

Police and Crime Panel

3rd February 2014

Report of the Budget Working Group

Recommendations

That the Police and Crime Panel:

- 1) Considers the minutes Budget Working Group meeting in respect of the Police and Crime Commissioners proposed budget; and
- 2) Appoints a Conservative member to the Budget Working Group.

1.0 Background

1.1 A meeting of the Budget Working Group was held on 16th January 2014 to consider the budget report of the Office of the Police and Crime Commissioner. The areas that the Group considered included:

- Movement in the Alliance Base Budget 2013/14 – 2014/15
- Medium Term Financial Plan
- Reserves Strategy 2014/15 – 2018/19
- Revenue Budget Consultation
- Capital Programme

1.2 Following the resignation of Councillor Michael Doody (Warwick District Council), Cllr Gillian Roache was temporary substitute Conservative member at the Group meeting. The Conservative position on the Budget Working Group will now need to be reappointed by the Police and Crime Panel.

2.0 Key Findings

2.1 The minutes of the Budget Working Group meeting are attached at **Appendix A**.

Appendices:

Appendix A – Minutes of the Budget Working Group, 16th January 2014

	Name	Contact details
Report Author	Georgina Atkinson	georginaatkinson@warwickshire.gov.uk
Head of Service	Greta Needham	gretaneedham@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk

**Minutes of the Police and Crime Panel – Budget Working Group
held on 16th January 2014**

Present:

Members of the Panel

Gillian Roache (Stratford-upon-Avon District Council)
Robin Verso (Co-opted independent member)

Warwickshire County Council

Georgina Atkinson, Democratic Services Team Leader
John Betts, Head of Finance

Office of the Police and Crime Commissioner

Rob Ball, Police and Crime Commissioner
Dave Clarke, Treasurer
Rob Phillips, Deputy Chief Finance Officer

1. General

(1) Apologies

Apologies for absence were received from Councillor Peter Morson (North Warwickshire Borough Council).

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

There were no disclosures of interests on this occasion.

(3) Minutes of the meeting held on 8th August 2013

Reserves – page 2

Dave Clarke clarified that the level of reserves at 30 per cent of net revenue expenditure was not dissimilar to other public sector authorities; for example, Warwickshire County Council's was currently 20 per cent.

Actions – page 3

Members requested an update on liaison with the West Mercia Police and Crime Panel.

2. Budget 2014/15

Dave Clarke referred to the report that had been circulated to the Budget Working Group which outlined the Police and Crime Commissioner's budget and precept proposal for 2014/15.

Minutes of the Police and Crime Panel – Budget Working Group held on 16th January 2014

Paper 1 – Movement in the Alliance Base Budget 2013/14 – 2014/15

It was reported that there had been a total £10.197 million in-year (2013/14) savings achieved and a further £3.553 million following a review of the Alliance Base Budget. These savings had enabled a number of items to be added to the Base Budget including some which had been previously funded from Reserves (to give a total 2014/15 Alliance Base Budget of £296.782 million).

One new area of spending was an allocation of £2.144 million for the early recruitment of Police Constables in the Safer Neighbourhood Teams to mitigate the frequency and length of vacant posts and ensure that the teams were adequately resourced. In response to a question raised, Dave Clarke advised that he believed that the turnover of Police Constables was approximately 100 per year across the Alliance (3 per cent of the total workforce). The allocation would be monitored to ensure that it remained adequate to address the issue.

Dave Clarke confirmed that the propensity to underspend should now be lower following the review of the Base Budget. It was reported that previous underspends had been predominantly due to an overprovided budget and the early delivery of savings.

Following further questioning from the Working Group on the content of Paper 1, the following points were noted:

- 1) The “Blueprint” proposals to change the rank configuration across the Alliance, such as the number of sergeants, had been taken into account in the 2014/15 budget;
- 2) The Programme Team had been initially appointed to deliver the budget reductions following the Comprehensive Spending Review (CSR) 2010 and a team would be maintained for CSR 2015; and
- 3) The Cost of Change Fund referred to change management costs which were not staff-related; for example, the use of consultants or payments to external organisations.

The Budget Working Group noted the Alliance Base Budget for 2014/15.

Paper 2 – Medium Term Financial Plan 2014/15 – 2018/19

Dave Clarke explained that the MTFP outlined how the Warwickshire Base Budget would be funded until 2018/19. Members noted that the Warwickshire Base Budget (before savings) was £95.075 million in 2014/15, reducing to £90.680 million in 2018/19.

Members were informed that the Police and Crime Commissioner’s proposal to increase Council Tax by two per cent in 2014/15 (and for each year of the MTFP) had been published for public consultation. Dave Clarke explained that two per cent was the current referendum cap imposed by the Secretary of State for Communities and Local Government; however, a Government proposal to reduce the cap to 1.5 per cent was currently being considered. The Police and Crime Commissioner

**Minutes of the Police and Crime Panel – Budget Working Group
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confirmed that he had written to both the Home Secretary and the Secretary of State for Communities and Local Government to submit a case for maintaining the current cap of two per cent. Members were advised that the current assumption was that it was extremely unlikely that the Police and Crime Commissioner would win a referendum to increase Council Tax beyond the cap.

Dave Clarke advised that there was no guarantee that the Government would provide Council Tax Freeze Grants beyond 2015/16. As it was considered that a two per cent increase was required to sustain Warwickshire's budget and achieve the £14.3 million project savings following CSR 2015, the Freeze Grant of one per cent was deemed insufficient. The Police and Crime Commissioner explained that a two per cent increase would amount to £0.01 per day increase per household for a Band D property, which he considered barely noticeable for the household; however, a decision to not increase Council Tax would leave a shortfall in the Base Budget, which would ultimately have a significant impact on service delivery. In light of this, the Police and Crime Commissioner considered that the proposed increase was reasonable and essential.

Councillor Roache expressed concern at the proposed Council Tax increase and considered that this would attract criticism to the Police and Crime Commissioner. The PCC accepted that criticism was likely and explained that he was committed to ensuring that Warwickshire Police was financially viable at end of his term. Both the Warwickshire and West Mercia Police and Crime Commissioners would propose a two per cent increase to ensure alignment across the Alliance; however, ultimately it was the decision of each individual PCC to determine the precept. The West Mercia Police and Crime Panel would consider the proposed precept on 4th February 2014.

Following further questioning from the Working Group on the content of Paper 2, the following points were noted:

- 1) The Alliance Savings Plans (CSR 2010 and Phase 2) were in addition to the savings detailed on Paper 1;
- 2) The assumptions made for 'growth/pay/price inflation' related to a possible one per cent increase in salaries, in addition to a higher rise in utility costs in years one and two and a general increase in costs of 1.5 per cent thereafter;
- 3) The level of Reserves would be significantly reduced by the end of the MTFP period;
- 4) The projected growth in Council Tax had been based on projected housing developments in the county and it was anticipated that building would commence in 2014/15 following the recent recovery of the housing market; and
- 5) The Alliance Savings Plan was currently on track to achieve £3.308 million savings in 2014/15 and future savings needs had been phased to mitigate overcutting the budget until the outcome of the CSR 2015 had been announced.

The Budget Working Group agreed to request: a) more detail of how the Warwickshire Base Budget had been calculated; and b) a detailed breakdown of the Alliance Savings Plans which would demonstrate how the 2014/15 and 2015/16 savings targets from CSR 2010 would be achieved; be included as part of the

Minutes of the Police and Crime Panel – Budget Working Group held on 16th January 2014

proposed Budget Precept 2014/15 report which would be presented to the Police and Crime Panel on 3rd February 2014.

Paper 3 – Reserves Strategy 2014/15 – 2018/19

An overview of the Reserves Strategy, and each of the commitments that would be drawn from Reserves, was presented by Dave Clarke. Members noted that the balance of reserves at the end of the Medium Term Financial Plan period would be £10.5 million, reduced from a projected £33.2 million at 1st April 2014. This was in addition to £6 million to offset risks facing the organisations. This £10.5 million would be held to fund operations such as Operation X.

A discussion took part with regard to Operation X, which had been allocated £1.7 million from Reserves to meet the pre-existing commitment to delivering the project in 2014/15. A review of the operation had been commissioned from the Chief Constable to assess the value of funding the operation beyond 2014/15. In response to a question raised, the Working Group was advised that the high crime areas identified by Operation X were all urban areas; however, it was noted that offenders who would be targeted through the operation may also commit crime in rural areas.

Members considered the decision by the Police and Crime Commissioner to invest in three priority areas – rural, business and cyber crime – at £1.5 million per annum over the MTFP period. The PCC provided members with an update on each of the three priorities and confirmed that further detail would be presented to the Police and Crime Panel at its meeting on 3rd February 2014.

Following further questioning from the Working Group on the content of Paper 3, the following points were noted:

- 1) The £6.5 million allocation for risk to fund those issues identified in the Treasurer's risk assessment which would form part of the budget papers, such as contingency needs and self-insurance; and
- 2) The Reserves Strategy was considered by the PCC to be a prudent plan that would use reserves wisely to develop and deliver services that would be beneficial to Warwickshire residents.

The Budget Working Group agreed to request that further information on the Police and Crime Commissioner's three priorities – rural, business and cyber crime – be presented to the Police and Crime Panel on 3rd February 2014;

Paper 4 – Revenue Budget Consultation

The document was noted by the Budget Working Group.

Minutes of the Police and Crime Panel – Budget Working Group held on 16th January 2014

Paper 5 – Capital Programme

Dave Clarke advised that the total projected budget for the Capital Programme 2014-2017 was £73.664 million across the Alliance. He added that the Alliance had appeared to have been awarded an Innovation Fund grant of £1.6 million for a joint control room and a further £1.4 million for the rationalisation of IT systems in an announcement made the previous day.

In response to a question raised, Dave Clarke confirmed that it was unlikely, as with any significant Capital Programme, that all projects would be delivered on time. A number of projects were complex and also dependent on the delivery of national initiatives; for example, there had been significant slippage with IT projects, in part due to a 15-16 month delay caused by a debate concerning appropriate ownership of the Police ICT Company.

Members requested further information on how the Capital Programme was managed and monitored. Dave Clarke advised that a business case for each project was agreed, at which stage 'value for money' would be considered. He added that the many of the projects focused on budget savings and rationalisation through the integration of the two Forces and therefore the 'value for money' element was easy to assess.

The Budget Working Group considered it essential that the Police and Crime Commissioner understood the rationale for the Capital Programme and that the £73.664 million allocation was both reasonable and demonstrated value for money. The Group also asked for clarification on how the PCC challenged the Capital Programme.

The Budget Working Group agreed to:

- 1) Request further information on Capital Programme management and monitoring procedures;
- 2) Request clarification on the Police and Crime Commissioner's judgment of the Capital Programme and how he challenged and monitored the Programme; and
- 3) An outline of how change is managed across the Alliance, together with a copy of the Alliance Governance Structure.

3. Report to Warwickshire Police and Crime Commissioner and the Police and Crime Panel

The Budget Working Group agreed to submit its requests for information to the Police and Crime Commissioner and that the information be circulated for consideration at the meeting of the Police and Crime Panel on 3rd February 2014.

The meeting concluded at 4.00 p.m.