



Bedfordshire Police Authority

COMMITTEE AND MEETING DATE	Police Authority 17 December 2010
AGENDA ITEM No:	
TITLE:	Provisional Finance Settlement 2011/12
DATE OF REPORT:	13 December 2010
REPORT OF:	Chief Executive/Treasurer and Chief Constable
AUTHOR:	Assistant Director Resources
ACTION REQUIRED:	For Consideration.
APPENDICES:	None

EXECUTIVE SUMMARY:

This report provides Members with details of the Provisional Finance Settlement for 2011/12 and the impact this has on the funding gap predicted for the financial year 2011/12.

RECOMMENDATIONS:

Recommendation 1 That Members note the report and in doing so consider the council tax option of maintaining Council Tax at the 2010/11 level.

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BACKGROUND PAPERS:

Provisional Finance Settlement 2011/12

ADDITIONAL PAPERS:

N/A

1. INTRODUCTION

- 1.1 On 13 December 2010 the Secretary of State for Communities and Local Government announced the proposed Local Authority Finance Settlement for 2011/12.
- 1.2 The purpose of this report is to provide Members with a factual assessment of the proposed settlement and how it impacts on the revenue budget for 2011/12.

2. PROPOSED SETTLEMENT 2011/12

- 2.1 The total government funding for policing for 2011/12 is £9.341bn and is 4% less than 2010/11. For Bedfordshire, and all other Police Authorities the settlement for Formula Grant, now incorporates the previous specific grants: Crime Fighting Fund, BCU grant and Rule 2 grant, and is 5.1% less than was received by the Authority for all four grants in 2010/11, this equating to a £3.97M reduction, and provides a Formula Grant of £73.181M.
- 2.2 The table below provides a breakdown of this settlement. The damping mechanism, previously known as floors and ceilings, continued to be utilised which has resulted in Bedfordshire losing approximately £1M compared to that it should have received through the funding formula.

	2011/12 £M	2010/11 £M
Total Formula Grant	73.181	73.089
Funded by:		
Business Rates	22.365	26.580
Revenue Support Grant	6.902	3.860
Police Grant	43.914	42.649
Total	73.181	73.089

- 2.3 In addition to this, the announcement also confirmed that the Neighbourhood Policing Fund, which contributes towards 75% of the pay costs for the 128 PCSOs within the Force, would continue to be ringfenced.
- 2.4 Whilst not yet confirmed, as part of the settlement, it is anticipated that the specific grants associated with Prevent, Manpads and Security Grant will continue at similar levels to 2010/11.
- 2.5 The announcement also confirmed that Capital Grant would be reduced by 60% in 2011/12 to £0.8M, but increased upto £1.1M for the remainder of the Comprehensive Spending Review (CSR) period.

3. CAPPING CRITERIA

- 3.1 It was announced that details of capping principles would be announced at the time the Local Government Finance Settlement is debated in Parliament, expected to be early February 2011. However, it was made clear that the two Police Authorities that were designated last year would be capped if they increased Council Tax above 2.5%.
- 3.2 It was also stated that a specific Grant, equivalent to a 2.5% increase on the 2010/11 Council Tax level, would be allocated to those Authorities that maintained the 2011/12 Council Tax at the 2010/11 level. This grant would continue for the remainder of the CSR period to ensure that the ongoing effects of a one-off grant were not realised during the CSR period.

4. MEDIUM TERM FINANCIAL FORECAST

- 4.1 The Finance Settlement included firm details for 2012/13 which highlighted a 6.7% reduction on the 2011/12 Formula Grant. The level of Grant expected to be received totals £68.276M representing a cash reduction of £4.905M.
- 4.2 At this stage the forecasted funding gap for 2012/13 is approximately £5.5M, this both reflecting the loss of Grant but also those standstill pressures that the Force faces, such as incremental drift and inflation.
- 4.3 Included within the Settlement for 2012/13 is a specific grant to fund the election of the Police and Crime Commissioners. Exactly how this will be distributed at this stage is unknown.
- 4.4 At this stage, no firm Settlement information has been provided for 2013/14 and 2014/15, but as reported as part of the CSR, it is expected that total Government funding for the Police will reduce by 2% and 1% consecutively, in these two years.
- 4.5 It is expected that the Neighbourhood Policing Fund will be absorbed into the main Police Grant from 2013/14 onwards, thus removing the ringfencing for this grant.

5. 2011/12 BUDGET

Draft Budget

- 5.1 The draft budget for 2011/12, when adjusting for the Specific Grants, as mentioned at 2.1 above is £110.068M. This is approximately £0.2M higher than that anticipated when the Medium Term Financial Strategy was considered in July 2010. The variance mainly attributed to incremental drift, i.e. the costs of both officers and staff moving to the next spinal point within their payscale as well as the cost of re-grading due to a change in the responsibilities or shift patterns of particular posts.

Contingency provision November 2010 – March 2012

- 5.2 There is a need to make an allowance, by way of a Contingency Provision for pay/price increases that will arise between November 2010 and March 2012. However, pay awards are not expected in September 2011 and therefore the only provision to be made is for price increases which have been estimated at 1%, amounting to £0.184M

Potential Budget Requirement

- 5.3 The potential budget requirement of £110.252M is comprised as follows:-

	£000
2010/11 Budget at November 2009 prices	105,501
Standstill Pressures	2,163
Inflation November 2009 to November 2010	2,404
Contingency Provision November 2010 to March 2012	184
Potential Budget Requirement	<u>110,252</u>

6. ADDITIONAL VARIATIONS TO POTENTIAL BUDGET REQUIREMENT

6.1 Reductions

- 6.1.1 The potential budget requirement, when compared to the expected level of precept and government grant listed above, provides for a funding gap of some £6.3M.

- 6.1.2 As Members will be aware, a significant amount of work has been undertaken within the Authority and Force to ensure that in delivering against the funding gap, whatever changes we do make, they enable us to continue to deliver affordable, effective and efficient policing that meets our communities' needs and that has local policing principles at its core. The initiatives that are being used to deliver against this are:

- Line by Line budget analysis;
- Overtime;
- Review of Support Services;
- New Collaboration – extending our collaboration to deliver more efficient support services and creating resilience within our Protective Services; and
- Programme 2011 – considering our local policing provision;

6.2.2 Whilst detail is still being considered in relation to the above initiatives and ensuring that work in these areas continues to be aligned to the Authority and Force's Strategic Plan and Purpose, the current headline reductions are as follows:

		Officers	Staff
	£M	FTE	FTE
Non Staff Budgets	1.8	-	-
Corporate Services	1.0	-8	-6
New/Existing Collaboration	1.2	-12	-5.5
Programme 2011	1.7	-40	-3
Overtime	0.2	-	-
	5.9	-60	-14.5

As the table highlights, further work is being undertaken to ensure the delivery of these savings during 2011/12 as well as identifying the remaining £0.4M required to bridge the full funding gap of £6.3M for which a number of options are being considered and details will be provided at the Seminar on 17 December 2010.

7. COUNCIL TAX

- 7.1 The assumptions in relation to the funding gap of £6.3M, are that the Council Tax for 2011/12 will remain at the 2010/11 level, with the Precept only increasing due to a predicted increase in the taxbase.
- 7.2 The Authority continues to have options with regards to increasing Council Tax. However, recognising that in making the announcement of the Settlement the Minister of State for Policing and Criminal Justice, provided a specific grant to assist with Authority's maintaining Council Tax at 2010-11 levels, and the announcement that the two Authority's that were designated in 2010/11 would be capped if their Council Tax increase was above 2.5%, in the current financial climate, it is likely that the majority of Police Authorities will be taking advantage of the specific grant.
- 7.3 Authorities that do take advantage of the specific Council Tax freeze grant, could potentially be disadvantaged at the end of the CSR period, 2014/15, as no mention has been made of this grant continuing after that period. Budget and Council Tax decisions for 2015/16 will therefore have to be cognisant of this loss of grant.

8. SERVICE AND FINANCIAL IMPLICATIONS

- 8.1 The Authority and Force face significant financial challenges over the CSR period 2011/12 to 2014/15. In particular financial years 2011/12 and 2012/13 will see significant reductions to Core Grant and limitations to levels of Council Tax increases. Whilst the Authority and Force have undertaken a significant level of work to overcome such a financial challenge there will be the need for some difficult decisions to be made with regards to the delivery of the service, as a whole, over this four-year period.

10. RISK

10.1 The financial risks to the Authority and Force are significant and as outlined above the Authority will need to consider some difficult decisions including alternative approaches to service delivery and potentially reductions in service delivery as well as increases in Council Tax. Potentially all of these decisions could impact on performance and public confidence.

11. RECOMMENDATION

11.1 That Members note the report and in doing so consider the Council Tax option of maintaining the Council Tax at the 2010/11 level.

STEPHANIE MCMENAMY
CHIEF EXECUTIVE / TREASURER

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