



Bedfordshire Police Authority

COMMITTEE AND MEETING DATE	POILCE AUTHORITY SEMINAR AND FINANCE COMMITTEE 27 JANUARY 2011
AGENDA ITEM No:	5
TITLE:	DRAFT REVENUE BUDGET 2011/12 AND MEDIUM TERM FINANCIAL STRATEGY 21012/13 TO 2104/15
DATE OF REPORT:	8 JANUARY 2011
REPORT OF:	CHIEF EXECUTIVE/TREASURER AND CHIEF CONSTABLE
AUTHOR:	ASSISTANT DIRECTOR – RESOURCES
ACTION REQUIRED:	FOR DECISION
APPENDICES:	Appendix A – Schedule of Reductions Appendix B – Current and Estimated Levels of Reserves

RECOMMENDATIONS:

Seminar

1. That the Seminar considers what guidance it wishes to issue on the Budget options to the Finance Committee for its meeting on 27 January 2011.

Finance Committee

2. That the Finance Committee recommend a budget option for the Police Authority to consider at its meeting on 18 February 2011.

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BACKGROUND PAPERS:

Provisional Finance Settlement. (contact Janet Wardell ext 2066)

ADDITIONAL PAPERS:

None

1. Introduction

- 1.1 At its seminar on 17 December, due to the Settlement being announced after the Police Authority meeting on 10 December 2010, the Police Authority, in considering the implications of the provisional finance settlement, provided guidance on setting a budget for 2011/12 based upon retaining Council Tax levels at the 2010/11 level.
- 1.2 It should be noted that all considerations are based upon the Provisional Finance Settlement and could be subject to change. It should also be noted that prior to the writing of this report confirmation of certain specific grants, these being the Security grants, had not been received.

2. General Considerations

- 2.1 In preparing the 2011/12 budget a number of factors have been taken into consideration:
 - 2.1.1 The need to focus on providing a service that is able to fight crime and protect the public, of whom we serve, and ensure that our resources allow us to protect, satisfy and reassure our public, and that we will do this through the following:
 - Protection of Life;
 - Protection from Disorder;
 - Protection from Violence;
 - Protection of Property
 - 2.1.2 In addition to these consideration is also given to the fact that during the Comprehensive Spending Review (CSR) period it is expected that overall formula grant funding will be reduced by 20%, therefore in considering the 2011/12 budget it is important that the future years are also considered in making appropriate decisions, this including the change in governance arrangements anticipated in 2012.

3. The Provisional Settlement

- 3.1 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.
- 3.2 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	2010/11
	£M	£M
Total Formula Grant	73.181	77.151
Funded by:		
Business Rates	22.365	26.580
Revenue Support Grant	6.902	3.860
Police Grant	43.914	46.711
Total	73.181	77.151

- 3.3 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.
- 3.4 The announcement also confirmed that Capital Grant would be reduced by 60% in 2011/12 to £0.8M, but increased up to £1.1M for the remainder of the Comprehensive Spending Review (CSR) period.
- 3.5 For 2012/13 all Police Authorities will receive a cash reduction in Formula Grant in 2012/13 of 6.7%, with overall core funding, including specific grants, reducing by 5%. These reductions are slightly higher than had been forecast, and at this early stage increase the predicted funding gap in 2012/13 from £5.3M to £5.6M
- 3.6 The level of Grant for 2012/13 will therefore equate to £68.276M (a 6.7% reduction on the 2011/12 level of £73.181M, as shown above). The Neighbourhood Policing will continue to remain as a ringfenced grant and is likely to be reduced by approximately £0.1M (current levels being £2.764M). In addition a Specific Grant has been included within the Settlement of £50M to provide funding for the election of Crime Commissioners, details of how this will be allocated is fully known but is likely to be paid direct to the relevant Local Authority.
- 3.7 The details of 2013/14 and 2014/15 Settlements are not yet known but are likely to be in accordance with the CSR announcement.

4. 2011/12 REVENUE BUDGET

- 4.1 Based upon the Settlement for 2011/12, the Authority face a budget gap of £6.171M, as set out in the table below:

	£000	£000
2010/11 Budget at November 2009 prices		105,501
Standstill Pressures	1,947	
Inflation November 2009 to November 2010	2,404	
Contingency Provision November 2010 to March 2012	184	
Potential Budget Requirement		110,036
Formula Funded Grant	73,181	
Council Tax Freeze Grant	751	
Council Tax	30,038	
Deficit on Collection Fund	(104)	
Total Funding Available		103,866
Funding Gap		6,170

- 4.2 The Council Tax assumes that the level of Council Tax for the Authority will remain at 2010/11 levels and therefore a Band D equivalent of £144.77, and that the Authority in agreeing this decision would benefit from the Council Tax Freeze grant included within the Provisional Settlement.

5. CAPPING CRITERIA

- 5.1 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%.
- 5.2 As mentioned 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.
- 5.3 Whilst the Settlement, provides for the Council Tax grant to be included in each of the four years covered by the CSR period. Members should be mindful of the fact, the actual Settlement has only confirmed funding for 2011/12 and 2012/13 and therefore there is a risk that this grant does not continue beyond 2012/13.

6. BUDGET REDUCTIONS 2011/12

6.1 The Budget reductions shown at Appendix A are those that have been derived through the series of change initiatives the Force and Authority have been considering over the past year, these consist of:

- Revisit of Medium Term Financial Assumptions / Budget Challenge;
- Reductions to Overtime;
- Collaboration;
 - Existing
 - Extended – Strategic Alliance / PAN
 - Regional
- Non Collaborated Support Services; and
- Programme 2011

6.2 The first two bullets have required a significant amount of focus by the Force recognising that any savings realised through these initiatives have limited, if any impact on the overall staffing numbers of the Force.

6.3 The full Police Authority and Strategic Planning Working Group have received regular updates with regards to the remaining workstreams as these impact upon the structure of the Force. In addition to keeping the Authority updated in relation to these initiatives, Partners and the Public have also been kept regularly informed and indeed a partner day was held earlier this month to ensure that views are taken on board in terms of final design.

6.4 As Appendix A highlights, the overall reductions result in a reduction in the police officer establishment of 56 officers, reducing the overall establishment to 1,191 by 30 September 2011. To achieve this reduction the Force will need to utilise A19 (a method of releasing officers who have over 30 years service). In addition the support staff establishment will reduce by 27, with the potential of some 35 redundancies, although all efforts will be taken to redeploy these staff into other areas of the organisation where vacant posts exist.

7. MEDIUM TERM FINANCIAL STRATEGY

7.1 Based upon the Settlement information provided above as well as predictions for future years funding, the forecasted standstill pressures, and anticipated Precept increases, the forecast position over the period 2012/13 to 2014/15 is shown in the table below:

	2012/13 £M	2013/14 £M	2014/15 £M
Standstill Funding Gap	1.7	2.1	2.1
2.5% Increase in Council Tax	-1.0	-1.0	-1.0
Grant Reduction	4.9	2.5	2.5
Predicted Funding Gap	5.6	3.6	3.6
Reduction Initiatives			
Budget Challenge / MTFS (G)	1.2	0	0
Existing Collaboration (G)	0.4	0.4	1.1
Programme 2011 (A)	2.1	0	0
Overtime (A)	0.3	0	0
Support Services (R)	0.7	0	0
New Collaboration (R)	0.9	0	0
Operational Activity	-	3.2	2.5
Total Reduction Initiatives	5.6	3.6	3.6

7.2 As the table above shows, the reduction initiatives will continue to be RAG assessed and continually monitored by the Force Senior Leadership Team and the Finance Committee, with the intention to move those reduction initiatives from red and orange to green. The interpretation of the RAG assessment is shown below:

- Green (G) – these are reductions whereby we have confidence that they could be taken out of the budget in the appropriate financial year without much further work.
- Amber (A) – those reductions for where a programme of work is in place and the actual detail of the savings and their impact is being assessed.
- Red (R) – reductions for where a workstream has been highlighted but at this stage a programme of work has not yet commenced.
- Operational Activity – areas of reduction that could be achieved via any of the amber or red workstreams above but at this stage no sufficient detail is available.

7.3 The table shows that although the grant reductions are front-loaded there is still a need to make budget reductions in the latter two years of the CSR period, and it should be recognised that as more reductions are taken out of the budget in 2011/12 and 2012/13, it becomes more difficult to realise further savings in the latter years.

7.4 At this stage, with further work being undertaken around Programme 2011 and new streams of collaboration, it is envisaged that the reduction initiatives in place should allow both the Force and Authority to realise the reductions required over the CSR period, but obviously will be kept under continuous review to ensure that additional workstreams are considered where required. It should also be noted that the funding gaps for 2013/14 and 2014/15 continue to be estimates.

8. RESERVES

- 8.1 The budget options above do not consider the use of reserves in assisting with the funding gap, mainly to ensure that as the Authority enters a transition period with the introduction of Policing Crime Commissioners, a prudent level of reserves remains to cope with extraordinary demand and future years budgetary reductions.
- 8.2 Appendix B shows the level of reserves held by the Authority at 31 March 2010 and the predicted levels of reserves over the four year period, considered by the CSR.
- 8.3 As Members will be aware, the level of earmarked reserves are mostly associated with the capital programme and the need to invest in accordance with the Estates Strategy. However as these continue to be revenue reserves, their consideration will feature heavily in future years budgets. To this end the capital programme continues to provide for a level of borrowing over the four-year period to preserve, where possible the capital expenditure reserve, but with little ability to generate capital receipts or fund capital expenditure through the revenue budget, the capital expenditure reserve, as shown reduces over the four year period.
- 8.4 As reported elsewhere on this agenda, the current forecast for 2010/11 is an underspending of £0.5M. It is suggested at this stage, due to both the planned EDL protest in February and the fact that there is a risk that officer and staff numbers may not reduce by the required number by 1 April 2011, that these underspendings are put into General Reserves and consideration is given to the using reserves to fund both the EDL protest and those one-off set-up costs associated with the programme change initiatives outlined at Appendix A.
- 8.5 The Authority must hold a minimum level of general reserves, although neither the Audit Commission or CIPFA, feel it is appropriate to stipulate what a minimum level should be, and therefore it is for the Chief Finance Officer to advise. The level of general reserves should be based on the level of anticipated risk (i.e. the likelihood of a Soham type incident, flooding, terrorist activity etc.). In approving the policy on general reserves in June 2010, the Finance Committee stated that general reserves should not be lower than 2.5% of Net Revenue Expenditure, due to the economic climate. It is felt that the level of general reserves at the end of 2011/12 will be at this level, however, further consideration will need to be given to this as part of setting the 2012/13 revenue budget.

9. Public Consultation

- 9.1 As Members are aware the Authority have been consulting with the public across Bedfordshire and Luton with regards to the budget through varied means including focus groups and road show type events to ensure that the views it gains are more representative of its communities. It has also an on-line budget survey.
- 9.2 At the time of writing this report the survey has not closed however over a thousand surveys had been completed by residents and businesses to supported the findings arising from focus groups etc. The Chief Executive/Treasurer will provide a verbal update of the outcome of this consultation to this meeting following their completion.
- 9.3 The Authority has a communication plan to ensure that residents, businesses and partners in our communities are kept informed.

10. Summary

- 10.1 Attached are the following documents:
- Appendix A – Schedule of Reductions
 - Appendix B – Current and Estimated Levels of Reserves

11. Service and Financial Implications

- 11.1 As shown at 3.1, there are no financial implications at this stage of the year, however stringent control of resources is paramount to ensuring that the overall revenue budget is not exceeded by the end of the financial year.
- 11.2 The full report presented to the Authority on 18 February 2011 will, in accordance with the Local Government Act 2003 provide assurance on the accuracy, reliability and achievability of the 2011/12 revenue budget, but at this stage both the Force and Authority have been fully consulted on the budgetary process and the initiatives proposed.

12. Other Implications

- 12.1 Corporate Governance: The consideration of the revenue budget is a significant element of both the Authority and Force's governance and there is a need to ensure that the strategic plans are cognisant of the predicted financial outlook.
- 12.2 Policy and Strategic Aims: The budget options detailed above are directly linked to the strategic intent for the Authority and Force and ensure that resources are allocated to those areas of demand as well as risk, threat and harm

13. **Risk**

- 13.1 Due to the early forecasting of the financial position for the Authority and Force in 2011/12 and 2012/13, a significant amount of work has been undertaken to ensure that a transformational approach to bridging the funding gap has been taken. A significant amount of research and learning from other Forces that have chosen similar change programmes has been undertaken and therefore the majority of risks have been addressed during the research. However, it is prudent to reflect that with any change programme, particularly one of this scale, there is the risk of a dip in performance. Controls have been put into place to mitigate against this risk.
- 13.2 The change programme as shown requires a vast reduction in the number of police officers and support staff and therefore there is a risk that the realisation of these reductions is not achieved within the defined timescales. Again a number of controls are in place to mitigate against this risk, but one that needs to be recognised.

14. **Recommendation**

- 14.1 That the Seminar considers what guidance it wishes to issue on the Budget options to the Finance Committee for its meeting on 27 January 2011.
- 14.2 That the Finance Committee recommend a budget option for the Police Authority to consider at its meeting on 18 February 2011.

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