



Warwickshire
OFFICE OF THE
POLICE AND CRIME COMMISSIONER

Decision Application

Budget 2013/14 and Medium Term Financial Plan

Application Date:	30 th January 2013	Name of Applicant:	David Clarke
Application Decision Reference:			
1. Summary of the application The PCC is asked to:- <ul style="list-style-type: none">• agree the recommendations contained in the attached report on the Budget 2013/14 and the Medium Term Financial Plan 2013/14 to 2017/18• notify the Police and Crime Panel of his proposed precept for 2013/14			
2. Background information: The Commissioner is required to set a precept for the financial year 1 April 2013 to 31 March 2014, and is required to present a proposed precept to the Police & Crime Panel by no later than 1 February 2013. In doing this, the Commissioner is required to act in conformity with the Police & Crime Panels (Precept and Chief Constable Appointments) Regulations 2012. A full report setting out the budget and precept proposals for 2013/14 and a medium term financial plan for the period 2013/14 to 2017/18 is appended to this decision application. This report sets out details of the spending proposals, funding availability, council tax options and risks taken into account in the formulation of the budget and medium term Financial plan. In setting the precept, the Commissioner must have regard to representations received from the public and from business interest consultees and the report of the Police and Crime Panel. The final precept must be determined by 28 February 2013.			
3. Whether additional information/report is attached to support this decision application <p style="text-align: right;">YES</p>			
List of additional information/report A report on the Budget 2013/14 and Medium Term Financial Plan 2013/14 to			

2017/18 from the Treasurer, Director of Finance, Chief Executive and Chief Constable

4. Expected benefits (non financial)

The budget provides the funding for all of the activity within the remit of the Commissioner, and defines the resource envelope within which that activity has to be delivered. The medium term financial plan provides a guide to the longer term sustainability of the Commissioners plans.

5. Impact of not approving the application

The Commissioner would be in breach of his statutory duty to notify his precept proposal to the Police and Crime Panel by the 1st February.

6. Costs

Revenue:

N/A

Capital:

N/A

7. Savings:

The attached report identifies the full savings plans of the Commissioner, which are being delivered through the strategic alliance with West Mercia.

8. Equality and Diversity Implications:

The budget is subject to a full Equality Impact Assessment

9. Treasurer's comments

Included in the attached report

10. Legal/Monitoring Officer comments

The PCC's Budget for 2013-14 is proposing no increase in the Council Tax Policing Precept for 2013/14. There is therefore no risk of a local referendum on the Policing Precept.

The 2013/14 Budget assumes the continuance of the Strategic Alliance arrangements between Warwickshire and West Mercia.

As referred to in Section 5 above, the Commissioner would be in breach of his statutory duty to notify his precept proposal to the Police and Crime Panel if he failed to do this by 1st February.

Decision of the Police and Crime Commissioner

Agreed.

PCC Signature:

R. Ban

Date of Decision:

31st Jan 2013

WARWICKSHIRE BUDGET 2013/14

MEDIUM TERM FINANCIAL PLAN 2013/14 TO 2017/18

Report of the Treasurer, Director of Finance, Chief Executive and

Chief Constable

1. Recommendation

The Commissioner is recommended to approve:

- a) A Net Revenue Budget after savings of £92.121m
- b) £0.707m of budget reserve is used within year to manage reductions
- c) A PCC Development reserve of £2m is created to support; Innovative Community Safety Initiatives, an increase in Special Constables, and the introduction of Community Ambassadors.
- d) The creation of a new reserve of £2.3m to support the retention of PCSO posts.
- d) A net budget requirement of £91.045m
- e) A Council Tax for a Band D property at £180.96, the same level as in 2012/13
- f) The Chief Executive be authorised to issue precept notices on Warwickshire billing authorities as follows: A Council Tax for a Band D property calculated as follows:

	£
Budget Requirement	91.045
Less Formula Grant	35.358
Less Revenue Support Grant	19.001
Less Council Tax Support Grant	3.898
Sub Total	32.788
Plus: Collection Fund Deficit	<u>.085</u>
Amount to be raised by Council Tax	32.873
Divided by Aggregate Council Tax Base	181,658.88
Basic Amount of Council Tax at Band D	£180.96

g) The consequential Council Tax for each property band will be as follows:

Band A (6/9 th)	£120.639690
Band B (7/9 th)	£140.746305
Band C (8/9 th)	£160.852920
Band D	£180.959535
Band E (11/9 th)	£221.172765
Band F (13/9 th)	£261.385995
Band G (15/9 th)	£301.599225
Band H (18/9 th)	£361.919070

h) That the Chief Executive to the Office of the Police and Crime Commissioner for Warwickshire be authorised to issue Precept Notices on the Warwickshire billing authorities as follows:

	£
North Warwickshire Borough Council	3,460,199.66
Nuneaton & Bedworth Borough Council	6,080,783.26
Rugby Borough Council	5,895,290.69
Stratford-on-Avon District Council	8,654,612.35
Warwick District Council	8,782,020.53
TOTAL	32,872,906.49

i) The reserve strategy set out in Table 4

j) The outline capital programme in Table 5

k) All Officers be instructed to exercise tight budgetary control. No over-spending of the aggregate 2013/14 budget will be authorised and caution will be exercised in entering into expenditure which creates additional commitments in future years. The PCC will be kept fully informed of the financial position throughout the year.

- l) In approving the budget, the PCC notes the Treasurer's comments in section 14 in respect of the robustness of the budget and the adequacy of reserves.
- m) To approve the Prudential Indicators as detailed in Appendix A.

2. Purpose of the Report

The purpose of this report is to set out the proposed budget and precept proposals for decision by the Police and Crime Commissioner. It is the first budget report to the Police and Crime Commissioner (PCC) for Warwickshire and will deliver one of the key responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011. It is also the first budget that fully reflects the major changes arising from the collaborative alliance with West Mercia PCC.

The report sets out the:

- Net budget requirement for 2013/14
- Proposed precept for 2013/14
- Proposed medium term financial plan
- Outline capital programme

The report focuses on the key issues involved in setting the budget and medium term financial plan. These are the level of government grant support, the level of the council tax, spending, the delivery of savings, and the use of reserves.

3. Background

Setting the budget for the next financial year is one of the most important decisions that the Commissioner will make. It is important therefore to set out the issues that influence and contribute to the build of the budget for 2013/14 and the medium term financial plan, having taken into consideration the plans of the Commissioner.

In determining his budget proposals the Commissioner has to have regard to:

- National targets and objectives including the strategic policing requirement
- The emerging priorities within the police and crime plan
- The outcome of public consultation
- The views of the Police and Crime Panel
- The plans and policies of other partner agencies relating to community safety and crime reduction

- The policy of the Government on public spending and the funding framework that arises from this
- The medium term financial obligations
- Prudent use of the budget reserve
- The constant drive for continuous improvement and value for money
- The commitment to support the strategic alliance with Warwickshire PCC and the delivery of existing savings plans

4. 2013/14 Financial Settlement

The financial strategy has been reviewed in the light of the provisional financial settlement for 2013/14. The Home Office decision to announce a settlement for one year only makes it very difficult to plan over the medium term with any degree of certainty. Therefore, the careful and cautious management of reserves will continue, of necessity, to be a key feature of the medium term financial planning.

The provisional settlement, announced on the 19th December 2012, was as follows:

Main Police Grant Funding

Table 1

2012/13 £m		2013/14 £m	% Change
34.603	Police grant (including neighbourhood policing grant)	34.483	-0.35
0.875	11/12 Council tax freeze grant	0.875	0
35.478	Sub-total Formula Grant	35.358	-0.35
19.779	Revenue Support Grant	19.001	-3.93

The key points to note are:

- The neighbourhood policing grant supporting 75% of the cost of PCSOs is no longer ring-fenced and has been amalgamated into the Police grant.
- Formula grant damping is received as part of the grant settlement. It is applied when there are changes to the formula that determine the distribution of funds between police bodies. Its aim is to prevent significant year on year fluctuations in grant support. Damping is contentious as it is funded from the overall national pot of Police funding. The existing damping arrangements will continue to apply in 2013/14. Warwickshire has been a contributor to this arrangement in the past, however, this year has benefited to the value of £1m. The recent consultation on the damping arrangements will feed into the full review of police funding which will take effect from financial year 2015/16.

This adds further uncertainties over medium term planning and is a risk to future funding levels.

- The recent reductions in Home Office funding announced in the autumn settlement have not been passed on to the Commissioner in 2013/14. We do not know how the departmental budget reductions (2%) for the Home office will be managed in 2014/15. This again constitutes a financial planning risk.
- The Government had previously indicated that any benefits accruing from the pay restraint would benefit the Government not the employer. However, this has not happened, and the benefit of the pay restraint has been left with PCCs. The financial models have been adjusted to reflect this.

Community Safety Funding

A Community Safety Grant will be paid to Commissioners in 2013/14. For Warwickshire, this will amount to £449,000.

This is a new grant, but, in effect, it replaces a multiplicity of funding streams which have, in the past, been used to channel grant funding to voluntary and statutory agencies in Warwickshire. No detail of the funding provided in 2012/13 to agencies has been provided by the Home Office to Commissioners, and, consequently, it is difficult to assess the adequacy of the grant.

In future years, the Community Safety Grant will be subsumed within Formula Grant.

5. Council Tax Considerations

The net budget for Warwickshire has previously been funded through a combination of formula grant and Council Tax income. Total Council Tax income, levied as a precept by precepting councils across Warwickshire, is dependent upon:

- the amount at which the precept is set
- the number of properties charged (the tax base*)
- A share of any surplus or deficit on the collection fund

** The Council Taxbase takes account of any expected collection levels and discounts. Local precepting bodies are considering a number of technical changes to the system in order to mitigate against a reduction in funding to support localisation of Council Tax support. These have altered the tax base.*

Council Tax Support Grant

A new grant will be paid in 2013/14 called the Council Tax support grant. This grant has been confirmed at £3.898m for Warwickshire. The grant will go some way to mitigating the loss in Council Tax revenues arising from the Localised Support for Council Tax scheme, estimated at £4.331m. This represents a net loss in Council Tax income of around £0.433m.

Council Tax Limits

The criteria for assessing whether Council Tax increases are excessive have been set out by the Government. For the Warwickshire PCC, the maximum Council Tax percentage increase that could be set without triggering a referendum is 2%. The Medium Term Financial Plan approved by the former Police Authority assumed Council Tax increases of 2% per annum.

Freeze grant

The Commissioner has an offer to take a Council Tax Freeze Grant. The grant is worth the equivalent of a 1% increase in Council Tax (£0.369m) and is subject to a freeze in Council Tax for one year. The grant would be paid for two years. The Commissioner would have £0.369m less than expected as a result of the “planned” 2% rise in Council Tax. A further impact would be that over time there would be a greater dependence on Government funds and a diminished Council Tax base. However, the somewhat better than expected settlement, driven by the Home Office decision not to reduce grant to take account of the pay restraint, mitigates the impact of this to a considerable extent.

The Commissioner has consulted various groups and individuals on his options for Council Tax precept.

- A 0% precept attracting additional Central Government grant of £0.369m in each of years 2013/14 and 2014/15
- A 1% precept increasing the available resource by £0.369m in 2013/14 and in every year thereafter
- A 2% precept increasing the available resources by £0.738m in 2013/14 and in every year thereafter

The actual impacts on the Council Tax levels are as:

- 0% leaves a Band D Council Tax at £180.96 (last year's level)
- 1% raises a Band D Council Tax to £182.77
- 2% raises a Band D Council Tax to £184.58

6. Financial Performance in the Current Year

In setting the net budget for 2012/13 of £93.7m it was expected that £4.565m of reserves would be required. The early highlighting of in-year savings enabled the development of the Devonport operation where £6m was set aside within the year to support performance and capacity issues in a targeted way. Further in year savings will also allow provision for the retention of PCSO posts to be made.

7. Revenue Budget 2013/14

Service assumptions in 2013/14 budget build

In developing the budget for 2013/14 the following service assumptions have been made:

Alliance

The policing model for Warwickshire is as set out in the blueprint for the Alliance. It is expected to be implemented during 2013/14 and will require some recruitment to support natural turnover and change.

Police staff budgets have been built upon the profile of delivery of the Alliance changes in 2013/14. All new structures will be in place by 2015/16.

Strategic Policing requirement (SPR)

The SPR was issued by the Home Secretary on 12 July 2012. It is intended to balance local and national priorities supporting Chief Constables and Police and Crime Commissioners to plan effectively for policing challenges that go beyond their boundary. The budget proposals will enable Warwickshire to meet their obligations within the SPR

Commissioner's priorities

The Commissioner is in the process of consulting on the priorities for inclusion in his Police and Crime Plan which will be published by the end of March 2013.

The proposed budget has been prepared using the Medium Term Financial Plan prepared by the former Police Authority as a basis. As a result of the priorities set out by the Commissioner, two important amendments have been incorporated.

Firstly, the proposed budget includes a freeze in the precept level for 2013/14.

Secondly, the Alliance Blueprint, on which the Medium Term Financial Plan was developed, proposed a reduction in the number of PCSOs to 76. The Commissioner has agreed with the Chief Constable to maintain a minimum of 100 PCSOs within the Force, through the life of this administration.

In addition to these changes, £2m of reserves has been earmarked to provide funding for three further initiatives, outlined by the Commissioner:

- A significant number of additional Special Constables will be recruited. There are currently 250 Specials. The Commissioner intends to see a significant increase in that number above the 60 new posts already planned.
- A network of “Community Ambassadors” will be established, in conjunction with the voluntary sector, to act as a focus for communication between the Commissioner and local communities.
- Funding will be set aside for innovative community safety initiatives, which support the Commissioners priorities, beyond the level of community safety funding provided in previous years.

In relation to funding the budget, no Council Tax increase has been assumed for 2013/14.

8. Revenue Budget Changes since 2012/13

The following table analyses the changes to the base budget between 2012/13 and 2013/14.

Table 2

	£m	£m
Budget for 2012/13		93.781
Adjustment re transfer of grant to formula funding		2.800
		96.581
Pay / contractual inflation		1.000
Budget Adjustments		1.600
Savings Plan		(7.060)
Budget for 2013/14		92.121

Funding:

Formula grant	35.358
Revenue Support Grant	19.001
Council Tax Yield	32.788
Council tax support grant	3.898
Net Budget Requirement	91.045
Council tax freeze grant	0.369
Use of Budget Reserve	0.707
Total Funding	92.121

9. Savings plan 2013/14

The savings identified reflect the detailed plans arising from the development of the alliance model with Warwickshire. The new policing model will come into effect by October 2013 and during the year staff restructures will be taking place.

The estimated pay related savings total £4.20m. There are target savings for non pay budgets totalling £2.96m.

10. Medium Term Financial Plan 2013/14 - 2017/18

The MTFP was agreed in February 2012 and has been updated and refreshed during the year. A necessary change, as a result of forward planning for the strategic alliance, has been to align budgeting practices and assumptions that sit within the plan. This enables a consistent approach to strategic joint planning of the finances across the alliance.

The MTFP has been extended to include years 2016/17 and 2017/18.

The key assumptions within the plan are as follows:

Funding

- The precept will increase broadly in line with inflation from 2014/15
- Council Tax base will grow by 0.5% annually

- Formula grant will reduce by 2.9% in 2014/15, a further 1% in 2015/16 and a further 1.5% in 2016/17 and 2017/18. Figures from the Institute of Fiscal Studies indicate that the reduction in later years could be as high as 4% within the Home Office. Our working assumption is that this would be unlikely to be fully passed onto policing
- Review of grant system maintains the levels of support as shown in the plan
- The Council Tax support grant position remains stable
- There is no assumption of further freeze grants
- There will be no tightening of precept limits

Costs

- Pay increases remain low at 1%. Each additional 1% on the pay bill would add around £0.8m per annum.

The revised MTFP is as follows:

Table 3

	2013/14	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m	£m
Warwickshire base budget before savings	99.181	100.669	102.179	103.711	105.267
Projected savings	-7.060	-10.368	-11.881	-13.707	-15.021
Projected net expenditure after savings	92.121	90.301	90.298	90.004	90.246
Funded by:					
Formula grant and RSG	54.359	52.656	51.263	50.494	49.737
Council tax Support grant	3.898	3.898	3.898	3.898	3.898
Council tax	32.788	33.706	34.648	35.612	36.611
Net Budget Requirement	91.045	90.260	89.809	90.004	90.246
Council tax Freeze grant (13/14)	0.369	0.369	0	0	0
Gap to be funded from Budget Reserve	0.707	-0.328	0.489	0	0

Cumulative alliance savings of £11.881m will be delivered by 1/4/2016. The MTFP indicates that a potential funding gap of £3.141m will emerge by 2017/18. The draw on the budget reserve assumes at this stage that plans will be produced to ensure delivery within the financial year. However, there is flexibility to manage this reduction over a longer period by utilising the budget reserve.

There are many uncertainties over the medium term planning horizon:

- Grant funding review process and damping arrangements
- Actual impact of localisation of Council Tax support
- Continuation of low pay increases - an increase of 1% on payroll costs will cost £0.75m per annum

These factors have been taken in to account within the proposed reserves strategy.

11. Strategic Use of Reserves

The following table indicates the opening reserve position in 2012/13, the expected opening balances at 1/4/2013 and the strategy for use of these reserves over the medium term.

The proposals include the use of reserves to support the Commissioner's pledges to retain PCSO numbers at 26 above the new policing model until 1/4/2015.

In considering the MTFP, the Commissioner needs to consider the level of reserves for which the budget provides. This will, in part, be governed by known or likely commitments, and, in part, by his appetite for risk.

In setting the level of reserves we would suggest that the following issues should be taken into account:

- The possibility of savings targets not being met. We would suggest no provision in reserves for this, but, if this approach is taken, the Commissioner is recognising that any failure to deliver savings through the Strategic Alliance will have to be compensated for, potentially, by service reductions.
- Possible delays in the delivery of savings. In previous years the Force has missed its in-year savings target, but has covered the shortfall from in-year under-spends. While no presumption of in year under-spending should be made, the record of the Force is of consistent delivery of under-spending. This is typical of organisations with strong budget management arrangements. Delays in the delivery of savings are very likely to occur, particularly in relation to the Strategic Alliance, and a prudent provision would be for a delay in delivering £1m of savings in each year of the plan,

but with half of this covered by in year under-spending. This would impact on reserves over a 5 year plan to the tune of £2.5m.

- The need to provide cover for “extraordinary” events or investigations, recognising that these would be likely to attract Special Police Grant. A prudent provision would be for two to three such events over a five year period, which would require a provision of at least £1.8m.
- The level of self-insurance we provide to minimise our insurance premiums. Currently this requires a provision of just under £0.8m. This reflects likely commitments.
- Any additional delivery costs of the Strategic Alliance. These may be capital (e.g. IT costs), but capital costs have a revenue impact. Until the capital costs are determined, the revenue consequences cannot be. An alternative, and one with no marginal cost, would be to absorb any revenue impact by cash-limiting the capital programme and deferring schemes to accommodate any Strategic Alliance spending requirements.
- The risk on inflation, especially on pay and utility costs. A year ago, the risk around pay looked significant. However, the continuing depressed state of the economy makes it unlikely that pay costs are likely to pick up materially beyond the level provided for within the life of the plan. Utility costs remain a risk, but, given the Government’s recent decisions on the permissibility of fracking as a means of gas extraction, means that the medium to long term risk has probably reduced considerably, to a level where no specific provision is likely to be required.
- Council Tax benefit is being localised, with a requirement for councils to save 10% of the cost. The Police and Crime Commissioner would be required to bear a share of any consequential loss of Council Tax income from the change in benefits. It is very possible that such a loss will incur. This is impossible to estimate accurately at this stage, because Council Tax collection rates are likely to be very dependent on the state of the local economy, but a provision of £0.5m would be prudent, with this reviewed in future years.
- There should be a general contingency provision for unknowns. Assessing a prudent level for this is impossible, but would be unlikely to be less than 1% of net revenue expenditure, around £0.9m.

The aggregate cost of those elements which it is feasible to estimate is £6.5m. The additional impact of some of those which cannot be estimated, such as higher pay increases, could prove to be significant. The Police and Crime Commissioner does

not necessarily have to provide money in reserves for each of these elements individually, unless they are certain to occur, as one contingency can provide for several possible events, provided that all of the events are unlikely to occur together. However, it does need to give realistic consideration to the likelihood of their occurring during the period covered by the plan, and it does need to provide explicitly for those which are certain to occur.

Given the relatively low aggregate sum involved, it is recommended that a minimum level of £6.5m is provided in reserves.

Table 4

Reserve	Balance £m 1/4/2012	Changes	Balance £m 1/4/2013	Balance £m 1/4/2014	Balance £m 1/4/2015	Balance £m 1/4/2016	Balance £m 1/4/2017
Budget reserve	17.628		10.608	10.686	10.198	10.424	10.656
PCC Development Reserve- specials, community safety innovation, community ambassadors	0	Transferred from Budget reserve	2.000	1.000			
General Reserve	2.000		2.000	2.000	2.000	2.000	2.000
Body armour	0.113		0.099	0.085	0.071	0.057	0.040
Invest to save	0.126		0	0	0	0	0
Westbere	0.250		0				
Carry forward	1.105		0	0	0	0	0
Operation Devonport	0		3.700	0	0	0	0
Dilapidation reserve	0.351		0	0	0	0	0
Insurance reserve	0.780		0.780	0.780	0.780	0.780	0.780
PCSO reserve	0.909	Increased from earmarked 2012/13 carry forward	2.580	1.800	1.020	0.240	0
Repair and maintenance	0.729		0.429	0.129	0	0	0
Total	23.991		22.196	16.480	14.069	13.501	13.476

12. Capital programme

Capital investment is planned as follows. The 2013/14 programme includes £2.7m carried forward from 2012/13. Further breakdown provided in Appendix B.

Table 5

Expenditure	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Information technology Strategy programme	2.095	2.649	2.716	0.806	8.266
Information technology replacement programme	0.674	1.075	1.313	0.673	3.735
Estates strategy	5.101	4.186	3.531		12.818
Fleet	1.437	1.303	1.034	1.032	4.806
Total	9.307	9.213	8.594	2.511	29.625

The planned funding for these investments is:

Table 6

Funding	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Capital receipts	1.190	2.950			4.140
Home Office grant	1.081	0.981	0.981	0.981	4.024
Specific Home Office grants					
Borrowing	7.036	5.282	7.613	1.530	21.461
Total	9.307	9.213	8.594	2.511	29.625

This has been included in the Medium Term Plan.

The progress of the capital programme will be reported to the Commissioner.

The Prudential Code for Capital Finance requires the Police and Crime Commissioner to approve a three-year capital programme.

The investment proposals as summarised above are considered to be affordable in terms of the Prudential Code for Capital Finance.

Specific Prudential Indicators are provided in Appendix A.

13. Prudential Code for Capital Finance in Local Authorities and Statement of Minimum Revenue Provision

The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of Commissioners are affordable, prudent and sustainable or, in exceptional cases, to demonstrate that there is a danger of not ensuring this, so that the Commissioner concerned can take timely remedial action. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. The Prudential Code also has the objectives of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

To demonstrate that Commissioners have fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The Code does not include suggested indicative limits or ratios. These will be for the Commissioner to set, subject only to Government reserve powers under section 4 of the Local Government Act 2003.

The prudential indicators required by the Code are designed to support and record local decision making. They are not designed to be comparative performance indicators and the use of them in this way would be likely to be misleading and counter productive. In particular, organisations had widely different debt positions at the start of the Prudential system and the differences are likely to increase over time as the result of the exercise of local choices. The system is specifically designed to support such local decision making in a manner that is publicly accountable.

In setting or revising their prudential indicators, the Commissioner is required to have regard to the following matters:

- Affordability, eg, implications for Council Tax
- Prudence and sustainability, e.g. implications for external borrowing
- Value for money, e.g. option appraisal
- Stewardship of assets, e.g. asset management planning
- Service objectives, e.g. strategic planning for the Commissioner
- Practicality, e.g. achievability of the forward plan.

Where capital assets are financed from borrowings, it is necessary to make a Minimum Revenue Provision (MRP) in the revenue account in order to provide for the repayment of the borrowing.

14. Robustness of the Budget

Section 25 of the Local Government Act 2003 requires the Treasurer to report on:

- The robustness of the revenue estimates made for the purposes of the budget calculations
- The adequacy of the proposed financial reserves

Set out below is the statement by the Treasurer regarding the robustness of the budget and the adequacy of the reserves.

“The 2003 Local Government Act places specific responsibilities on me, as the statutory Chief Financial Officer, to report on the robustness of the budget and the adequacy of the proposed financial reserves which the Police and Crime Commissioner holds when the Commissioner is considering the budget requirement. The Commissioner is required to have regard to this report when it sets the budget.

There are a range of other safeguards that I must also consider to prevent the Commissioner from over committing financially, including:

- *the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992);*
- *the legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs (section 151 of the Local Government Act 1972), the implications of which have been clarified in case law and published professional guidance, particularly on the role of the Chief Financial Officer.*

Given the continuing uncertainties of the economic environment and the scale of the expenditure reductions required, there are significant risks facing the Commissioner in delivering a balanced budget. These are set out in detail in section 11 on the strategic use of reserves, which assesses the potential of these risks to impact on reserves.

In addition, whilst not a risk to the 2013/14 budget, this budget is merely the first year of the Commissioner’s five year medium term financial plan. The Chancellor of the Exchequer’s Autumn Statement indicated that the Coalition Government’s deficit reduction strategy was not on target, and raised the prospect of further reductions in

Government funding allocations, beyond those already announced and through into 2017/18. In addition, there will be a comprehensive review of the funding formula over the next few months, which could also lead to changes in future years' allocations. The medium term financial plan could be materially affected by changes in grant allocations, either up or down. At this stage it is prudent to assume that there will continue to be a need to aggressively drive savings throughout the Police Service over the whole life of the plan, in order for the financial position to remain sustainable.

The budget information used in preparing this budget resolution has undergone extensive scrutiny by:

- *Chief Officers and their staff*
- *Staff within the Finance directorate and particularly the Director of Finance*
- *The Treasurer and the Commissioner's staff*
- *The Commissioner and his Deputy.*

The level of one-off resources being used to fund this budget exceeds the level of one-off budget allocations and, consequently, there is a need, identified in the medium term financial plan, to identify further savings to meet those revenue funding pressures which will be ongoing. Notwithstanding this, and taking account of the availability of reserves to the Commissioner, in overall terms I am of the view that this revenue budget and the medium term financial plan have been prepared on realistic assumptions, with a progressively reducing call on reserves over a five year period. As a consequence, I am of the view that the proposal for 2013/14 represents a robust, albeit challenging, budget. I am also of the view, that reserves are adequate. They will remain so over the life of the medium term financial plan provided that there is a continuing focus on the delivery of not only the current year's savings plans but also the work that is progressing to ensure the savings requirements in future years are identified and delivered in a timely way.

APPENDIX A

PRUDENTIAL INDICATORS

1. AFFORDABILITY PRUDENTIAL INDICATORS	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£'000	£'000	£'000	£'000
Capital Expenditure	5,058	9,307	9,213	8,594
	%	%	%	%
Ratio of financing costs to net revenue stream	2.49	2.88	3.56	4.15
	£'000	£'000	£'000	£'000
In Year borrowing requirement				
- in year borrowing requirement	3,128	7,036	5,282	7,613
	£'000	£'000	£'000	£'000
In year Capital Financing Requirement	497	5,467	1,828	3,134
	£'000	£'000	£'000	£'000
Capital Financing Requirement 31 March	26,149	31,616	33,444	36,578
	£	£	£	£
Affordable Borrowing Limit				
Increase per council tax payer				
- Position as agreed at March 2012 Authority	£2.17	2.20	0.83	N/A
- Updated position of the current Capital Programme	£0.35	£1.02	£0.69	£1.60
2. TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£'000	£'000	£'000	£'000
Authorised limit for external debt				
- Borrowing	50,000	60,000	80,000	80,000
	£'000	£'000	£'000	£'000
Operational boundary for external debt				
- Borrowing	40,000	50,000	70,000	70,000
Upper limit for fixed rate interest exposure				
- net principal re fixed rate borrowing / investments	£50m	£60m	£80m	£80m
Upper limit for variable rate exposure				
- net principal re variable rate borrowing / investments	£5m	£5m	£5m	£5m

Maturity structure of new fixed rate borrowing during 2013/14	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Capital Programme 2013/14 - 2016/17

	Total 2013/14 incl C/fwd £m	2014/15 £m	2015/16 £m	2016/17 £m	TOTAL 5 Years 2012/13 to 2016/17 £m
IT Strategy Programme					
LOCAL POLICING					
INFORMATION MANAGEMENT	0.009				0.009
DIGITAL CRIMINAL JUSTICE	0.253	0.261			0.514
ALLIANCE OPERATION CENTRES	0.148	0.652	0.941		1.741
CRIME RECORDING & MANAGEMENT	0.018	0.156			0.174
PROTECTIVE SERVICES					
INTELLIGENCE	0.129	0.157	0.176		0.462
MAJOR INCIDENT UNIT(S)			0.188		0.188
PROTECTING VUNERABLE PEOPLE		0.016			0.016
FORENSICS	0.049				0.049
FINANCE					
		0.117	0.588		0.705
ENABLING SERVICES					
PEOPLE SERVICES	0.145	0.013			0.158
CORPORATE COMMUNICATIONS	0.003				0.003
ESTATES SERVICES	0.018				0.018
TRANSPORT	0.005				0.005
PROCUREMENT		0.026			0.026
ICT ENABLING PROJECTS					
KEY TECHNOLOGY ENABLERS	0.438				0.438
NEW ICT ENABLING TOOLS	0.457	0.143	0.059		0.659
OTHER TECHNOLOGY ENABLERS	0.369	1.082	0.647	0.016	2.114
MISC	0.054	0.026	0.117	0.790	0.987
Total IT Strategy Programme	2.095	2.649	2.716	0.806	8.266
IT Replacement Programme					
FORCE TECHNICAL SURVEILLANCE EQUIPMENT (JOINT)	0.015	0.015	0.015	0.015	0.060
CRIME TECH CAPITAL EQUIPMENT (JOINT)	0.016	0.016	0.016	0.016	0.064
DESKTOP & PERIPHERALS REPLACEMENT	0.303	0.611	0.467	0.312	1.693
SERVER REPLACEMENT	0.170	0.220	0.120	0.180	0.690
NETWORK REPLACEMENT			0.100	0.100	0.200
SOFTWARE UPGRADE	0.120	0.213	0.145	0.050	0.528
AIRWAVE REPLACEMENT			0.450		0.450
OTHER	0.050				0.050
Total IT Replacement Programme	0.674	1.075	1.313	0.673	3.735
ESTATES STRATEGY PROGRAMME					
Estates	5.101	4.186	3.531	0.000	12.818
Total Estates Strategy Programme	5.101	4.186	3.531	0.000	12.818
FLEET					
Fleet Replacment Programme	1.437	1.303	1.034	1.032	4.806
Total Fleet	1.437	1.303	1.034	1.032	4.806
Total	9.307	9.213	8.594	2.511	29.625