

AGENDA ITEM 4a

Proposed Policing Precept Level

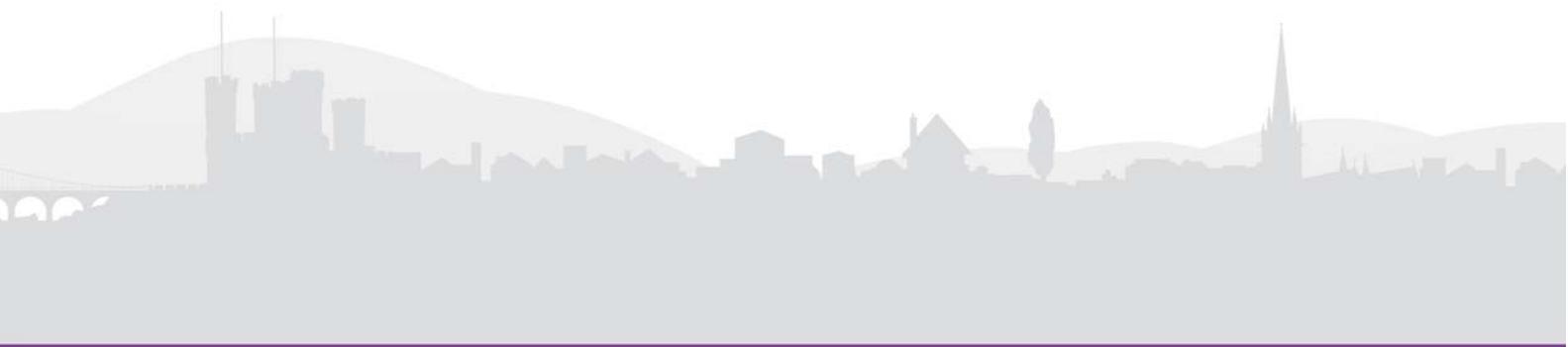
Introduction by Police Commissioner Winston Roddick

One of the key decisions that I will make each year will be to present the proposed policing precept level to the Police and Crime Panel. This decision will be critical in determining the level of resources that can be made available for the Chief Constable to deliver the policing service in North Wales and for delivering my vision as Police and Crime Commissioner.

I want to ensure security in the home and safety in public places, and in order to achieve this I am proposing to the Panel that the Policing precept for 2013/14 is increased by 3.47% which equates to an increase of 3.98% on the Council Tax, an additional 17 pence per week (band D) per household.

This would enable an additional 51 Police officers to be funded. An increase of 51 Officer posts would increase the Officer Establishment from 1417 to 1468. This will also allow early recruitment to continue to be funded from reserves which would allow actual numbers to be 50 to 70 over establishment in March 2014. The additional officers would enable greater options to focus on reducing crime through preventative measures and reducing harm to communities.

The Police and Crime Plan will set out in more detail what I intend to achieve, and how I intend to achieve it during my term of office. Currently we are still considering the views of the Community through the Call for Evidence, prior to presenting the draft Plan to the Panel next month. It is important that we have a clear agreement of the level of resources that can be made available to police North Wales, to finalise and ensure that we deliver an effective policing service to the area.



Report from the Office of the Police and Crime Commissioner

Title:	Budget and Precept 2013-14 to 2016-17
Meeting:	Meeting of the North Wales Police and Crime Panel, 21 January 2013
Author:	Mike Parkin, Interim Chief Finance Officer / Director of Finance and Resources

Introduction

This report reviews the financial situation and makes recommendations for the 2013-14 council tax and precept.

Recommendations

This report recommends:

1. That the precept for 2013-14 is based on increasing the band D Council Tax by 3.98% (increase of £8.55 per annum, 17 pence per week) to £223.11, which gives a total precept increase of 3.47% and
2. That the Budget Requirement is £141.705m, a total increase of 0.57%
3. That £4.634m savings have been identified for 2013-14
4. That £1.777m of the savings identified will be re invested in 51 additional front line Police Officers
5. That the Medium Term Financial Plan outlines a possible increase of 4% for each year to 2015-16 based on an estimated grant reduction of 3%

Statutory Requirements

The Chief Finance Officer (CFO) is required under the Local Government Act 2003 (S5) to comment on the suitability of the information to be used as the basis for budgetary decisions. The CFO has stated that the figures in the various reports are the products of procedures that have continued to be operated to the highest professional standards. These systems are audited both internally and externally and external audit has never issued any qualification. The information is therefore fit for purpose.

The same Act also requires the CFO to comment on the adequacy of reserves to be provided in the budget. The CFO has commented that the general reserve will continue to be adequate for the day to day operational needs of the Force.

The planning environment

The attached Medium Term Financial Plan (MTFP) sets out the planning environment as well as previous year's figures, capital and reserves plans.

No Provisional Government Funding Allocations for 2013-14 had been given as part of the 2012-13 settlement, indicative % cuts of -2% for 2013-14 and -1% for 2014-15 had been given as part of the 2011-12 settlement figures. The final settlement for 2012-13 by the Home Office resulted in no change from the figures announced as part of the Comprehensive Spending Review 2010 (CSR2010) in October 2010. This confirmed a

grant cut of £5.571m or -6.7% for 2012-13, this following a cut of £4.503m or -5.14% in 2011-12. On this basis a cut of -2% in Government Grants was originally assumed for 2013-14.

The Chancellor announced in the 2011 Autumn Statement that there would be a cap on public sector pay increases of 1% from 2013-14. As part of the 2012-13 settlement the Home Office stated that they would be taking the benefit of the pay freeze as a saving centrally. The expected result of this was a total grant reduction of -3.78%.

As part of the 2012 Autumn Statement on the 5th of December 2012 the Chancellor announced that Government Departments would have an additional reduction of -1% in 2013-14 and -2% in 2014-15.

No announcement on the adjustment to the Grant Allocation Formula made to ensure that all Forces receive the same % cut in their main grant (known as the Floor Grant) had been made prior to the 2012 Grant announcement.

The Neighbourhood Policing Grant provides funding for 75% of 157 PCSO's for North Wales Police. The Neighbourhood Policing Grant will be rolled into the main grant from 2013-14 onwards. The General Grant has been adjusted by the value of this grant (£3.338m).

The provisional Grant announcements were made by the Home Office and the Welsh Government on the 19th of December 2012. The main decisions were

- Not to pass on the additional 1% cut from the 2012 Autumn Statement
- Not to take the saving from the 1% pay increase cap centrally
- To apply damping so that all Forces face the same grant reduction of -1.6%

The relevant paragraph from the Minister of Policing and Criminal Justice statement is given below.

'Earlier this month, the Chancellor announced further reductions to Departmental budgets for 2013/14 and 2014/15 in his Autumn Statement. However I have protected the police from these reductions in 2013/14. In addition, in 2013/14, I have also protected the police from reductions announced by the Chancellor in November 2011 relating to public sector pay restraint. Without this protection on pay restraint, central Government funding for the police would have been reduced by £66m in 2013/14. As a result of both these decisions, the police will receive the same amount of total Government funding in 2013/14 that was agreed at the October 2010 Spending Review.

I have decided to apply damping so that every police force area in 2013/14 will face the same percentage reduction in core central Government funding (1.6 per cent cash).'

Capping

No formal announcement of the required two criteria for capping are made until all Council Taxes have been set. It is understood that the Wales Assembly Government is not contemplating action against authorities who increase their Council tax by up to 5% but that above this figure the risk of capping increases.

Tax base

The tax base for 2013-14 is 278,446.12 band D equivalents compared with 279,827.39 in 2012-13, a decrease of 1,381.27 or -0.49%. This has resulted in a reduced yield in the precept of £0.308m.

Budget 2013-14

At the time the Force were setting out their budget in November 2013 it had been expected that cuts of £4.6m would be required to balance the 2013-14 budgets. These were identified. However as the Home Office have been able to provide a better final settlement than expected the total cuts required is £2.858m.

Following detailed discussions with the Commissioner and the focus he has outlined for the future direction of the police service financial resources, it has been agreed that if the Police and Crime Panel approve the proposed precept level the additional savings identified of £1.777m will be used to **fund 51 additional permanent front line Police Officers posts**.

As the Force has already been recruiting over the planned establishment during 2012-13 the additional Officers will be deployable early in 2013-14. The strategy of recruiting Probationers early can then continue during 2013-14 funded from reserves.

Details of the Budget are contained in the MTFP and are summarised below,

	£m
Budget Requirement 2012-13	<u>140.908</u>
Pay Inflation	0.861
Non pay inflation	1.305
New requirements and grant funded	0.380
Budgeted use of reserves	1.108
Revised Budget Requirement	<u>144.562</u>
<u>Funding</u>	
Grants @-1.6% cut	79.581
Precept @ 3.98% council tax increase	62.124
Total Funding	<u>141.705</u>
Cuts required balancing the budget	2.857
<u>Cuts identified</u>	
Reviews 2012-13	0.578
Review previous years	1.456
Civilianisation	0.565
Increment Freeze	0.411
Allowances	0.391
Training	0.125
Energy Budget	0.090

Body Armour	0.100
Contracts	0.252
Air Support	0.285
Special situations contingency	0.093
General Contingency	0.250
Interest on Balances	0.038
Total	4.634
Re invested in 51 front line Police Officer	<u>1.777</u>

Risk

The following are considered to be the major risks to achieving the plans and delivering the budget as set out.

Inflation – in his Autumn Statement 2011 the Chancellor announced that for 2013-14 and 2014-15 public sector pay increases would be limited to an average of 1%. These increases have not been finalised for Police or Police Staff. Any increases in Employers Pension or National Insurance contributions would also have a significant impact on pay costs. Inflation provision on all other purchases is set at the Government's target of 2%, whilst areas of known higher inflation have been set at 5%.

Specific grants – the number of specific grants have reduced but the force remains in receipt of substantial sums that are vulnerable to change at short notice.

Grant Formula and Floor Grant – the Floor Grant of £10.5m will be retained for 2013-14 as the Home Office decided to apply damping so that all Forces had the same reduction in grants of 1.6%. The Home Office also indicated that they would have a consistent approach in 2014-15 but did not indicate the level of cuts. It was also announced that the Home Secretary will be commissioning a fundamental review of the Formula once the PCC's are established in their roles. There is a high risk that a new formula would have a detrimental impact on funding for North Wales Police.

Cumulative effect and sensitivity – the table below illustrates the sensitivity of the main funding and cost variables. A combination of a number of these can cause significant change in funding.

Sensitivity main variables	£m
1% less Council Tax increase	0.595
1% reduction in grant	0.796
1% reduction in tax base	0.625
A 1% increase in pay or employer pensions or national insurance contribution	0.860
1% increase in inflation	0.300

Resilience

A substantial part of policing is as first line emergency response, therefore the Force can face one or more incidents with large financial consequences at the same time (as has been experienced during 2012-13). To address this situation balances are held so as to reduce the impact on the remainder of core business.

Balances are the key measure of resilience, but resilience is not their only function as they are also required for funding the day to day cash flow needs of the organisation. The estimated balances at 31st March 2012 fall into two categories:

The General reserve (£7.189m) is used to fund the day to day cash flow needs etc. and provide the first line of resilience. The Medium Term Financial Plan (MTFP) envisages that this reserve will be maintained at the same cash figure over the coming years.

Earmarked reserves and Capital Reserves – these will need to be reviewed each year in the light of an updated MTFP, details of the current plan and projections are shown in Section 10. of the MTFP and summarised below.

The largest element of the Earmarked Reserve is the Capital Reserve (£18.113m). This Reserve allows investment to be made in the Estates mainly, but also including IT and equipment, that

- Underpins future revenue savings
- Provides an infrastructure that is fit for purpose
- Avoids additional future maintenance costs on inefficient buildings such as the current Wrexham Police Station.

A breakdown of estimated Reserves at the end of each financial year is given below:

<i>Usable Reserves at</i>	31.3.12	31.3.13	31.3.14	31.3.15	31.3.16	
	£m	£m	£m	£m	£m	
Capital Receipts Reserve	2.228	0.500	0.000	0.000	0.000	Can only be used for capital, planned additional sales are included in the capital funding
Capital Grants Unapplied	1.582	0.000	0.000	0.000	0.000	Can only be used for capital
General Fund Balance	7.189	7.189	7.189	7.189	7.189	At the required 5% of net budget
Earmarked General Fund Reserves	29.043	27.139	16.978	11.779	9.240	Detailed below
Total Usable Reserves	40.042	34.828	24.167	18.968	16.429	

Earmarked Reserves	31.3.12	31.3.13	31.3.14	31.3.15	31.3.16
	£m	£m	£m	£m	£m
Capital Investment	18.113	12.519	3.185	0.135	0
Major Incident	2.04	2.040	2.040	2.040	2.040
PFI Reserve	2.097	2.567	2.978	3.329	3.625
Pension Ill Health Reserve	0.881	0.881	0.881	0.881	0.881
Insurance Reserve	1.259	1.259	1.259	1.259	1.259
Probationer Reserve	1.346	4.866	4.366	2.366	0.366
Revenue and Project Costs	1.949	1.949	1.700	1.200	0.500
Helicopter Maintenance	0.317	0.317	0.317	0.317	0.317
Partnerships Reserve	0.789	0.489	0	0	0
Office of the PCC and PCC Transition	0.252	0.252	0.252	0.252	0.252
Total	29.043	27.139	16.978	11.779	9.24

Discussion of the options with the Police and Crime commissioner

The Police and Crime Commissioner is responsible for determining the budget that is made available for the provision of a policing service for North Wales, and a key component of the budget is the proportion that is raised through the level of policing precept.

The Police and Crime Commissioner requested full briefings on the previous and current financial circumstances of the police force, and to be provided with detailed options for 2013-14 and for the medium term planning period.

The options provided for the consideration of the Commissioner ranged from setting a Council Tax of 1% (which would have provided a 'stand still' budget) to increasing the Policing precept at a higher percentage to enable re-investment in police officers.

Over the first 3 years of the current Comprehensive Spending Review (2011-12 to 2013-14) £15.329m cuts have been identified in the budget. The Commissioner has decided that the best way forward for the service is to re-invest £1.776m of these cuts back into front line Officers.

The Commissioners Proposed Precept

The option that has been selected by the Commissioner to present to the Police and Crime Panel is to increase the Policing precept by 3.47%, an increase of 3.98% in Council Tax, using the savings identified to re-invest in front line policing.

Based on the proposed increase of 3.98%, the Council Tax at the various Property Valuation Bands would be:

Property Valuation Bands	
A	148.74
B	173.53
C	198.32
D	223.11
E	272.69
F	322.27
G	371.85
H	446.22
I	520.59

The Precept for each billing are will be

Billing PCCNW	Proportion of the Council Tax Base	Precept Sum (£)
Isle of Anglesey County Council	29,662.00	6,617,889
Gwynedd Council	48,888.55	10,907,524
Conwy County Borough Council	49,393.46	11,020,175
Denbighshire County Council	38,000.11	8,478,205
Flintshire County Council	60,254.00	13,443,270
Wrexham County Borough Council	52,248.00	11,657,051
	278,446.12	62,124,114

Budget forecast 2014 to 2016-17

The revised assumptions have had some effect on future projections. In terms of funding an assumption of a reduction of 3% in grant has been made and the planning assumption of a 4% increase in Council Tax. Both are intrinsically linked and a change in the grant funding will lead to a review of the proposed Council Tax level. Details are contained in the MTFP and summarised below.

	2014-15	2015-16	2016-17
	£m	£m	£m
Inflationary Increases	2.420 (1.71%)	2.396 (1.66%)	2.361 (1.61%)
Reduction in Grant	2.388 (-3.0%)	2.316 (-3.0%)	2.246 (-3.0%)
Additional funding from 4% increase in Council Tax	-2.485	-2.585	-2.688
Revised Deficit	2.323	2.127	1.919