under review and may vary it at any time. The Commissioner has updated the Police and Crime Plan to acknowledge the enhanced status of partnership working on key themes such as Victims, Offenders and Vulnerable Adults.
- 2.2 The Plan incorporates the Commissioner's objectives for ensuring efficiency and effectiveness in policing and tackling crime, based on the issues the public tells the Commissioner they are concerned about (e.g. fighting anti-social behaviour, burglary and timely response to telephone calls).
- 2.3 Public engagement between the Commissioner and the public takes place using a range of channels and methods, including via his Outreach Worker who has proved valuable in picking up and reporting back local concerns, as well as wider issues that need escalating for further action or scrutiny. Feedback mechanisms include:
- Street surgeries
 - One to one surgeries
 - Meetings with elected representatives, such as councillors and MPs
 - Attendance at/ feedback from neighbourhood forums/ meetings
 - Attendance at/ feedback from parish meetings
 - Representation on Community Safety Groups

- Attendance at/ feedback from Neighbourhood Watch AGMs and with the Chairman and other members of Cambridgeshire NHW
 - Correspondence – more than 1,600 emails and letters from members of the public
 - Twitter
 - Comments received via the website, by email or in person following publication of press releases or other locally, regionally or nationally generated news items
- 2.4 The Plan has also been updated to reflect the Constabulary’s latest strategic assessment and risk matrix and will be updated again once the 2014-15 budget and Medium Term Financial Plan have been finalised. It also reflects the Commissioner’s wider ‘and crime’ role.
- 2.5 Commissioners must consult Chief Constables on their draft plans before they are sent to the Police and Crime Panel for consideration. Commissioners must have regard to the crime and disorder reduction priorities set by partners, the strategic direction of the criminal justice system and the national Strategic Policing Requirement.
- 2.6 The Commissioner finds the Constabulary to be performing well on both crime reduction and public confidence. He wishes to ensure that this success is maintained and that the Chief Constable has the necessary resources to continue the improvement.

3. Budget and Medium Term Financial Strategy Development

- 3.1 During the autumn the Commissioner oversaw work to update the Medium Term Financial Plan. This Plan included a “just under 2% increase” in council tax assumption and at that stage the budget gap for 2014/15 was estimated at £3.5m.
- 3.2 The Commissioner received the provisional settlement on 19th December which took a further £1.2m from our base budget than had been expected, a total reduction to the Police Grant of 4.8% leading to a gap in budget of £4.9m.
- 3.3 Appendix 1 sets out the updated 2014 to 2018 Medium Term Financial Plan (MTFP) including the 2014/15 budget which is based on detailed budget work undertaken by the Constabulary over the past few of months.
- 3.4 Appendix 2 sets out the assumptions underpinning the budget and MTFP.
- 3.5 Appendix 3 sets out the details of the Final Grant Settlement for 2014/15.
- 3.6 Table 1 below sets out in broad terms how the budget has been balanced and Table 2 shows a high level analysis of the total budget.

Table 1 – Budget changes 2013/14 to 2014/15

	£m
Budget 2013/14	132.8
Funding Changes	
Reduction of grants	-3.7
Increase in Precept	1.6
Change to Draw Required on Reserves	0.1
Net Budget Requirement 2014/15	130.8
Net Revenue Expenditure Changes	
Inflation and budgetary pressures	1.4
Savings:-	
Police staff - net savings after transfer to collaborated un	-0.7
PCSOs	-0.9
Transport	-0.7
Supplies and services	-0.3
Decrease requirement for capital funding from revenue	-0.5
Increase in Income	-0.3
Total Savings Identified	-3.4
	130.8

Table 2 – High Level Budget Analysis

	£m
Policing Budget - delegated to the Chief Constable	125.7
Office of the Police and Crime Commissioner	1.2
Victim, restorative justice and crime & disorder grants	1.8
Capital Financing and Reserves	2.1
Net Budget Requirement	130.8

4. Council Tax Base and Collection Funds

- 4.1 Final council tax base figures and details of estimated losses/surpluses on collection funds as at 31 March 2014 have now been received. Net losses on collection funds are estimated at £96k and will be financed from the General Reserve. Compared to 2013/14 the council tax base for 2014/15 has increased by 1.5% after allowing for receipt of Council Tax Support Grant.

5. Precept 2014/15

- 5.1 Careful consideration has been given to the pros and cons of accepting the 2014/15 Council Tax freeze grant. The council tax freeze grant for 2014/15 is equivalent to the sum raised by a 0.65% increase in council tax. If the Commissioner was to accept a freeze grant for 2014/15 this would leave a further £0.6m deficit to fund. Cambridgeshire's spending on policing is one of the lowest in the country; a further decrease in budget could have a profound impact on the performance of policing in Cambridgeshire. However is it recognised that accepting the freeze grant would reduce costs for local residents, when the impacts of the current economic climate are being felt. During the election campaign the Commissioner had stated he would ensure value for money.
- 5.2 In order to protect frontline policing, the Commissioner therefore proposes to reject the council tax freeze grant and to increase the council tax precept by 1.92% from £177.93 per annum to £181.35, an additional 7 pence per week at band D. It is noted that at the point of writing the report, the "referendum ceiling" had not been announced and if this is ultimately at variance to current understanding, this proposal will require reconsideration.
- 5.3 In December the Commissioner announced to the media he would be proposing a modest increase in precept to protect the frontline. This was informed by what he has been told throughout the year by members of the public who want to see the number of frontline officers protected. The Commissioner believes that the 1.92% increase balances the public's expectations of police visibility with the affordability of a below inflation precept rise.
- 5.4 News of the Commissioner's proposal was covered by radio and print media across Cambridgeshire and tweeted (and subsequently re-tweeted) to a total of around 5,500 people. The level of correspondence directly to the OPCC specifically about the proposal has been exceptionally low (two emails/ letters). However, during the past year the Commissioner has received numerous emails, letters and comments from members of the public stating that they want to see officers and PCSOs on the streets and action from the police on a number of priority areas already identified in the Police and Crime Plan.
- 5.5 Details of the precepts due from each collection authority net of any loss or surplus on the collection funds are set out at Appendix 5.

6. Workforce

- 6.1 Despite budget reductions, the Constabulary has managed to increase the number of local policing officer posts from 988.5 at the start of the year to 998 by the start of this coming year. Overall posts were reduced from 1349.2 in 2013/14 to 1341 in 2014/15 as a result of savings elsewhere including collaboration with other forces.
- 6.2 As at January 2014, PCSO numbers stand at 150, a reduction on historical establishment of 30.

- 6.3 The budgeted number of Police Staff continues to fall as we continue to close the budget gaps year on year. Police Staff budgeted numbers for 2014/15 are 819.
- 6.4 Special Constabulary numbers reached our target of 300 in January 2014.
- 6.5 The current police officer workforce plans are shown in table 3 below.

Table 3

Police Officers	2013/14	2014/15
Local Policing*	988.5	998.0
Other Policing	350.7	343.0
*	+ 10 mid year	
Total Officers	1,349.2	1,341.0
Police Staff		
Police Staff	833.0	819.0
PCSOs	180.0	150.0
Total	1,013.0	969.0

7. Capital Financing

- 7.1 The Commissioner wished to ensure that from 1 April 2013 the Capital Programme was fully funded without external borrowing. Capital spending is financed by increased revenue contributions, unless the capital investment is to support structural investment for longer term transformational change.
- 7.2 The decision to minimise borrowing to finance the Capital Programme has meant even greater scrutiny of capital investment and additional work to develop more sophisticated cash flow projections and review of the financing of existing schemes.
- 7.3 The Capital Programme 2014 to 2018 has been agreed and the revenue effects of the Programme are included in the budget and the MTFP.

8. Specific Grants

- 8.1 The Police and Social Responsibility Act 2011 gave Commissioners the powers to make crime and disorder reduction grants, Cambridgeshire received £928k for distribution in 2013/14. For 2014/15 the crime and disorder grants will be rolled into the main police grant and therefore the Commissioner will be free to decide on the use and the totality of these grants going forward.
- 8.2 The Policing Minister has recently announced that Commissioners will receive funding to commission services for victims. £300k will be received during 2013/14 with a further £435k due to be received in 2014/15 and a further £875k as an indicative amount for 2015/16. The funding for 2013/14 has been provided to enable PCCs to:

- i) build the capacity and capability of potential providers of services for victims (including potential providers of restorative justice services) from the Voluntary Community and Social Enterprise (VCSE) sector;
 - ii) commission restorative justice services if capacity and capability are sufficient in relation to these services;
 - iii) prepare for local commissioning.
- 8.3 Work has been undertaken with partners to understand the existing landscape of support provision for victims and to create a 'Strategic vision of support for victims in Cambridgeshire'. The subsequent action plan will enable partners to drive this work forward to improve the support received by victims, both from services and within their communities. The vision has informed the 'Commissioner's Victim Referral and Support Service Commissioning Intentions'. These intentions set out Cambridgeshire's aim to work with the Ministry of Justice to pilot the local commissioning of victim referral through a local Victim Hub. This pilot Hub, which is fully supported by both partners, and colleagues from the Eastern Region, plans to manage referrals for victims who have both reported the crime and those who have not.
- 8.4 In Cambridgeshire all commissioning of support services will be driven by a strong foundation of partnership working and evidence. The Victim and Offender Needs Assessment and a Victims' service and pathway mapping event will be further bolstered by planned engagement with victims to ensure a 'victim-centric' approach is taken and research into key victim groups and experiences.
- 8.5 Nationally the Ministry of Justice will commission services which provide support for: victims of trafficking, families bereaved by homicide, victims of rape through partial funding of Rape Support Centres and witnesses through a Court-based Witness Service. National helplines and some services for victims of sexual and domestic violence will also be commissioned.

9. Office of the Police and Crime Commissioner

- 9.1 The Commissioner made a public commitment last year to reduce the running costs of his office from April 2013 by 10% compared to what the Police Authority had previously cost. The Commissioner set the budget for his office for 2013/14 at £866,000 which was an 11% reduction.
- 9.2 The Police and Crime Plan is being amended to reflect that the work of the Commissioner and the OPCC is changing and expanding. The Commissioner is driving an integrated offender strategy, and as set out above he will become responsible for commissioning services in support of victims which he intends to do through an integrated victim management approach.
- 9.3 To assist him in tackling this wider agenda he has agreed with the Chief Constable to retain a number of posts with enhanced responsibilities, whilst transferring the

remaining staff to the Chief Constable under Transfer Order 2 arrangements. The budget for the retained staff will also be retained by the PCC.

9.4 In addition, with his aim of personally championing the views of the people of Cambridgeshire and Peterborough, he has already appointed an Outreach Worker for Peterborough and Fenland which has been extremely valuable in obtaining the views of the public and highlighting issues for action to the Commissioner. In recognition of the value the outreach work has already achieved in the north of the area, a further Outreach post for Southern Cambridgeshire has been built into the Commissioner's 2014/15 budget.

9.5 The detailed budget is shown at appendix 4.

10. Robustness of estimates

10.1 Under Section 25 of the Local Government Act 2003, the Commissioner's Chief Financial Officer is required to report on the robustness of the estimates made for the purposes of the budget calculations.

10.2 Work on the 2014/15 budget gap began with Bedfordshire and Cambridgeshire agreeing to collaborate together, as Hertfordshire had requested that they look at other solutions for the operational support. Following the re-engagement of Hertfordshire into the collaboration work progress on collaboration plans with Bedfordshire has been slower, as all have to be reworked to accommodate all three forces.

10.3 The Force Executive Board held a budget session during the summer. At the budget session every budget manager was charged with addressing saving in their area of business and those savings were then challenge by their peers to produce a robust list of savings. The Finance Team then worked with budget managers to secure the savings identified.

10.4 Over the last few years the Constabulary has been able to deliver savings ahead of schedule. This has slightly eased the pressure on preparation of the 2014/15 budget and news from Government that we have been successful in our bid to the new Home Office innovation fund will assist with delivering projects designed to bridge the gap over the coming years. However the future remains very challenging as the gaps demonstrate.

10.5 The Commissioner has built on the Constabulary's tried and tested budget preparation and monitoring arrangements. This includes scrutiny of where and why savings have been achieved and reassurance that, where possible, they have been built into the following year's budget.

10.6 There have been changes to the overall way the budget has been put together for 2014/15 and these changes have been reflected in recast figures for 2013/14 for comparison. Further services are now being considered for collaboration with Hertfordshire and Bedfordshire i.e. custody, which has been traditional shown within

the local policing figures and now shown within the Business Support Expenditure thus giving a true spend for the Local Policing budget.

11. Use of Reserves

- 11.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of the proposed financial reserves as part of budget setting considerations.
- 11.2 Appendix 6 sets out the Commissioner's reserves including estimated movements in 2013/14 and 2014/15.
- 11.3 Earmarked Reserves have been built up over the last few years specifically for the financing of capital (via the Capital Reserve). The Capital Reserve has been applied to fund legacy schemes (schemes approved pre 2013) and use of the Capital Reserve in this way reduces the pressure on the revenue costs required to fund the capital programme
- 11.4 It is proposed to set up a reserve for the underspend for 2013/14, built up as a result of the need to find £4.7m savings for 2014/15, which will be used to assist with the large budget savings required in future years. It is further proposed to set up a reserve to fund years 3 and 4 of the Metis Programme.
- 11.5 The Commissioner holds a general reserve (7%), primarily as a contingency for major police operations which may come out of the blue and at major cost.

12. The Medium Term Outlook

- 12.1 As set out in Appendix 1 the projected budget gap in the 3 years 2015 to 2018 is a further £12.2m. This has increased significantly given the settlement for 2014/15 and the statement that further top slicing is due for 2015/16. It is disappointing that the government has not been able to confirm grant allocations for 2015/16 and has stated that it could be summer before indicative cuts are known. One year allocations do not make for easy financial planning. 2015/16 is particularly difficult as we are expecting further top slicing of the Police Grant with no knowledge of how much this might be.
- 12.2 The Strategic Alliance is relying upon collaboration of Operational Support (back/middle office), coupled with the introduction of Metis, the IT streamlining of process to deliver information directly to the front-line, to deal with most of the funding gap in the medium term. Any further delays with these projects may jeopardise the realisation of the required savings and necessitate another 'Plan B'.

13. Conclusion

Despite larger than expected reductions in the settlement grant for 2014/15 robust plans are in place for:

- maintaining police performance,
- retaining local officers numbers, and
- linking with partners to reduce offending and improve support for victims

Through Metis and continued collaboration ambitious plans have been put in place to ensure the front line is protected. Ensuring the council tax element of the funding keeps pace with inflation will enable that the success of these plans and ensure performance and services are maintained at a level desired by the public.

14. Recommendation

- 14.1 Taking into account all the information contained in the report the Commissioner is asking the Panel agree with his decision to raise the council tax by 1.92%, the equivalent of 7p per week on a Band D.

	Revised Budget 2013/14 £'000	Budget 2014/15 £'000	Forecast 2015/16 £'000	Forecast 2016/17 £'000	Forecast 2017/18 £'000
Local Policing Expenditure					
Police Officer Pay	51,687	51,885	53,242	55,846	57,412
Police Staff	5,837	5,429	5,602	5,793	5,966
PCSO Pay & Allowances	5,762	4,876	4,933	5,019	5,170
Total Local Policing Expenditure	63,286	62,190	63,777	66,658	68,547
Business Support Expenditure					
Police Officer Pay	8,497	8,197	8,374	8,675	8,914
Police Staff	19,001	18,071	18,364	18,969	19,538
Goods and Services	20,347	19,541	19,690	20,268	20,875
Total Business Support Expenditure	47,845	45,809	46,428	47,912	49,327
Collaboration Expenditure					
BCH	16,411	17,031	17,372	17,999	18,212
ERSOU	962	1,029	1,050	1,087	1,120
Helicopter	470	480	490	504	514
Kings Lynn PIC	688	906	924	952	971
Total Collaboration Expenditure	18,531	19,446	19,835	20,543	20,818
Office of the Police and Crime Commissioner	866	1,224	1,249	1,279	1,313
Community Safety / Crime Reduction Grants (OPCO)	928	1,341	1,347	1,347	1,347
Victim and Restorative justice Grant	300	435	875	0	0
Capital Financing Costs	2,669	2,204	2,533	2,812	2,781
GROSS REVENUE EXPENDITURE	134,425	132,649	136,044	140,550	144,134
Total Income	-1,462	-1,755	-1,955	-1,955	-1,955
NET REVENUE EXPENDITURE	132,963	130,894	134,089	138,595	142,179
Contributions +To /- From Reserves	-155	-96	0	0	0
NET BUDGET REQUIREMENT (NBR)	132,808	130,797	134,089	138,595	142,179
Budget -Decrease / +Increase Year on Year		98.5%	2.5%	3.4%	2.6%
Financed by:					
Formula Grant	81,139	77,273	74,300	72,886	71,792
Victim and Restorative Justice Grant	300	435	875	0	0
Precept	45,544	47,190	48,837	50,541	52,305
Council Tax Freeze Grant	1,173	1,173	1,135	1,118	1,101
Council Tax Support Grant	4,807	4,822	4,822	4,822	4,822
Collection Fund - Deficit / +Surplus	-155	-96	0	0	0
TOTAL FINANCING	132,808	130,797	129,969	129,367	130,020
BUDGET GAP	0	0	-4,120	-9,228	-12,159
			-4,120	-5,108	-2,931
Band D Council Tax £	£177.93	£181.35	£184.90	£188.53	£192.22
KEY ASSUMPTIONS INCLUDED IN THE FORECASTS ABOVE					
Council Tax base increases actual	1.10%	1.50%			
Council Tax base increases estimated			1.50%	1.50%	1.50%
Council Tax	1.96%	1.92%	1.96%	1.96%	1.96%
Tax base	255,963	260,217	264,120	268,082	272,103
Grant increase / Decrease (-)	-1.95%	-4.80%	-4.00%	-2.00%	-1.50%
Police officer pay rise (w.e.f 01/09)	1.00%	1.00%	1.00%	1.58%	2.00%
Police staff pay rise (w.e.f. 01/9)	1.00%	1.00%	1.00%	1.58%	2.00%
Increment increase	0.70%	0.70%	1.00%	1.00%	1.00%
General Inflation	2.50%	2.00%	2.00%	2.00%	2.00%
Fuel & Energy Inflation	4.00%	5.00%	5.00%	5.00%	5.00%

* Recast figures to show services to be collaborated i.e. custody, in Business Support and not Local Policing

Budget Assumptions

The following assumptions (some now confirmed) underpin the estimates/forecasts:-

- Pay awards - the Chancellor's Autumn Statement confirmed a further two years of pay restraint - 1% per annum up to and including 2015/16.
- Winsor 2 has led to a slight increase in costs for 2014/15 with further increases over the life of the plan; the budget assumption plans for this increase.
- General (price) inflation is now projected at 2.0% across the 4 years but for energy and fuel the assumption is 5%.
- A council tax increase of 1.92% confirmed for 2014/15 and 1.96% assumed in each of the remaining years of the Medium Term Financial Strategy
- A formula grant reduction of 4% in 2015/16, 2% in 2016/17 and a further 1.5% for the final year of the plan.

Details of the Final Grant Settlement 2013/14

1. Formula Grant

- 1.1 A 4.8% cash reduction for 2014/15 compared to our assumption of 3.3%. We are worse off by £1.2m.
- 1.2 Grants will be directly payable by DCLG and Home Office.
- 1.4 No figures published for 2015/16 (in light of further reduction to Home Office budget).
- 1.5 No changes to damping arrangements. Damping has been applied to ensure all policing bodies receive the 4.8% cash reduction.
- 1.6 Beyond 2014/15 - The Home Office confirmed that the Home Secretary ‘..will be commissioning a fundamental review of the Formula once Police and Crime Commissioners are established in their roles and able to engage fully in the review process.’ This is expected to begin in mid-2014.
- 1.7 In the Autumn Statement 2013 the Chancellor announced that further cuts could be expected for 2015/16.

2. Victim and Restorative Justice Grant

- 2.1 The allocation for 2014/15 is £435k, slightly higher than expected.

3. Localised Council Tax Support Funding

- 3.1 Our DCLG published grant is £4.82m (£4.81m was previously notified). This grant will make up the shortfall in precept from the lower tax base.

4. Council Tax

- 4.1 Referendum limit is still awaited for 2014/15. On 19 December 2012 the Secretary of State announced that as a general rule a 2% referendum principle would apply to all principal local authorities, Police and Crime Commissioners and Fire and Rescue Authorities, meaning that a positive local referendum result would be needed for council tax increases above 2%, with exceptions for those authorities who’s Band D council tax was in the lower quartile for their category of authority. Cambridgeshire Police does not fall within this category.
- 4.2 Council Tax Freeze Grant details confirmed - A local elected policing body will be eligible for the grant providing it does not increase the basic amount of council tax in 2014/15, compared to 2013/14. The grant of £284.2k is equivalent to a 0.65% increase in the 2013/14 Band D council tax payment.

5. Capital Grant

Confirmed as £2.1m for 2014/15.

Office of the Police and Crime Commissioner (OPCC)

Budget for the OPCC 2013/14 and 2014/15

	2013/14 Budget £000	2014/15 Budget £000	Change £000	Notes
Police and Crime Commissioner	70	70	0	
Police and Crime Commissioner - employers NI	7	8	1	
Deputy Police and Crime Commissioner	28	28	0	
Deputy Police and Crime Commissioner - employers NI	2	3	1	
Travel/Conferences etc.	10	5	-5	Reduced costs for the PCC and Deputy PCC
	117	114	-3	
OPCC Staffing (incl. Chief Executive and CFO)	466	745	279	Increased capacity for new functions and Stage 2 Transfer staff
(9.8 fte in 2013/14) (15.9 fte in 2014/15)				
Other OPCC staff costs	24	19	-5	Travel costs, recruitment and training etc.
Legal fees	40	78	38	Increased to account for collaboration requirements
External Audit Fees	65	45	-20	Constabulary now contribute towards external audit
Internal Audit costs	46	46	0	
Other office and running expenses	108	177	69	Custody visitors, IT costs, Corporate subscriptions, accommodation costs, etc.
Total costs of the OPCC	866	1,224	358	
Staffing	597	873	276	
Non-Staffing	269	351	82	
	866	1,224	358	

Share of Precept to be paid by each District/City Council in 2014/15

	Council Tax Base No.	Precept £	Collection Fund Surplus (+)/ Deficit (-) £	Total Payment Due £
Cambridge City	38,675.1	7,013,729.39	-4,537.87	7,009,191.52
East Cambridgeshire	27,877.3	5,055,548.36	-14,283.00	5,041,265.36
Fenland	27,011.0	4,898,444.85	0.00	4,898,444.85
Huntingdonshire	57,357.0	10,401,691.95	-17,815.00	10,383,876.95
South Cambridgeshire	58,242.6	10,562,295.51	-59,656.00	10,502,639.51
Peterborough City	51,054.0	9,258,642.90	0.00	9,258,642.90
Total	<u>260,217.0</u>	<u>47,190,352.95</u>	<u>-96,291.87</u>	<u>47,094,061.08</u>

General and Earmarked Reserves - Movements

	Balance	2013/14		Balance
	31 March 2013	Added to Reserve	Applied	31 March 2014
	£000	£000	£000	£000
Innovation Reserve	592			592
Carry Forward Underspending Reserve	1,114	1,167	-1,114	1,167
Insurance Reserve	1,028			1,028
Ill-Health Retirement Reserve	627			627
Capital Reserve	6,275		-900	5,375
Collaboration Initiatives Reserve	2,016			2,016
Drug Forfeiture (Operational) Reserve	177		-80	97
Operational Contingency Reserve	500			500
Metis Programme Years 3 and 4 Reserve		2,000		2,000
Budget Damping Reserve		1,950		1,950
	<u>12,329</u>	<u>5,117</u>	<u>-2,094</u>	<u>15,352</u>
General Reserve	9,205	18	3,023	9,223
			0	

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