

## Agenda Item 5: Appendix 2

### *Freedom of Information Classification - Open*

## POLICE AND CRIME PANEL

06 FEBRUARY 2014

## POLICE BUDGET REQUIREMENT 2014/15

### **PURPOSE OF REPORT**

*To inform the Police and Crime Panel of the Dorset Police budget requirement for 2014/15*

### **1. INTRODUCTION**

1.1. On 27 May 2010 the Government announced in-year changes in funding for the public sector, including the police. Further reductions have been required arising from the 2010 CSR and the Government's annual budget report.

1.2. The impact upon the police has arisen through a number of sources:

(i) Direct Reduction in Central Grant:

Dorset Police already had its level of grant capped below that determined by the national formula. The total cash reduction in grant since 2010 to 2014/15 has been over £11m (approximately £20m in real terms).

(ii) Council Tax Limitation:

Capping on council tax has been in place since 2010, this has restricted the ability to raise revenue locally. Over the last four years council tax for the police has risen by 6.4% per Band D.

(iii) Partnership Funding:

An element of funding has been raised by contributions from partner agencies, typically local authorities who provided direct support to road safety and community based policing activities.

In response to their own pressures, local authorities have reduced their contribution. Over the four years this has fallen by £1.48m (78%).

(iv) Central Costs:

The police cannot operate without centrally provided services. These have been delivered directly by the Home Office (major systems, police national computer, national firearms licensing management system etc) or through the National Police Improvement Agency (now absorbed by the College of Policing and Home Office). There has been an increase in these costs.

(v) Demand:

Over the same period the level of crime has substantially fallen. However this does not reflect the demand placed on the police.

The number of incidents and calls for assistance has increased, public expectation continues to grow. The pressures from serious and organised crime have never been greater, the impact of high tech crime, forensics and globalisation places increased pressure on resources.

At the same time other agencies in response to their own pressures are reducing resources which can increase the burden on the police. This has been seen through calls to the 24/7 control room and features in roads policing, availability of appropriate adults, mental health, environmental health. The individuals contacting the police are often stressed and vulnerable and unsure or unable to contact the appropriate agency. In these circumstances Dorset Police has no option but to respond.

1.3. In response to these challenges Dorset Police has made significant cuts and reorganised to minimise the impact. Over 80% of the cost of policing relates to staff and officers. Inevitably this is where the majority of cuts have occurred. Manpower has reduced by over 400 posts. Non-staff costs have also been cut by £3m.

1.4. Whilst there is understandably a focus on police officer numbers, the majority of police staff also provide direct services. These include emergency call handlers, custody officers, forensic investigators, crime scrutineers, community support officers.

## **2. BUDGET 2014/15 AND BEYOND**

2.1. Looking forward, the budget for 2014/15 and future years continue to present significant challenges. This report sets out in detail those challenges, the impact of resources and strategy to address them.

2.2. A number of precept options have been considered. However, the base position assumes a 1.96% increase which will enable the decline in officer numbers to be temporarily halted in 2014/15. However further reductions in officer numbers will be required in future years.

2.3. The majority of work has now been completed to determine the budget requirement for 2014/15. This paper sets out that budget requirement, and the effect on the Medium Term Financial Strategy (MTFS).

2.4. The draft funding settlement for 2014/15 was made available on 18 December 2013. This set out the expected funding to be made available from the Home Office for Police Grant, Revenue Support Grant, National Non Domestic Rates funding (these last two both ex DCLG grants), capital grant and Council Tax support.

2.5. 2014/15 is the final year of the 2010 Comprehensive Spending Review, which covered a period of four years, and initially reduced grant funding to Dorset Police by 20%, although this reduction has since increased. Spending Round 2013 (SR 2013) set out plans for significant further funding reductions in 2015/16, with clear indications that reductions will continue beyond that year.

- 2.6. Since the SR 2013 announcement in June, the future year funding position has come under increased scrutiny, with further pressure on reducing the budget requirement and seeking out collaborative opportunities. The MTFs projected significant saving requirements still to be achieved, with particular emphasis on the significant anticipated shortfall in 2016/17, while the One Team programme is considering options to achieve savings in the region of £8.7m.
- 2.7. In setting out the budget requirement and funding position for 2014/15, this paper indicates that 2016/17 continues to present a significant real financial risk. This has been exacerbated by the additional National Insurance burden arising from the introduction of the Single State Pension. However, there exists some potential to reduce the organisational downsizing over the next two years, with the potential to increase recruitment – although all within the context of a continued overall reduction in numbers. This option brings with it a risk in respect of meeting future year budget, but in view of the timescale involved there should exist the potential to address this risk before it is realised.

### **3. FUNDING**

#### Grant

- 3.1. The draft funding settlement for 2014/15 was announced on 18 December 2013. This indicated a 3.3% total cash reduction in Government funding between 2013/14 and 2014/15, although grant funding that is subject to damping (Police Grant and ex DCLG grants) reduced by 4.8% - largely due to top sliced funding for specific Home Office projects.
- 3.2. It is currently assumed that the specific grant received by Dorset Police in respect of the 2011/12 Council Tax freeze will, with effect from 2014/15, transfer to the main Police Grant funding as a permanent source of funding. This has yet to be confirmed by the Home Office, but appears to be highly likely.
- 3.3. Funding will be made available to forces from a national Innovation Fund worth £50m in 2014/15, against which forces will need to bid. The funding for this Innovation Fund has been top sliced from the existing Police Grant, and it is assumed in the MTFs that this top slice is permanent. Although Dorset Police are likely to bid against this fund for specific projects, it is currently assumed that the significant impact on the Force will be the top slice.
- 3.4. In addition, a further top slice of £18m nationally has been applied to make further funding available to the Independent Police Complaints Committee. While this additional funding will increase the capability of the IPCC it is highly unlikely to lead to a reduction in the current workforce in the Professional Standards Department.
- 3.5. Further, smaller but still significant, amounts have been removed from the available funding in the form of top slices, for example to fund HMIC for regular force inspections.
- 3.6. No information is yet available in respect of specific security grants, including the grant available for policing the county's ports. This information will be made available early in 2014.
- 3.7. In addition, no further information is available in respect of future years – the settlement information was for one year only. However, extrapolating high level information from SR 2013 and the more recent Autumn Statement (published 05

December 2013) clearly indicates that continued cash reductions should be anticipated for at least three further years beyond 2014/15.

- 3.8. Therefore future funding assumptions reflect cash reductions in grant funding as follows:

	% Cash Reduction			
	2014/15	2015/16	2016/17	2017/18
Police Grant / Formula Grant	4.8% *1	3.7%*2	3.5%	3.5%

\*1 3.3% headline reduction in Government funding, 4.8% after top slicing

\*2 3.2% headline reduction in Government funding, 3.7% after top slicing

### Precept

- 3.9. The Police and Crime Commissioner is required to set the policing precept to a statutory timescale, and in consultation with the Police and Crime Panel. For planning purposes, this paper assumes a 1.96% precept increase in 2014/15, followed by a 0% increase in 2015/16, and then 1.95% in each subsequent year. The effect of different precept options for 2014/15 are also presented within this paper at paragraph 8 - 0%, 1%, 3% and 4%. However, it should be stressed that the actual precept level is a decision for the PCC, and no such decision has yet been made.
- 3.10. Surplus and taxbase information is available from collecting authorities, which identifies a one off surplus of £515k on Council Tax collection that will be released back to Dorset Police for 2014/15, while the taxbase has increased by approximately 1% over 2013/14. This compares with the MTFS estimates of a 0.2% increase in taxbase, and no anticipated surplus.
- 3.11. The grant and precept assumptions above result in the following anticipated funding for the next four years:

Funding	2013/14 £m's	2014/15 £m's	2015/16 £m's	2016/17 £m's	2017/18 £m's
Grant Funding	64.6	62.1	59.8	57.7	55.6
Precept	49.3	50.8	50.9	52.0	53.1
Collection Fund Surplus	0.4	0.5	0.0	0.0	0.0
<b>Total Funding</b>	<b>114.3</b>	<b>113.4</b>	<b>110.7</b>	<b>109.6</b>	<b>108.7</b>

## **4. BUDGET REQUIREMENT**

- 4.1. The budget requirement has been prepared adopting a zero based approach. Every effort has been made to reduce budgets where possible to allow opportunities for budgets to be reinvested into operational policing through workforce numbers. Any contingencies have been removed, and will in future be managed as part of the annual review of reserves and provisions.

### Pay Budgets

- 4.2. There has been one significant change in respect of the effect of increments and the potential assimilation of constable pay points proposed under Winsor. Although the final assimilation process has not yet been confirmed, it is now clear that there will be

further savings. This combined with increased turnover during 2013/14, and changes to assumptions on maternity leave and extended leave numbers, has allowed in the region of £1m to be removed from the budget.

- 4.3. A further £0.5m has been removed from police allowances budgets, including CRTP, housing and rent allowances. While a reduction in this area was anticipated, the final details have now been received enabling a further reduction to be achieved.
- 4.4. A 1% pay award has been assumed for police officers in 2014, while a 1.5% pay award has been budgeted for police staff. Clearly at this stage neither has been negotiated or agreed. In addition, there is clear direction from the Government that public sector pay awards will average 1% for 2014 and 2015. However, there is sufficient uncertainty in respect of future negotiations that a budgeted pay award in excess of 1% for police staff would seem prudent.
- 4.5. An actuarial review has been carried out on the Local Government Pension Scheme (LGPS), taking into account projected income, expenditure and returns on fund investments. It also takes account of the 2014 LGPS scheme, which amends the contributions and benefits. The actuarial review identifies a contribution rate of 12.4% is required to cover future service, while a past deficit exists on the fund of £5.8m.

#### Non Pay Budgets

- 4.6. The non staff budgets have been individually reviewed, challenged, and demand for expenditure assessed. This has resulted in a number of savings being removed from the budgets, and in particular reductions in the estimates and assumptions contained within the MTFS.
- 4.7. Contractual increases continue to be applied where entirely necessary, for example on contracts with in built indexation clauses, or where history or current trends may indicate future price rises are likely. Furthermore, a number of areas have had estimates of inflation reviewed and reduced. For example although there has been a recent increase in energy prices, the cost of energy throughout next year is still likely to be lower than originally anticipated due to the lower than anticipated cost of energy to date in the current year, producing a saving. A similar situation has arisen on vehicle fuel, where a significant inflationary increase was expected in the current year and 2014/15, but this has not been realised. No increase has been applied unless absolutely necessary.
- 4.8. No inflation had been added to equipment or consumable budgets where the challenge remains to manage volumes purchased to remain within budget.
- 4.9. Contractual savings have been realised in numerous areas of non staff expenditure, including telecoms, software and hardware maintenance, and forensic medical examiners. Further savings are anticipated in forensic services, uniforms, printing and stationery. Total non staff savings removed from the budget are in the region of £2.7m.
- 4.10. In addition, the budget assumes further non staff savings, including revenue savings following projected premises sales, further reductions in training expenditure / increase in training income, and further collaborative savings that will be achieved by 2015/16 of a further £1.2m.

Income

- 4.11. The Driver Awareness Scheme course has been successful in re-educating motorists and contributing to road safety within Dorset. This has also contributed to a net reduction in the cost of road policing. In 2014/15, the provision of these courses will allow for the roll out of average speed over distance cameras, which in turn are anticipated to have a positive effect on road safety in the county.
- 4.12. Estimates in all areas have again been revisited, and where additional income is likely, budgets have been adjusted. This includes increasing the anticipated income from sale of special police services due the strong likelihood of events taking place during the year.

Development Opportunities

- 4.13. Although the financial position of the Force over the medium term indicates further significant pressures, it will be possible to relieve some of the immediate pressure by investing in areas that will result in either cashable savings or significant performance improvements allowing savings elsewhere.
- 4.14. The PCC and Chief Officers will be aware of the national Innovation Fund recently launched by the Government, as mentioned at paragraph 2.4, against which PCCs are able to bid for funding towards schemes designed to:

“incentivise collaboration, support improved digital working and enable PCCs to invest in a range of other innovative delivery approaches that have the potential to improve policing and deliver further efficiency”
- 4.15. Nationally, £20m will be made available in the current year for spend before 31 March 2014, and a further £50m a year will be made available commencing 2014/15. Dorset Police has submitted a bid against this Fund on behalf of the South West region towards the provision of a collaborative forensics capability.
- 4.16. However, Dorset Police already recognises that continual innovation and investment to realise longer term benefits is essential, and has a strong record in this respect. Therefore with effect from 2014/15, £300k per annum has been made available in the capital programme for local schemes which do not attract national funding, to ensure that Dorset Police remains at the forefront of new ideas within policing.
- 4.17. Dorset Police will soon suffer operationally if more new officers are not made available, and police officer numbers keep dwindling. As such, the Police and crime Commissioner has confirmed that he will support the maintenance of police officer numbers throughout 2014/15 through the precept, as set out at paragraph 5.1.
- 4.18. The Force is aware that the PCC is also looking to set the strengthening of local Integrated Offender Management (IOM) as a commitment for 2014/15. This will help address the challenges created by repeat offenders, and break the cycle of crime. The PCC is seeking to increase the resources in IOM, with a focus on working with Probation and other agencies. Maintaining police officer numbers during 2014/15 will help to achieve this goal.
- 4.19. Furthermore, the PCC has also indicated that he wishes to launch an awareness campaign around Cyber Crime, an issue which has been raised as a significant area of concern in public surveys. While this is a complex area, impacting on a number of

agencies, it undoubtedly has a substantial impact on the Force. The cost and scope of this work is currently being analysed.

- 4.20. Clearly, as the above development opportunities are intended to be funded by a precept increase they will be subject to the PCC's consultation with the Police and Crime Panel as set out in paragraph 2.8. However, the budget requirement assumes a precept increase of 1.96%, which is intended to cover these requirements. As such, both of these have been built into the base budget requirement figures included within this paper.

Budget Requirement

- 4.21. The overall budget requirement unavoidably includes numerous assumptions, as information on exact requirements are not always known. An example is pay awards, which will be subject to national negotiations, or the rate of inflation. The key assumptions are included at Appendix A.
- 4.22. The budget requirement has been calculated to include maintaining police officer numbers as at 31 March 2014 throughout 2014/15. This is intended to maximise officer numbers as set out above, while also providing clarity on the extent of further savings required. The resultant budget requirement is set out below:

<b>BUDGET</b>	<b>NB: 2013/14 £m's</b>	<b>2014/15 £m's</b>	<b>2015/16 £m's</b>	<b>2016/17 £m's</b>	<b>2017/18 £m's</b>
Workforce Costs (pay and allowances)	102.3	99.5	101.1	104.4	107.1
Non Staff Costs	29.8	32.2	31.3	31.2	31.4
Income and Specific Grants	(17.8)	(18.3)	(18.5)	(19.3)	(18.3)
<b>Budget Requirement</b>	<b>114.3</b>	<b>113.4</b>	<b>113.9</b>	<b>116.3</b>	<b>120.2</b>

- 4.23. The above budget requirement is set out in detail at Appendix B. This requirement funds the workforce shown below, which is fixed at the level projected at 31/03/14, as it is at this stage assumed that recruitment will cover leavers with effect from 2014/15. The need to hold recruitment further to meet the gap is considered at paragraph 4 below:

<b>Workforce as at 31/03/14</b>	<b>FTE</b>
Officers	1,204
Staff	880
PCSOs	155
<b>Total Budgeted Workforce</b>	<b>2,239</b>

- 4.24. The above figures provide future shortfalls as shown below:

	<b>NB: 2013/14 £m's</b>	<b>2014/15 £m's</b>	<b>2015/16 £m's</b>	<b>2016/17 £m's</b>	<b>2017/18 £m's</b>
Funding	114.3	113.4	110.7	109.6	108.7
Budget Requirement	114.3	113.4	113.9	116.3	120.2
<b>Shortfall</b>	<b>0.0</b>	<b>0.0</b>	<b>3.2</b>	<b>6.7</b>	<b>11.5</b>

- 4.25. This shows that *with a 1.96% precept increase* it is possible to balance the 2014/15 budget, although a shortfall remains in future years – significantly in 2016/17, but more immediately in 2015/16.
- 4.26. It would clearly be financially irresponsible not to plan for the significant shortfalls in future years, with the projected shortfall in 2015/16 of most immediate concern. The funding information and budget requirement projections for that year are more certain than the following two years, and the level of shortfall identified will be difficult, if not impossible, to address in that year alone.
- 4.27. The financial position in 2016/17 and beyond also presents a real, significant challenge, and one that cannot be overlooked in setting the 2014/15 budget. While there are very many unknown elements relating to that year's financing, it is certain that a significant deficit will exist.
- 4.28. However, it may now be appropriate to take a degree of risk in respect of the action required. 2016/17 is over two years in the future, and the anticipated deficit in that year is based on numerous assumptions – including funding levels. In addition, significant events, such as the 2015 General Election, could have a bearing on that year.
- 4.29. It is therefore proposed that while there needs to be a plan to address the future projected shortfall, opportunity should be taken to alleviate the operational impact in the shorter term, and reduce workforce numbers to a lesser degree than previously proposed with the ability to realign future spend as necessary as information becomes available.

## **5. PLAN TO ADDRESS FINANCIAL VARIANCE**

- 5.1. In order to meet the PCC's objective of maximising officer numbers within the precept, it is proposed that an additional intake of 12 transferee officers be recruited in early 2014/15, on top of the 4 transferee firearms officers already agreed. In addition, it is proposed that the planned intake in October 2014 be increased to 16 officers, and an additional probationer intake of 16 take place annually commencing March 2015. This will have the effect of maintaining police officer numbers at the level anticipated in March 2014 in 2014/15, although numbers will continue to reduce in future years based on current estimates. This maintenance of police officer numbers in 2014/15 will be funded by the proposed precept increase.
- 5.2. For the 2015/16 and 2016/17 years, a January and July intake in each year of 12 new officers has been assumed. This has the effect of allowing regular recruitment, which will slow the overall decline in officer numbers.
- 5.3. This will clearly take some planning in respect of logistics, and does increase the potential risk in 2016/17 and beyond. However, it will provide new officers to the Force providing some stability in the recruitment process. This, in turn, boosts the number of officers within the Force, although it must be remembered this is still within the context of an overall declining workforce.
- 5.4. It is proposed that a recruitment freeze should, however, continue to be applied on police staff throughout 2014/15 and future years up to and including 2016/17, although the potential for civilianisation of individual roles will be considered. In addition, the net number of staff leavers in the Force has been assumed at 3 per



month, allowing the potential to recruit externally if the actual number of leavers exceeds this.

- 5.5. It is further proposed that the residual funding in 2014/15 and 2015/16 created by this move be used to create a fund to 'smooth' the anticipated effect of the shortfall from 2016/17. This 'smoothing fund' will be released over the two years commencing 2016/17. Although it will not fully offset the shortfall in those years, it will be sufficient to significantly mitigate the effect.
- 5.6. This move will reduce the future year deficit due to the continued restricted recruitment, as follows:

	<b>NB: 2013/14 £m's</b>	<b>2014/15 £m's</b>	<b>2015/16 £m's</b>	<b>2016/17 £m's</b>	<b>2017/18 £m's</b>
Projected Shortfall / (Surplus)	0.0	0.0	3.2	6.7	11.5
Future year restricted recruitment as described	0.0	(0.6)	(2.4)	(4.5)	(7.0)
Transfers to / (From) 'Smoothing Fund'	0.0	0.6	(0.6)	0.0	0.0
<b>Revised Shortfall / (Surplus)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>2.2</b>	<b>4.5</b>

- 5.7. The revised projected workforce, having taken account of the above proposal will be as follows:

	<b>31/03/14 (FTE)</b>	<b>31/03/15 (FTE)</b>	<b>31/03/16 (FTE)</b>	<b>31/03/17 (FTE)</b>	<b>31/03/18 (FTE)</b>
Officers	1,204	1,204	1,168	1,145	1,098
PCSOs	155	155	155	155	155
Staff	880	844	808	772	736
<b>Total Workforce</b>	<b>2,239</b>	<b>2,202</b>	<b>2,130</b>	<b>2,071</b>	<b>1,989</b>

- 5.8. While this will leave a projected significant residual shortfall in 2016/17, and therefore represents a risk, it does provide an opportunity to re-establish regular recruitment, with the potential to either increase or decrease as further information about that year becomes known.

## 6. ONE TEAM

- 6.1. The effect on current One Team Blueprint structures of the additional recruitment, and lower than previously projected net turnover in police staff is shown below:

	<b>Current One Team Structure</b>	<b>Projected Workforce 31/03/16 (FTE)</b>	<b>Variance</b>
Officers	1183	1,168	15
PCSOs	155	155	0
Staff	905	808	97
<b>Total Workforce</b>	<b>2,243</b>	<b>2,130</b>	<b>113</b>

- 6.2. This represents a significantly improved position than previously presented in the MTFs, where a projected total future workforce of 2,039 was predicted at 31 March 2016. The success in driving out further efficiencies and hence the improved financial projections set out in this paper are the reason for this improvement. It

remains clear, however, that the current One Team structure does continue to need to be significantly reduced.

- 6.3. *It should be stressed that the above position takes a significant risk in respect of 2016/17. Should the funding ultimately be as projected in this paper, it is highly likely to be necessary to freeze recruitment entirely once more with effect from 2015/16, and the ultimate workforce level may be lower than that presented within the MTFS.*
- 6.4. This therefore represents a very different approach than previous papers, in order to maximise operational capability to the extent that a 1.96% precept increase will allow. This is in part due to the reprioritisation of funds through the budget process, but primarily to address increasing operational concerns in respect of resourcing.

## 7. CAPITAL PROGRAMME

- 7.1. The summary table below show the 2014/15 capital programme in the context of the longer term investment requirements over five years. It also indicates the anticipated sources of funding.

	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's
<b>Major Capital Programme</b>	0	0	0	3,500	2,000	0
<b>Ongoing Minor Capital Programme</b>						
Vehicles Replacement Programme	815	1,400	1,436	1,273	1,311	1,351
Minor Building Works	200	660	320	330	340	350
Information Systems	1,691	3,590	1,120	880	900	920
General Equipment	450	200	200	200	200	200
Road Safe Capital	0	400	0	0	0	0
Local Innovation Fund	0	300	300	300	300	300
<b>Total Expenditure Minor Capital</b>	<b>3,156</b>	<b>6,550</b>	<b>3,376</b>	<b>2,983</b>	<b>3,051</b>	<b>3,121</b>
<b>Total Expenditure</b>	<b>3,156</b>	<b>6,550</b>	<b>3,376</b>	<b>6,483</b>	<b>5,051</b>	<b>3,121</b>

### Major Capital Programme

- 7.2. The major capital programme includes provisional funding for estates provision in North Dorset and replacement / adaptation to the Headquarters site in Winfrith. Although business cases for this work are yet to be drawn up, it is clear that the potential for significant expenditure exists, with the risk that the final requirement may exceed the financing available.

### Vehicle Replacement Programme

- 7.3. A comprehensive five year vehicle replacement programme has been drafted. This programme shows significant pressure in achieving the level of fleet required to service operational needs. Revisions to the operational model have increased the requirement for vehicles, and proposed amendments are currently unlikely to reduce this need.

### Minor Building Works

- 7.4. A small allocation exists for minor building works, such as adaptations and refurbishments as necessary. This will include the provision of smaller, more flexible estate, and shared accommodation with partners.

### Information Systems

- 7.5. It is currently expected that significant spend will be required if real operational benefit is to be delivered through Information Systems that will be a key enabler for the reduced workforce to deliver maximum performance.
- 7.6. Significant systems to be delivered over the next five years include replacement Command and Control and ICCS systems, a new Duties Management System, a roll out of tablet computers and increased use of mobile data. In addition, the Airwave system is expected to require replacement in approximately five years time, although further clarity is required in respect of these potential costs.

### General Equipment

- 7.7. Within the category of general equipment is a base £100,000 per annum for the purchase of new and replacement TSU equipment. This area of expenditure has been under increased pressure, running the risk of getting 'behind the curve' on what needs to be modern technical equipment that has a significant part to play in detections and therefore performance.

### Funding

- 7.8. The capital programme is funded from a combination of capital grants, receipts and contributions from revenue. All future funding estimates are derived from latest information available on the likely release dates and value of existing estate, and extrapolations of indicative high level SR 2013 figures. On this basis, the capital programme as shown can be funded to within £200k, primarily by using one off capital receipts.
- 7.9. This residual cumulative shortfall of £200k currently remains unfunded, due to the longer term nature of the capital programme, and the number of estimates contained within the figures. However, it does represent a risk, and one that Chief Officers need to be aware of, and reflects the pressures already on the capital programme.

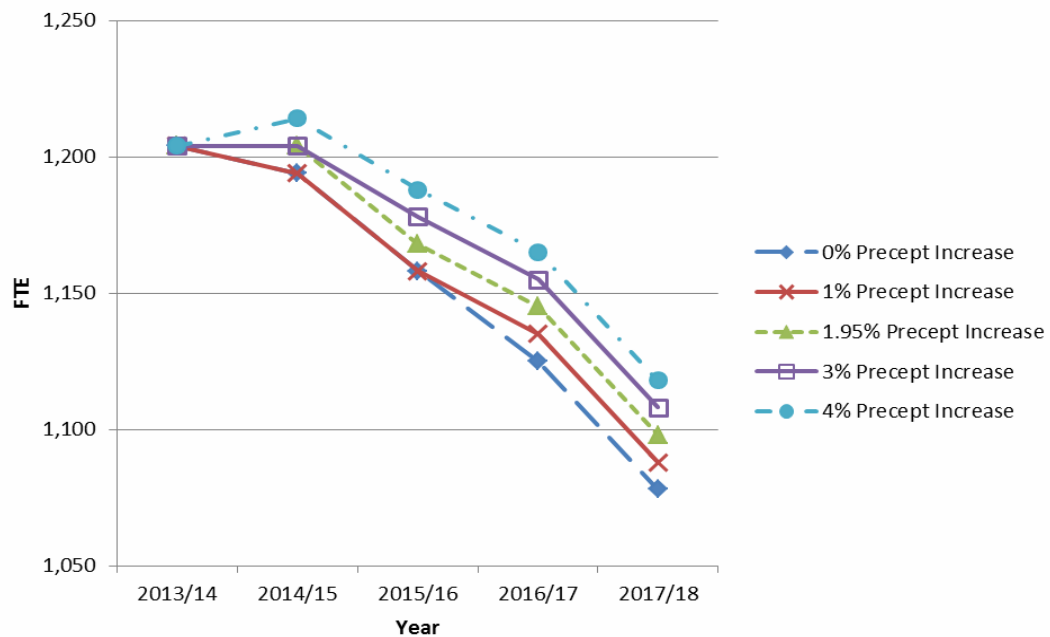
### Further Capital Pressures

- 7.10. The programme shown above includes all currently anticipated essential requirements, covering anticipated vehicle, premises and IS replacements and unavoidable new demands. It is however, highly likely that new demands will arise over the period covered by the capital programme, particularly in the form of invest to save schemes.

## **8. PRECEPT OPTIONS**

- 8.1. Paragraphs 2 – 7 above describe the financial position and projected outturn with a 1.96% precept increase in 2014/15, 0% precept in 2015/16 and 1.96% in each subsequent year. However, there are clearly many other options which the PCC may consider. For the purposes of clarity, the effect of 2014/15 precept increases at 0%, 1%, 3% and 4% are set out below. For each the increase will apply to 2014/15 only, with subsequent years reverting to the existing assumptions.

8.2. In each case, the effect of the different precept option is expressed as reduction or increase in the number of police officers, when compared with the 1.96% precept option in 2014/15:



Police Officer Numbers at:	31/03/14 (FTE)	31/03/15 (FTE)	31/03/16 (FTE)	31/03/17 (FTE)	31/03/18 (FTE)
0% Precept Increase	1,204	1,194	1,158	1,125	1,078
1% Precept Increase	1,204	1,194	1,158	1,135	1,088
1.96% Precept Increase	1,204	1,204	1,168	1,145	1,098
3% Precept Increase	1,204	1,204	1,178	1,155	1,108
4% Precept Increase	1,204	1,214	1,188	1,165	1,118

0% Precept Increase

8.3. A Government Council Tax freeze grant equivalent to a 1% would be made available if the PCC were to freeze Council Tax. In the finance settlement, it has been confirmed that this grant would be added to future funding baselines so should therefore be available indefinitely.

1% Precept Increase

8.4. At a 1% precept increase, there would be no central grant funding available.

3% Precept Increase

8.5. At a 3% precept increase, there would be no central grant funding available. However, there would be the additional one off cost of a referendum (estimated at £1m), and the risk that the PCC may not achieve the necessary support in this referendum.

4% Precept Increase

8.6. At a 4% precept increase, there would be no central grant funding available. However, there would be the additional one off cost of a referendum (estimated at

£1m), and the risk that the PCC may not achieve the necessary support in this referendum.

## **9. RISK/THREAT ASSESSMENT**

### Financial/Resource/Value for Money Implications

- 9.1. The MTFS is a key document in setting the strategic direction for Dorset Police. It indicates the potential resourcing level of the organisation for the forthcoming years based on a number of assumptions. Alongside the actual budget setting process, the MTFS will be used to inform the future shape of the organisation.

### Legal Implications

- 9.2. None.

### Implications for Policing Outcomes

- 9.3. None.

### Equality

- 9.4. None.

## **10. CONCLUSION**

- 10.1. This paper sets out the position for 2014/15 for consideration by Members of the Police and Crime Panel.
- 10.2. In view of the long term nature of the current funding reductions, and the need to plan carefully to ensure a sustainable service over the medium term, this budget inevitably considers the effect of short term decisions on future years.
- 10.3. Members of the Police and Crime Panel are asked to consider the context provided by this paper in their deliberations on the level of precept for 2014/15.

## **11. RESOURCES REQUIRED**

- 11.1. None.

## **12. BOARDS THAT HAVE PREVIOUSLY CONSIDERED THIS PAPER**

- 12.1. A version of this paper has previously been reported to the Chief Officers Morning Conference on 2 December 2013 and to the Force Executive Board on 16 December 2013.
- 12.2. This current version has been revised to take into account the funding settlement announced on 18 December 2013.

Neal Butterworth  
Head of Finance  
700 3932

## APPENDIX A

### SCHEDULE OF KEY ASSUMPTIONS

Shown below are the key assumptions within these figures that have been used in the 2014/15 draft budget requirement.

- A 1% pay award will be applied on 1 September 2014 for police officers, and a 1.5% pay award will be applied for police staff at that date. A 1% pay award will be applied to both on 1 September 2015. Beyond that, annual pay awards will run at 2.5%
- No formal 'risk line' has been applied. However, it is assumed that a further £2.3m of permanent non staff savings will be achieved in 2014/15, and a further £1.2m will be achieved in 2015/16.
- Turnover on staff budgets has been calculated based on 36 police staff leavers each year, and 16 PCSO leavers. Turnover on police officers is based primarily on officers leaving at their 30 year service date.
- The employer's future service rate towards the police staff pension scheme will be 12.4% from April 2014, following the 2013 actuarial valuation. A further contribution will be made to address the LGPS deficit over 10 years. Police Officer employer's contributions are projected to remain constant at 24.2%
- Inflation has been applied only to budgets that are subject to inflationary pressures at a notional rate of 3.0%, except where individual rates are known, or can be separately estimated due to particular inflationary pressures. Actual CPI for September 2013 was 2.7% (RPI 3.2%)
- Future investment income assumes an interest rate achieved of 1%. The current actual bank base rate is 0.5%.
- The capital programme will be financed by capital grant and revenue contributions. The main areas of anticipated capital spend are replacement assets.
- It is assumed that Counter Terrorism specific grant will continue to gradually reduce over the next three years, and will become a fully regional grant allocation within this time.
- No further significant financial savings / costs arising from the Winsor Review have been assumed.