

POLICE AND CRIME PANEL – 11 SEPTEMBER 2014

MEDIUM TERM FINANCIAL PLAN (MTFP) UPDATE 2014-15

REPORT BY THE POLICE AND CRIME COMMISSIONER

PURPOSE OF THE REPORT

To update Members on revisions made to the Medium Term Financial Plan since the budget for 2014-15 was set in February.

1. BACKGROUND

- 1.1 The Medium Term Financial Plan for the period 2014-15 to 2016-17 was presented to the Police and Crime Panel in February 2014.
- 1.2 Whilst the plan will be formally reviewed as part of the budget setting process for 2015-16, some budgets have been reviewed in light of the 2013-14 budget outturn and other recent developments.

2. BASE SHORTFALL IN CURRENT MEDIUM TERM FINANCIAL PLAN

- 2.1 When the budget for 2014-15 was set, future funding gaps for 2015-16 and beyond were projected within the base budget due to reduced funding being made available by Government and other cost pressures. The base budget shortfall, prior to further staffing reductions was as follows:

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m
Funding	113.4	110.7	109.8	108.7
Budget Requirement	113.4	113.9	116.3	120.2
Shortfall	0.0	3.2	6.7	11.5

- 2.2 One of the major issues for 2016-17 is the increase in National Insurance costs which arise with the introduction of the Single State Pension and subsequent removal of the contracted out rebate for employers. This alone will cost Dorset Police around £2m.

3. CHANGES TO THE MTFP

- 3.1 Local Government Pension Scheme (LGPS)
As reported at the last Police and Crime Panel meeting, £1.4m of the staffing budget savings from 2013-14 was used to repay part of the LGPS deficit. The deficit stood at £5.8m as at the last Triennial valuation as at 31 March 2013, although this obviously varies depending upon the performance of the pension

fund and make up of the workforce. The existing plan was to repay the deficit in 8-10 years at a cost of around £850k per annum.

- 3.2 Having made the additional repayment, part of the focus of the MTFP review has been to see whether it would be possible to repay the remaining deficit earlier than planned which would release the full £850k budget provision towards the budget shortfall.

Review of Reserves

- 3.3 The establishment of a Major Operations reserve during 2013-14 has mitigated the risk of multiple major operations taking place in one year and impacting on the police budget. It has therefore been agreed that the base budget for major operations will be reduced by £200k per annum. This will clearly increase the risk of this budget being overspent but the reserve is there as a backstop and can then be replenished as necessary at a later date.

- 3.4 The Insurance fund valuation report shows an excess of funding held in current reserves against historical liabilities. The nature of insurance claims means that there is considerable uncertainty surrounding the outcome of these claims and it is possible to have exceptionally high losses in any one year. However, it has been agreed that a reduction of £200k per annum will be made in the insurance budget. This will reduce the excess of funding held in reserves gradually and will be closely monitored and reviewed in future years.

2013-14 Outturn

- 3.5 Other budgets have been reviewed in light of the 2013-14 outturn position to see whether any of the underspends can be translated into on-going savings. This has led to reductions in the budgets for:

- 3.6 Reducing these budgets and increasing income targets clearly will raise the risk of overspending and close budget monitoring will therefore be required.

Collaboration

- 3.7 Savings from the regional collaboration on Forensic services were unclear when the budget was set as contract negotiations were still on-going. It now appears that a further £200k of savings should be achievable in 2014-15.

Further Work being undertaken

- 3.8 Work is currently underway to review the budget assumptions in the MTFP against both the latest available information (pay awards / inflation) and also against other Police Forces in the region. This will be reflected in the budget update in November.

- 3.9 The capital programme will also be reviewed once there is greater clarity around the reviews of both Front Office Counters and potential capital receipts from a number of sites.

4. STAFFING

- 4.1 The past 4 years have seen very significant reductions in both police officer and police staff numbers to meet the funding reductions. The budget set for 2014-15 allowed for the numbers of police officers to be maintained for 12 months but with further reductions planned in future years.

- 4.2 One of the problems with a reducing workforce is that it is difficult to predict exactly when the reductions will take place. Events such as the Olympics also exacerbated the problem. This has meant that despite the funding reductions, staff turnover and reductions have occurred quicker than planned have led to the police budget being underspent each year.
- 4.3 With recruitment now necessary to maintain officer numbers, and the availability of short term one off funds, a decision has been taken to bring forward recruitment originally planned for 2015/2016. Whilst this could lead to a significant budget pressure on both current and future years the likelihood is that savings can be driven out elsewhere within the budget to compensate. In addition, the profile of future year recruitment can be amended to ensure that any such budget pressure. This move will also allow the maintenance of performance during a time when resources are increasingly stretched.
- 4.4 However, it should be noted that future workforce reductions will still be required, and such reductions are likely to be significant to meet the remaining projected budget shortfall. There remains a considerable challenge on the Force to amend its structures to reflect a substantially lower workforce while maintaining performance.
- 4.5 Adjustments could be made to the profile of contributions to the LGPS deficit if the anticipated savings in the current year's budgets are not achieved.

5. CONCLUSIONS

- 5.1 The changes to last year's MTFP outlined at paragraph 3 will realise permanent financial savings, reducing the extent of the financial gap in future years. However, even after such savings have been achieved a significant gap will remain, which will inevitably require further reductions to workforce in the future.
- 5.2 The need to continue to reduce costs while maintaining performance in an ever changing policing landscape will require careful management, particularly in respect of the workforce. The collaboration agenda is expected to go some way towards helping with this.
- 5.3 The plans to bring forward recruitment of officers in the current year should provide much needed stability in the short term, using one off funds to maintain performance while longer term solutions are finalised.

6. RECOMMENDATION

- 6.1 Members are invited to comment upon the updates to the Medium Term Financial Plan.

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