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DYFED-POWYS
POLICE AND CRIME
COMMISSIONER

REPORT / SUMMARY DECISION SHEET

PURPOSE: COMMISSIONER DECISION

Timing: Routine

Title: Council Tax Requisite Calculation

Category of Decision / Business Area Impact: Finance

Executive Summary:

In relation to each financial year, the Commissioner is required to set out the determinations regarding Budget Requirement, Council Tax and Precept requirements in accordance with Sections 43, 44, 47 and 48 of the Local Government Finance Act 1992.

The Commissioner has paid due regard to the points raised in the Police and Crime Panel report and also responses to the public consultation. The issued precept is unchanged from that originally proposed to the Police and Crime Panel and is lower than that consulted upon.

The attached determinations are supported by:

- the Commissioner's report to the Police and Crime Panel meeting on the 24th January 2014
- the Police and Crime Panel's report on the precept following that meeting;
- the report of the Chief Financial Officer under section 25 of the Local Government Act 2003 and
- The final police settlement was received on the 5th of February 2014 and was unchanged from the provisional settlement previously announced.

Recommendation:

The Police and Crime Commissioner is asked to approve the attached Budget and Council Tax Requisite statutory determinations and calculations.

Police and Crime Commissioner for Dyfed-Powys

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Nolan Principles for Conduct in Public Life.

The enclosed report and the statutory determinations and statutory determinations and calculations set out within have my approval.

Signature:

Date: 6/02/2014

Council Tax Requisite Calculation – 2.1% Council Tax at Band D

i. Budget Requirement 2014/15

£97.894 million as the Police and Crime Commissioner for Dyfed Powys' Budget Requirement for the year, calculated as follows in accordance with section 43 of the Local Government Finance Act 1992

	£	£
Gross Revenue Expenditure	110,723,925	
<u>Add:</u> Contribution From Balances	-2,183,440	
TOTAL GROSS EXPENDITURE		108,540,485
Income		-10,646,659
NET EXPENDITURE		97,893,826
<u>Less:</u> Contribution to Balances		0
Net Budget Requirement		97,893,826
Net Budget to be met from:		
Police Grant	30,110,986	
Floor Grant	9,256,448	
National Non-Domestic Rates	12,389,231	
Revenue Support Grant	1,250,835	
BALANCE TO BE MET FROM COUNCIL TAX		44,886,326

Note	£'000
Notional Council Tax requirement	20,515
Revenue balances are anticipated at:	4,500

ii. Council Tax Base for 2014/15 at Band D equivalent number of properties

Unitary Authority Area	Equivalent Number of Band D Properties
Carmarthenshire	69,905.26
Ceredigion	30,340.03
Pembrokeshire	52,861.44
Powys	60,028.72
Total	213,135.45

iii. Collection Fund Balances

The Police and Crime Commissioner for Dyfed Powys will not share in annual surpluses and deficits on the Collection Fund.

iv. Calculation of Council Tax

$$\text{Calculation of Council Tax Formula} = \frac{A - (B1+B2+B3+B4)}{C}$$

Key to above: A = Budget Requirement
 B1 = Revenue Support Grant
 B2 = National Non-Domestic Rates
 B3 = Police Grant
 B4 = Floor Grant
 C = Total Council Tax Base

£

$$97,893,826 - (1,250,835 + 12,389,231 + 30,110,986 + 9,256,448)$$

213,135.45

THEREFORE, the Basic Amount of Tax for the Police and Crime Commissioner for Dyfed Powys area amounts to £210.60 (rounded to nearest penny and divisible by nine)

v. Council Tax Per Property Band

Property Band	Weighting	Council tax £
A	6/9ths	140.40
B	7/9ths	163.80
C	8/9ths	187.20
D	9/9ths	210.60
E	11/9ths	257.40
F	13/9ths	304.20
G	15/9ths	351.00
H	18/9ths	421.20
I	21/9ths	491.40

N.B. Tax Calculation = Weighting x Band D Value i.e. Band D = £210.60

vi. Police and Crime Commissioner for Dyfed Powys' Precept 2014/15

Unitary Authority	Tax Base	Tax per Band D Property £	Precept due £
Carmarthenshire	69,905.26	210.60	14,722,048
Ceredigion	30,340.03	210.60	6,389,610
Pembrokeshire	52,861.44	210.60	11,132,619
Powys	60,028.72	210.60	12,642,049
Total	213,135.45		44,886,326

Report of the Police and Crime Commissioner

INITIAL PRECEPT / BUDGET FOR 2014/15 AND FINANCIAL OUTLOOK TO 2017/18

1. Background

The statutory arrangements established under the Police Reform and Social Responsibility Act impose a tight timescale of the 1st of February 2014 for me to present my initial precept proposal for 2014/15 to the Dyfed-Powys Police and Crime Panel following the announcement of the provisional settlement on the 18th of December 2013. A Seminar was held on the 6th of January 2014 at which I was able to set out the details of my plans around budgets and precepts for 2014/15.

In order to fulfil my responsibilities as Commissioner, I have consulted with the Chief Constable and have determined an initial position on the budget for 2014/15; an initial council tax precept and a cost reduction plan which aims to continue the progress that is being made by my Office and the Chief Constable in managing the financial challenges being faced.

In setting these, I have sought to act prudently and reflect the considerable degree of uncertainty which still remains in relation to future financial settlements for policing the Dyfed Powys area, whilst setting a challenging cost reduction target for the Chief Constable to deliver against. I am seeking to balance my desire and pledge to prioritise neighbourhood policing services to the public at a precept level that the public would be willing to support. This approach of putting the "Public First" in all that we do is a philosophy that I and the Chief Constable are committed to as we face up to these challenges.

This report aims to provide Dyfed-Powys Police and Crime Panel Members with the information necessary to scrutinise my initial precept decision and the inherent budget position for 2014/15 upon which I have already consulted with the Public and the Chief Constable.

2. Funding – Provisional Settlement 2014/15

On the 18th December 2013, the Home Office published provisional 2014/15 Police Grant allocations which were followed on the same day by the allocations of Revenue Support Grant and National Non Domestic Rates from the Welsh Government.

The Comprehensive Spending Review announcement in the summer of 2013 had indicated that police budgets overall were set to reduce by 3.3% for 2014/15. The Policing Minister Damien Green in his written Ministerial Statement confirmed that the police settlement had been protected from the further 1.1% cut to Departmental Expenditure Limits announced as part of the Autumn Statement 2013. However due to the protection afforded Counter Terrorism spending and several other top slices outlined below, the reduction in core funding allocated to local policing bodies in England and Wales is actually -4.8%.

Police Funding 2014/15	£M
Police Core Settlement – Main Grant	4,407
National and Capital City Grant	176
DCLG – Formula Funding	2,924
DCLG – Ordnance Survey	2
Legacy Council tax Freezes	23
Welsh Government	140
<u>Home Office Specific Grants</u>	
Welsh Top-up	13
Counter Terrorism Specific	564
Police Innovation Fund	50
National Police Coordination Centre	2
Independent Police Complaints Commission	18
College of Policing (Direct Entry)	3
City of London Capital City Grant	2
HMIC for regular Force Inspections	9
Legacy Council Tax Freeze Grants (11/12)	59
Legacy Council Tax Freeze Grants (13/14)	7
Public Finance Initiative	73
Home Office Contingency	7
TOTAL	8,479

The reduction in core government funding for all Forces in England and Wales in 2014/15 is -4.8% which equates to £-2.651 million in cash terms for Dyfed Powys Police.

Description	2013/14 Original (£M)	2014/15 Provisional (£M)	Decrease (£M)	Reduction (%)
<u>Home Office / Welsh Government</u>				
Police Grant	30.780	30.111		
Damping Funding	9.047	9.257		
National Non Domestic Rates	14.033	12.389		
Revenue Support Grant	0.943	1.251		
Total Home Office / Welsh Government	54.803	53.008		
Community Safety Fund (13/14) *	0.856	0.000		
Total Central Funding	55.659	53.008	-2.651	-4.8%

(*) Community Safety Fund allocations have been rolled into the formula and this line is added into the 2013/14 baseline to allow a like for like comparison.

3. Cost Pressures

Work has been progressing since early in October on establishing a budget position that takes account of cost pressures, inflation, pay awards and cost reduction initiatives to be implemented for the 2014/15 year.

A detailed budget proposal has been formulated for 2014/15 which requires a net revenue budget of £97.894 million (£99.034 million in 2013/14) which is a £1.140 million or 1.15% decrease on 2013/14 taking account of the adjustment to the Community Safety Fund. This budget position incorporates a 1% pay increase expected from

September 2014 and a 2.5% increase in non-pay headings in line with inflation. Energy and fuel cost increases of 5% have also been incorporated.

The revaluation of pensions and some potential police pension injury award changes are also expected to add to the baseline budget. In total cost pressures will add some £2.607 million to the cost base for 2014/15 compared with 2013/14.

Variation	£'000
Police Officers Pay Awards	516
Police Officer Increments	236
Police Staff Pay Awards	260
Police Staff Increments	150
Police Staff Pensions	400
Other Inflation	533
PFI Grant Reduction	30
Police Pensions – Injury Awards	92
Commissioning Budget	250
Custody Detention Officers – Full Year	140
Total Variation	2,607

Further details on these cost pressures are outlined in Appendix B to this report.

4. Commissioning Funding

The Ministry of Justice has indicated that additional funding will be provided to Police and Crime Commissioners in 2013/14 and 2014/15 to undertake commissioning work in relation to Victims Services and Restorative Justice. Indicative grant allocations have been provided which amount to some £190K in 2013/14 and £276K in 2014/15 (6 months).

I intend to safeguard and increase funding provided to for commissioning in total despite the funding pressures. I have also appointed a Director of Commissioning to undertake this key work initially funded through additional grant.

The Community Safety Grant of £856K which was previously allocated to my Office as a Specific Grant has now been included within the main Police Grant and this will contribute to an increase in the net cost of Commissioning when compared to last year's figures.

5. Council Tax Precept 2014/15

I am aware that precept increases above changes in inflation and earnings levels are not sustainable in the long run and that it is unfair to expect hard pressed taxpayers across Dyfed-Powys to continue to meet such increases. In setting the police element of council tax (known as the precept) I have been conscious of balancing the pressures on household budgets against the need to provide an effective public policing service.

Detailed within the priorities included in the Police and Crime Plan (priority 6) is my intention to minimise council tax precept rises. With this in mind, I propose to set a precept level of £44.886M for 2014/15. This means that an average Band D property will be contributing £210.60 to policing in 2014/15. I have reduced the precept in 2014/15 by one percent from the plans I announced last year to 2.1% in terms of the increase.

This initial taxation strategy takes into account the uncertainty faced beyond 2014/15, and offers some flexibility for the future. This preserves room for manoeuvre in terms of planning.

The changes made to tax base collection assumptions for 2014/15 and tax base levels at Band D are shown in the table below:

Unitary Authority	Collection Assumption %		Tax Base at Band D		% Change
	13/14	14/15	13/14	14/15	
Carmarthenshire	96.0%	97.50%	68,382	69,905	2.23%
Ceredigion	96.5%	96.50%	30,143	30,340	0.65%
Pembrokeshire	97.7%	97.70%	52,657	52,861	0.39%
Powys	97.5%	98.50%	59,087	60,029	1.59%
Total			210,270	213,135	1.36%

6. Cost Reduction Requirement 2014/15

The outline budget will take account of annual recurring cost reductions of £3.747 million, being the target I have set the Chief Constable for the 2014/15. An exercise has been undertaken to update the Cost Reduction Plan to take account of some further cost reduction activities and opportunities that have emerged in recent months through "Public First". The cost reductions sought for 2014/15 and 2015/16 years are particularly challenging. More details on these are provided in Appendix B.

	2013/14 (£M)	2014/15 (£M)	Difference (£M)	%
Central Funding & Community Safety Fund	55.659	53.008	-2.651	-4.8
Council Tax Precept @ 2.1% increase	43.374	44.886	+1.512	+3.5
Total Financing Available	99.033	97.894	-1.139	-1.2
<i>Baseline Budget 2013/14</i>		99.034		
Add: Inflation and pay awards		1.695		
Other cost pressures		0.912		
Total Budget Requirement 14/15	99.033	101.641	+2.607	+2.6
Cost Reductions		-3.747	-3.747	-3.8
		97.894	-1.139	-1.2

7. Use of Reserves 2014/15

The figures included in the budget projection include the use of £2.2 million of revenue reserves over the year to fund non-recurring revenue expenditure items and the cost of implementing the changes proposed in "Public First".

The opening position as regard reserves as at the 31/3/2013 is shown below. It is estimated that there will be a further underspend due to non-pay restraint and a number of vacant police officer and staff posts in 2013/14 which will add further to these reserves.

Earmarked Revenue Reserves	£16.2 million
Earmarked Capital Reserves	£15.3 Million
General Reserves	£ 4.5 Million
Total Reserves	£ 36.0 Million

More details on the future use of reserves are included in the table below and in the "Statement on Reserves" shown on page 16 of Appendix B.

Use of Reserves £'000	Future Plans				
	2014/15	2015/16	2016/17	2017/18	Total
Public First Programme					
Insurance Reserve	-38	-38	-39	-40	-155
Implementation Costs – Public First	-1,485	0	0	0	-1,485
Contribution to Capital Financing	-410	-411	-427	-435	-1,683
Programme costs – Public First	-250	-250	0	0	-500
Use of Reserves for One Off Items					
Pension Deficit Costs	0	0	-375	0	-375
Total Annual Use of Reserves	-2,183	-699	-841	-475	-4,198
Use of Capital Reserves					
Capital Reserves	-10,864	-4,011	-420	-420	-15,715
Use of Capital Reserves	-13,047	-4,710	-1,261	-895	19,913

8. Capital Programme

Well maintained and managed assets play a vital role in the delivery of efficient policing services. Therefore it makes sense to plan how these assets will be maintained and managed in the medium / long term. An updated Summary Capital Programme is shown below.

Forward Capital Programme 2013/14 to 2017/18					
	13/14	14/15	15/16	16/17	17/18
	£'000	£'000	£'000	£'000	£'000
Capital Spending					
Land and Buildings	2,164	8,771	4,225	2,080	775
Vehicles (inc. Helicopter)	1,486	1,318	1,250	830	980
IT and Equipment	2,364	3,516	1,795	1,080	880
Total Spending	6,014	13,605	7,270	3,990	2,635
Capital Financing					
Grant Funding	-1,172	-1,358	-1,125	-914	-765
Borrowing	-520	-520	-520	-520	-1,000
Capital Receipts	-180	-750	-1,500	-2,022	-450
Revenue Budgets	-1,390	-114	-114	-114	0
Capital Reserve	-2,752	-10,863	-4,011	-420	-420
Total Financing	-6,014	-13,605	-7,270	-3,990	-2,635

9. Recommended Precept and Budget for 2014/15

Given the settlement reduction of -4.8%, there is a council tax funding requirement of £44.886 million for 2014/15 resulting in a council tax increase of 2.1% at the level of budget outlined in this paper. Based on a Band D property this equates to £210.60 compared to £206.28 in 2012/13; an increase of some 8.3p per week.

I therefore submit the for scrutiny by the Dyfed-Powys Police and Crime Panel a budget level of £97.894 million for 2014/15 which would result in an initial council tax precept at band D of £210.60 (from £206.28) an increase of 2.1% or 8.3 pence per week.

Should this position need to be amended then each 1% change in council tax precept (3.9 pence per week) for 2014/15 would produce a funding change of £0.440 million for 2014/15 and on a recurring basis which would require further cost reduction measures to be implemented. To assist the Panel in its deliberations, some illustrative scenarios of various baseline budget adjustments and levels of precept for 2014/15 are shown in the table below:

Council Tax Increase 14/15 %	2.10%	0.00%	1.00%	3.00%	4.00%	5.00%
	£'000	£'000	£'000	£'000	£'000	£'000
Precept at Band D (£206.28)	£210.60	£206.28	£208.26	£212.40	£214.47	£216.54
Additional Amount (annual)	£4.32	£0.00	£1.98	£6.12	£8.19	£10.26
Additional Amount (weekly pence)	8.3	0.0	3.8	11.8	15.8	19.7
Settlement	£'000	£'000	£'000	£'000	£'000	£'000
Precept (including tax base adjustments)	44,886	43,966	44,388	45,270	45,711	46,152
Central Government Grants	53,008	53,008	53,008	53,008	53,008	53,008
Budget Requirement	97,894	96,974	97,396	98,278	98,719	99,160
	-1.2%	-2.1%	-1.7%	-0.8%	-0.3%	0.1%
Revenue Expenditure						
Baseline Budget	97,894	96,974	97,396	98,278	98,719	99,160
Changes Required (- budget reduction)	0	-921	-499	384	825	1,266
Adjusted Budget Requirement	97,894	97,894	97,894	97,894	97,894	97,894

10. Final Funding Settlement

I am unlikely to receive a notification of the final settlement for 2014/15 until late January 2014. I will notify any changes to the settlement figures to the Panel once received.

10. Summary Medium Term Financial Plan -

Future Settlement Uncertainty- 2015/16 to 2017/18

Decisions on council tax precept should not focus on the next financial year alone. Despite the announcement of provisional settlement figures for 2014/15, uncertainty in relation to settlement levels from 2015/16 onwards continues to make forward financial modelling difficult and uncertain.

The 2013 Autumn Statement announcement included proposals for an additional 1.1% cut to the Departmental Expenditure Resource Limit for 2014/15 and 2015/16. In a written ministerial statement the Policing Minister, Damian Green MP, announced details of the 2014/15 settlement only confirming it had been protected from this cut.

The 1.1% reduction in funding for 2015/16 is understood to be in addition to the 3.2% reduction in funding announced as part of the Comprehensive Spending Review in the summer. Details of the 2015/16 police settlement have not been published by the Home Office at this stage because "decisions on the impact of the Chancellor's Autumn Statement on police funding for 2015/16 will be made at a later date after careful consideration of all Home Office budgets."

Furthermore the position on damping funding from 2015/16 onwards is unclear as is the likely outcome of the Home Office funding formula review from 2016/17.

An updated financial settlement projection has however been estimated at this stage based on some assumptions. For forward financial modelling purposes from 2015/16 onwards, it is assumed that financial settlements will continue to reduce at -4.7% for 2015/16, -3.3% for 2016/17 and -3.4% for 2016/17 as shown in the table below.

Funding Source	Actual		Estimated		
	13-14	14-15	15-16	16-17	17-18
	£M	£M	£M	£M	£M
Total Central Funding	55.7	53.0	50.5	48.8	47.2
		-4.8%	-4.7%	-3.3%	-3.4%

Future settlements although unknown will be crucial in determining the scale of financial pressures that I will need to address in future years.

In summary, the financial prospects for the next four years do not seem promising with the Minister for Policing indicating that the Home Office would look again at damping funding arrangements following the fundamental formula review planned by 2016/17. There are likely to be some significant cost pressures in 2016/17 in particular through the planned changes to National Insurance and to any changes implemented to formula funding methodology.

There is much uncertainty pertaining to these factors which makes forward planning extremely challenging and has necessitated a cautious yet challenging approach to budget and precept setting for 2014/15. An outline Medium Financial Plan is included in the Table. Although the position indicates a small surplus for 2015/16, it also points to a recurring deficit of some £2.391 million by 2017/18 despite the actions in train for "Public First". I will also be looking to reduce precepts again from the increases presented in my original Police and Crime Plan. More work will be needed to update this forward position over the course of the coming year.

Medium Term Financial Plan Summary					
	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Total Expenditure Level	99,034	97,894	96,664	98,330	99,483
		-1.2%	-1.3%	1.7%	1.2%
Central Government Support	-55,659	-53,008	-50,516	-48,849	-47,188
Council Tax Precept	-43,374	-44,886	-46,556	-48,195	-49,903
	-99,033	-97,894	-97,072	-97,044	-97,091
Assumed Precept		2.1%	2.7%	2.5%	2.5%
Memorandum :Total Annual Cost Reductions Included / unidentified					
Public First		-1,973	-2,130	-972	-170
Other Force		-1,190	-680	-700	-550
Commissioner's Budget		-584	-50	-460	-50
Total identified		-3,747	-2,860	-2,132	-770
Surplus (+) Unidentified (-)		-0	408	-1,693	-1,106
Recurring Surplus (+) Deficit (-)		-0	408	-1,285	-2,391

10. Appendices

Appendix A - Council Tax Tables and information

Appendix B – Budget Proposal for 2014/15 and Medium Term Financial Plan to 2017/18

11. Impact Consideration

Implication	Impact Considered (Yes/No)	Impact Identified (paragraph reference)
Legal	Yes	N/A
Financial	Yes	Main Report
Race and Equality	Yes	N/A
Human Rights	Yes	N/A
Environmental and Sustainability	Yes	N/A
Risk Analysis	Yes	N/A
National Park Implications	Yes	N/A

12. Background papers

None

13. Contact details

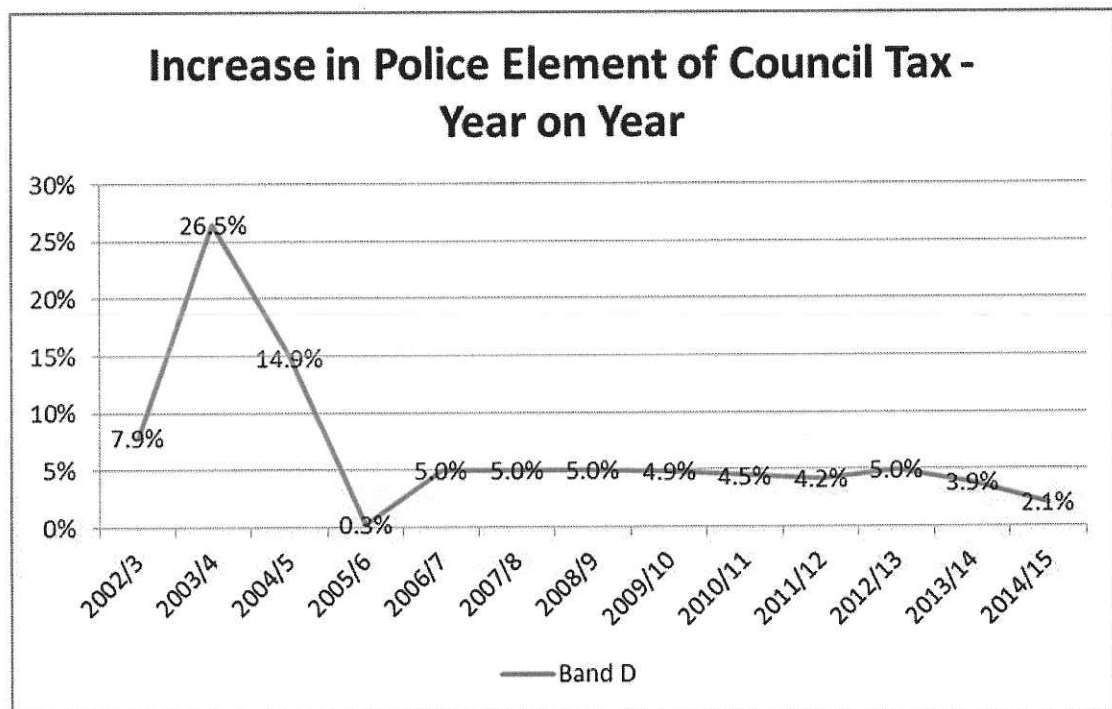
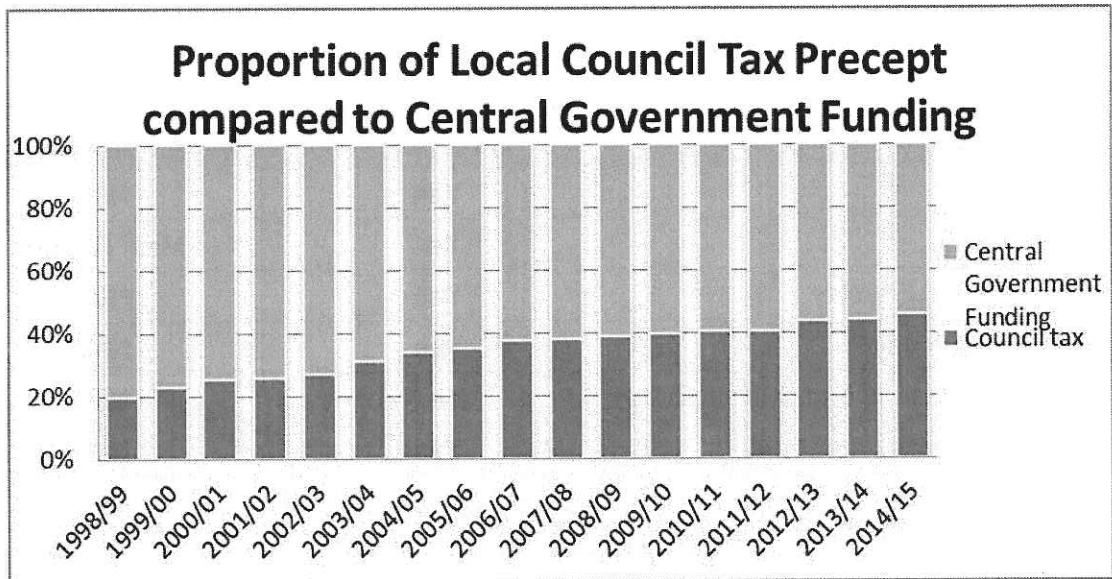
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Appendix A – Council Tax / Precept Tables





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APPENDIX B

REPORT OF THE DIRECTOR OF FINANCE / CHIEF FINANCIAL OFFICER

- **Budget Proposal for 2014/15
and Medium Term Financial Plan
to 2017/18**

Version dated 14th January 2014

Introduction and Purpose

This report sets out a proposed revenue budget for the 2014/15 and provides a medium term financial plan which provides a financial outlook for the Force covering the period to 2017/18. It takes account of the latest expenditure pressures and cost reduction plans.

The Net Budget Position 2014/15

Detailed modelling work has now been concluded to arrive at a draft budget position for 2014/15 and indicative budgets for 2015/16 to 2017/18. A full Summary of the budget position for the Force is shown in Annex 1 along with a full variation statement in Annex 2. The following paragraphs provide an analysis of the main variations and assumptions by category.

Increases in Prices and Pay award Assumptions

For ease of reference, a summary of the basic pay award and inflation levels that have been assumed in the forward budget calculations is shown in the Table below.

Funding Source	2014/15	2015/16	2016/17	2017/18
Pay inflation				
Police Officers	7 months at 1%	12 months at 1%	5 months at 1% and 7 months at 1.5%	12 months at 1.5%
Police staff	7 months at 1%	12 months at 1%	5 months at 1% and 7 months at 1.5%	12 months at 1.5%
Other inflation				
Inflation – Utilities	5%	2%	2%	2%
Inflation – Fuel	5%	2%	2%	2%
Inflation – Other non-pay and non-grant income (July CPI)	2.5%	2%	2%	2%

Implications of Pay Awards on the Budget

As Part of the Spending Round 2013 the Chancellor of the Exchequer has announced that Public Sector pay awards will be limited to an average of 1% until 2015/16. This figure has been used in financial modelling for 2014/15 and 2015/16 for police officers and staff.

It has been assumed for the purposes of the forward projection that the pay award for officers and staff will be increased to 1.5% for September 2016 and September 2017 thereby remaining below the Bank of England's long term target for inflation.

Payments made in respect of the Police Officers Pension Scheme and pension benefits track the Consumer Prices Index which was at 2.7% for September 2013. This figure has been used for the purposes of the 2014/15 budget with 2% being included as an estimate for the remainder of the period covered by this document.

These assumptions give rise to the following recurring increases to costs. Pay awards are assumed to be payable from September each year therefore the table below shows the implications of each individual award on the budget for police officers and staff.

2014/15				2015/16	2016/17	2017/18
Cost Pressure	Increase (£'000)	% Budget	% Cum	Increase (£'000)	Increase (£'000)	Increase (£'000)
Police Officers						
Police Officer pay increase - April to August	209	0.21%	0.21%	209	210	219
Police Officer pay increase - September to March	317	0.32%	0.53%	323	484	492
Police Staff						
Police Staff pay increases - April to August	206	0.21%	0.74%	198	247	248
Pensions Increases	132	0.13%	0.87%	133	165	168
PCSOs	48	0.05%	0.92%	49	63	64
Total Increase	912	0.92%		912	1,169	1,191

Non Pay and Income Inflation

Non pay inflation and price increases

The Consumer Price Inflation year-on-year to October fell unexpectedly to 2.2% from 2.7% in September. The consensus was for CPI to fall to 2.5%. The largest downward contribution to the change in the CPI 12-month rate between September and October 2013 came from Transport, which contributed 0.21% to the fall in inflation. This component of the CPI basket of goods and services fell by 1.5% in 2013 compared to just 0.1% in 2012. Decreases in wholesale prices led to price cuts to motor fuel prices by the major supermarket chains. Petrol prices fell by 4.9 pence per litre between September and October 2013 compared to a fall of 0.9 pence between the same two months in 2012. There were also downward contributions from air fares and prices for second hand cars.

The Retail Prices Index (RPI) annual inflation stood at 2.6 per cent in October 2013, down from 3.2 per cent in October. Non pay inflation has been assumed at the following rates for the purposes of the 2014/15 budget calculation:

- Gas price increase 5% increase on budget
- Electricity price increase 5% increase on budget
- Utilities inflation 5% increase on budget
- Transport fuel duty inflation 5%; and
- Other non-pay costs 2.5%

2014/15				2015/16	2016/17	2017/18
Cost Pressure	Increase (£'000)	% Budget	% Cum	Increase (£'000)	Increase (£'000)	Increase (£'000)
Premises Increase	64	0.06%	0.98%	65	66	68
Transport Increase	59	0.06%	1.04%	60	62	63
Other Inflation	308	0.31%	1.35%	265	258	250
Income Inflation	-34	-0.03%	1.32%	-36	-54	-47
Total Increase	397	0.40%		354	332	334
Total Increase Pay and Prices	1,309	1.32%		1,266	1,501	1,525

Other Cost Pressures

Pay increments and On Call Arrangements for Police Officers

Police Officers

The Winsor Report suspended increment progression for Police Officers for a two-year period commencing September 2011 with the exception of police constables on the bottom three spine points of the rank. From 2014/15 the payment of increments will resume and this requires a budget of £236K to fund.

Police Staff

For Police Staff, progression through a scale is normally by one pay point each year subject to satisfactory performance until the top of the scale is reached. Annual increments are paid on 1st April of each year. Where the member of staff is re-graded, appointed to a new post or commences after 1st October of any year, then the first increment will be paid six months after the date of change and thereafter on 1st April, subject to the maximum of the grade.

Police Staff Pension contribution rates are assumed to increase by 2% 2014/15 from 13.1% to 15.1% based on the initial indications received from pension actuaries. A full Review of pensions will be completed by early February however the indications received are fairly firm. In addition budget has been set aside for the payment of pension deficit over 3 years at a rate of £374K per annum.

National Insurance – Unification of Contracted in and Contracted out Rates

The Government has announced how the introduction of the State Pension Reform will affect members of defined benefit pension schemes and how it will be paid for through higher National Insurance Contributions. The ability for members of defined benefit occupational pension schemes and their employers to 'contract out' will end on 5 April 2016. This measure will affect both public sector and private sector employers who operate defined benefit pensions schemes and their employees who are members of the schemes. Currently employers receive a rebate of 3.4% and employees a rebate of 1.4%. This change will result in an additional cost of some £2.0 million for Dyfed Powys Police from April 2016.

Commissioning of Service via the Office of the Police and Crime Commissioner

The Ministry of Justice has indicated that additional funding will be provided to Police and Crime Commissioners in 2013/14 and 2014/15 to undertake commissioning work in relation to Victims Services and Restorative Justice. Indicative grant allocations have been provided which amount to some £190K in 2013/14 and £276K in 2014/15 (6 months).

The Commissioner intends to safeguard and increase funding provided to for commissioning in total despite the funding pressures and has appointed a Director of Commissioning to undertake this key work initially funded through additional grant.

The Community Safety Grant of £856K which was previously allocated to the Commissioner's Office as a Specific Grant has now been included within the main Police Grant and this will contribute to an increase in the net cost of Commissioning when compared to last year's figures.

In total the budget for Commissioning will be £1.148 million, an increase of £250K for the 2014/15 financial year.

Public Finance Initiative Grant Reduction

The Commissioner receives an annual grant of £431K in respect of the repayment of debt on the Ammanford Private Finance Initiative funded Police Station. This reduces by some £30K per annum as the debt is repaid therefore provision has been included in future budgets for this annual reduction.

Pensions – Injury on Duty

An increase in cost of £92K has been identified as a result of a recent Court Case which affects injury on duty pensions. This relates from a conflict between two sets of legislation concerning Police Pensions and Social Security. The judge ruled that Social Security Legislation took precedence over Police Pensions Regulations. The result is that Police Forces should no longer deduct a former Officer's entitlement to state benefits from minimum payments relating to injury pensions. This change, although easier to administer will result in additional payments being made to current pensioners who have been affected in this way in the past. Further Home Office Guidance is awaited on this issue.

Counter Terrorism - ACPO TAM Counter Terrorism Grant

The existing budget assumes the continuation of funding from ACPO TAM in respect of Direct Security Funded Posts. Reductions in allocations from ACPO TAM per funded officer over recent years have made it increasingly difficult to operate the service on a cost neutral basis. The Commissioner has not yet received final confirmation of the specific counter terrorism grant for 2014/15. It is understood that Counter Terrorism allocations have been protected from funding reductions in 2014/15.

Summary of Cost Pressures

A full summary of cost pressures included in the 2014/15 and forward budget is included in the Table below:

Cost Pressure	2014/15			2015/16	2016/17	2017/18
	Increase (£'000)	% Budget	% Cum			
Officer/Staff Increments	386	0.39%	1.71%	334	267	367
Staff Pensions	400	0.40%	2.11%	0	0	0
National Insurance	0	0.00%	2.11%	0	2,000	0
PFI Grant reductions	30	0.03%	2.14%	30	30	30
Pensions – injury on Duty	92	0.09%	2.22%	0	0	0
Commissioning	250	0.25%	2.48%	0	0	0
Total Increase	1,158	1.16%		364	2,297	397

Cost Reduction Plan 2014/15 to 2017/18

The outline budget takes account of annual recurring cost reductions of £3.747 million, being the target I have set the Chief Constable for the 2014/15. An exercise has been undertaken to update the Cost Reduction Plan to take account of some further cost reduction activities and opportunities that have emerged in recent months through "Public First". The cost reductions sought for 2014/15 and 2015/16 years are particularly challenging. Full details of the cost reduction plan are shown in Annex 3 to this report.

2014/15				2015/16	2016/17	2017/18
Cost Pressure	Increase (£'000)	% Budget	% Cum	Increase (£'000)	Increase (£'000)	Increase (£'000)
Cost Reduction Plan	-3,747	-3.78%	-1.30%	-2,860	-2,132	-770
Total included	-3,747			-2,860	-2,132	-770

Strategic Developmental Expenditure and Plans

Custody Staffing

The proposal put forward by the Chief Officers to improve the provision of Custody linked to an assessment of requirements against the Corporate Manslaughter Act and emerging guidance was implemented from September 2013. This involves the removal of lone working within custody on a 24 hour basis through the appointment of an additional 10.5 Custody Detention Officers for the Force. The budget for last year was updated for the part-year cost and there is a requirement to include £140K into the budget to cater for the full year implications of this decision.

2014/15				2015/16	2016/17	TOTAL
Cost Pressure	Increase (£'000)	% Budget	% Cum	Increase (£'000)	Increase (£'000)	Increase (£'000)
Custody Staffing	140	0.15%	1.15%	0	0	0
Total Increase	140			0	0	0

Balances, Provisions and Reserves

In accordance with the "Financial Management Code of Practice" (FMCoP) the PCC has considered the role of reserves when compiling the medium term financial plan and annual budget. The PCC holds the responsibility for ensuring the adequacy of reserves each year so that unexpected demand led pressures on the budget can be met without adverse impact on the achievement of the key priorities.

The FMCoP requires the PCC to establish a policy on reserves (including how they might be used by the Chief Constable) in consultation with the Chief Constable. This Section of the report sets out the PCCs decisions on reserves so that these can be communicated clearly to local taxpayers thereby promoting accountability.

Within the existing reserves policy and associated governance arrangements, the Chief Financial Officer is accountable for:

- Ensuring that advice is provided on the levels of reserves and balances in line with good practice guidance.
- To report at the time the budget is considered and the precept set, on the robustness of the budget estimates and the adequacy of financial reserves, as required by s25 of the Local Government Act 2003, and in line with CIPFA guidance.

There are also a range of safeguards in place that militate against the PCC over-committing financially. These include:

- The balanced budget requirement
- Chief finance officers' Local Government Finance Act 1988 Section 114 powers which requires the Chief Finance Officer to report to the PCC if there is or is likely to be unlawful expenditure or an unbalanced budget; and

- The external auditor's responsibility to review and report on financial standing includes a review of the level of reserves taking into account their knowledge of the organisations performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual organisations.

- **Statement on Reserves**

The level of general reserve and any movements on the fund

Legislation and other guidance require that a general reserve is maintained. Whilst CIPFA does not stipulate a minimum or optimal level of general reserve, its general guidance is to establish a reserve representing "resources set aside for purposes such as general contingencies and cash flow management."

CIPFA's "Guidance Note on Local Authority Reserves and Balances" states that a General Reserve is required to act as "a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves". A General Reserve is also required to act as "a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves."

Maintaining a General Reserve ensures compliance with the Local Government Finance Act 1992 for Local Authorities to "have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement."

Historically, the Wales Audit Office recommended that the general reserve is set at a minimum 2.5% of the net revenue expenditure budget. In addition the level of general reserves held by the Most Similar Forces will also be considered in determining the adequacy of the level of the general reserve held by the PCC. The PCC's policy on reserves states that the general reserve should not exceed 5% of the net revenue expenditure budget. The PCC's policy on reserves also requires an assessment of risk when determining reserve levels.

The general reserve currently amounts to £4.500 million which equates to 4.6% of the 2014/15 net revenue expenditure budget and is therefore within the parameters set in the PCC's reserves policy. The following factors have been considered in determining the appropriate level of general reserve:

Overall financial position and adequacy of financial control

In setting the level of the general reserve it is important to bear in mind Dyfed Powys Police's overall financial position and the adequacy of financial controls in operation. The overall financial position has been considered by the PCC as part of the budget process and, whilst secure, is keenly affected by the threat of future government funding reductions which must be borne in mind.

It is also important to remember the context of the medium term financial strategy (MTFS) so that the PCC continues to comply with CIPFA's "Guidance Note on Local Authority Reserves and Balances" which suggests that "Advice should be given on the adequacy of reserves over the lifetime of the medium term financial plan".

Risk exposure and risk assessment

Formulation of reserve levels must be considered in the context of risk if we are to comply with CIPFA's guidelines which state that "in order to assess the adequacy of unallocated general reserves....take account of the strategic, operational and financial risks facing the authority."

Whilst risk exposure and mitigation of that risk may not necessarily drive a material increase in spending, it will influence the level of general reserves year by year.

Four key risks are currently relevant to the level of general reserves now and in the future, which are outlined below.

- Economic instability – the risk that due to worsening economic conditions, and real terms reductions in levels of precept and government grants, the increased resource requirements will have a significant effect on already stretched financial resources. This will result in a restriction on operational activity and developments over the next four years and beyond, for example, curbing the ability to offer the level of community policing that the public is expecting unless a bigger draw on reserves is authorised.
- Capping – keeping council tax under control remains a priority for the Government.
- External Risks – such as global financial markets have been taken into account in setting reserves, particularly in the light of the continued Bank of England Base rate at 0.5%.
- Operational major incidents – as part of the Dyfed Powys Local Resilience Forum a risk assessment into the likelihood and impact of a range of major incidents which could occur within the Force area has been carried out. Provision is made within the earmarked major incident reserve for funding such major incidents.

Public Opinion

The public's acceptance of the precept is partly reliant on the understanding that the precept is spent on policing and that only a reasonable and prudent amount of any over-funding is being stored away as a general reserve. Conversely, when unforeseen expenditure arises, it is likely that the public would expect that the PCC would have sufficient resources to cover the expense without recourse to overspend.

The adequacy of the general reserves and an estimate of provisions in respect of the forthcoming financial year and the PCC's medium term financial strategy:

Based on the above it is suggested that the level of general reserve is maintained at £4.5m which represents 4.6% of the proposed 2014/15 net revenue expenditure budget. It is suggested that this balance is retained at this level given the projected budget reductions in the next four financial years.

The annual review of earmarked reserves including estimates of the year end balances.

Earmarked reserves are held as a means of building up funds to meet known or predicted requirements. The main earmarked revenue reserves held by the PCC have been subject to review as part of the 2014/15 budget setting process.

It is the PCC's policy to use reserves to fund non-recurring purchases from reserves to reduce the impact on the council tax precept. The target level of earmarked reserves will therefore fluctuate annually but will always be justifiable and monitored to ensure levels of earmarked reserves are not too high or too low.

The PCC has stated that given the existing level of reserves he does not think they should be significantly increased however he does not want to deplete them on daily expenditure. In accordance with the reserves policy, capital expenditure plans have been reviewed to determine the need for external borrowing against the use of reserves. Reserves of £2.183 million are being utilised in 2014/15 to fund non-recurring developments, transition costs associated with "Public First" and to replenish contributions to capital.



Edwin Harries – Chief Financial Officer

Budgetary Risk

Section 25 of the Local Government Act 2003 requires that the Chief Financial Officer reports to the PCC, at the time the budget is being set, on the risks and uncertainties that might require more to be spent on the service than planned. Allowance is made for these risks by:

- making prudent allowance in the estimates; and in addition
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

It is important that the PCC takes responsibility for ensuring that budgetary risk has been minimised when the budget is set. The level of budgetary risk must be formally considered by the PCC informed by the advice and judgement of the Chief Financial Officer.

The proposed budget for 2014/15 reflects the identified, quantifiable risks; however it has not been possible to incorporate the following risks:

- Amendments to the final government grant notification from the provisional figures included in this report or for future years
- Full additional cost savings from revised future year budget figures – more work will be ongoing on this as the year progresses
- Impact of pension scheme reviews on employer contribution rates.

To enable the PCC to reach his decision, the Chief Financial Officer has performed a risk assessment of material items of revenue and capital budgets which is included in the tables on the following pages.



- **Material Budgets**

A risk analysis has been performed on the various budget headings and assessed based on the % of the net revenue budget and known factors which could influence levels of actual expenditure or income.

Budget area	% of net revenue budget	Risk level	Identified Risk	Mitigating factor
Police Officer Salary Costs	53%	High	<p>The number of officers in post increases above the approved funded establishment.</p> <p>Overtime incurred on major incidents/operations/investigations is not controlled and monitored and therefore exceeds the budget.</p> <p>Allowances paid for bonus payments, etc could exceed budget.</p>	<p>The establishment is monitored continually as part of budgetary control process. A Strategic Establishment Review Group meets monthly to monitor and control the establishment on a strategic basis. An Establishment Control Procedure is in place.</p> <p>The Head of Financial Governance, Chief Financial Officer and Head of HR approve all Establishment Control forms.</p> <p>HR has a recruitment plan for the year ahead based on the projected number of police officer retirements, leavers and transferees. The required intake of probationers are planned and allocated accordingly.</p> <p>Finance representation on gold groups and other operational investigation groups now occurs as a matter of course. This enables overtime and other costs to be closely monitored and reported to each meeting.</p> <p>All requests for bonus payments are submitted to a Bonus Payments Panel to ensure consistency, compliance with policies and to ensure the budget is not exceeded. Similarly a Special Priority Group stipulates which roles will receive the payment.</p>
Police Staff Salary Costs (including PCSO's)	25%	High	<p>The number of staff in post increases above the approved funded establishment.</p> <p>Progress with Public First Reductions.</p> <p>Projects requiring staff involvement out of normal working hours are accurately costed for additional costs such as overtime etc.</p>	<p>The establishment is monitored continually as part of budgetary control process. A Strategic Establishment Review Group meets monthly to monitor and control the establishment on a strategic basis. An Establishment Control Procedure is in place.</p> <p>The Head of Financial Governance, Chief Financial Officer and Head of HR approve all Establishment Control forms.</p> <p>Professional payroll and human resources staff will be engaged in establishing staff entitlement for additional hours.</p>

Budget area	% of net revenue budget	Risk level	Identified Risk	Mitigating factor
Police Officer Pensions	12%	Medium	Linked to police officer salary costs above The Risk of increased contributions requirement for Police Officers	Linked to police officer salary costs above Ability to amend recruitment profiles during the year
Indirect Staff Costs	2.3%	High	Training, Redundancy and Pensions Capital Costs from "Public First"	Programme arrangements and OPCC monitoring / clear lines of responsibilities and earmarked reserves. Training budgets to reflect only operationally critical requirements.
Premises Costs	3%	Medium	Increase in the estate require an increase in premises running costs. Fluctuations in electricity and gas prices may continue as contracts are renegotiated.	The capital programme is considered as part of Medium Term Financial Strategy and annual budget setting process. Procurement involves the finance department in discussions regarding contracts. Robust budget monitoring procedures are in place and adhered to.
Transport Costs	3%	Medium	An increase in the fleet size could occur without an adequate increase in running costs. Recent increases in fuel costs continue.	The capital programme is considered as part of Medium Term Financial Strategy and annual budget setting process. The Strategic Vehicle Group meets to discuss the vehicle fleet – group is chaired by the Chief Financial Officer. Robust budget monitoring procedures are in place and adhered to.
Supplies and Services and Commissioning	9%	Medium	Non purchase orders could result in over spends against the budget. Procurement procedures are in place to ensure value for money is achieved. Commissioning arrangements established	Where possible purchase orders are processed with a built in budget check. The procurement department will ensure that the procurement of goods and services are made in accordance with Financial Regulations and Procedures Robust budget monitoring procedures are in place and adhered to.
Agency and Contracted Services	3%	Low	Not material	Not material
Capital Financing	1%	Low	Not material	Not material

Budget area	% of net revenue budget	Risk level	Identified Risk	Mitigating factor
Specific Grant	-7%	High	<p>Grants should be utilised in accordance with the terms and conditions of grant. Grant providers may cease payments of grant with minimal notice.</p> <p>Posts funded by grants should be recruited on a temporary basis for the duration of the grant.</p>	<p>A grant register records all grants due. All terms of grant are authorised by the Chief Financial Officer. All Establishment Amendment forms are authorised by the Director of Finance and Head of HR.</p>
Other Income	-4%	Low	Not material	
Use of Reserves	-3%	Medium	<p>Reserves should not be utilised to fund recurring expenditure.</p> <p>Unexpected demand led pressures on budgets can be met without an adverse impact.</p>	<p>Reserves and Balances Policy.</p> <p>The CFO report on reserves will be provided annually based on estimates to the PCC prior to approval of the council tax precept. The report will be updated with the year-end position for the PCC prior to the approval of the Statement of Accounts. A mid-year report will be provided to the PCC for monitoring purposes. This will set out any changes in the status of the risks that reserves are being held to mitigate.</p>
Capital	N/A	High	The size, high cost and complexity of capital projects increases the risk of exceeding budgets, time overruns and not achieving the objectives of the original business case.	The capital programme is approved and monitored by the Finance and General Purposes Committee. Chief Officers receive regular reports and an Estates Management Group meets to monitor capital projects.

A financial forecast assists in identifying any budget areas likely to exceed the budget for early corrective action to be taken

Edwin Harries – Chief Financial Officer

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Revenue Account 2013/14 to 2017/18					Annex 1		
	Final Budget	CSF Adjustment	Adjusted Budget	Draft Budget	Indicative Budget		
	2013/14	2013/14	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget for OPCC and Commissioning							
Staff Costs	463	0	463	633	639	648	648
OPCC Running Expenses	330	0	330	337	344	351	358
Commissioning Budget	856	0	856	1,128	1,151	1,174	1,197
Community Safety Fund	-856	856	0	0	0	0	0
Total OPCC Costs	793	856	1,649	2,098	2,134	2,172	2,203
Budget for Chief Constable and Staff under Direction and Control of Chief Constable							
Employees							
Police Officers	51,399	0	51,399	51,540	52,016	54,052	54,805
Police Staff	20,380	0	20,380	19,805	18,576	18,568	18,638
PCSO's	4,723	0	4,723	4,848	4,897	4,960	4,952
Police Pensions (net)	11,588	0	11,588	11,812	11,945	12,111	12,278
Indirect Staff Costs	706	0	706	2,235	765	780	795
Total Employee Costs	88,796	0	88,796	90,241	88,198	90,471	91,469
Running Expenses							
Premises Costs	3,345	0	3,345	3,259	3,324	3,391	3,459
Transport Costs	2,962	0	2,962	3,021	3,082	3,143	3,206
Supplies & Services	9,542	0	9,542	8,802	8,365	8,022	7,773
Agency & Contracted Services	2,460	0	2,460	2,510	2,101	1,888	1,803
Total Running Expenses	18,309	0	18,309	17,592	16,872	16,443	16,241
Capital Financing Costs	776	0	776	793	811	828	847
Total Expenditure	107,882	0	107,882	108,626	105,881	107,743	108,556
Financed By:							
Income							
Specific Grants	-6,868	0	-6,868	-6,844	-6,822	-6,798	-6,774
Other Income	-3,592	0	-3,592	-3,803	-3,829	-3,946	-4,028
Total Income	-10,460	0	-10,460	-10,647	-10,651	-10,744	-10,802
Contribution From Reserves							
Use of / Contribution to Reserves	-37	0	-37	-2,183	-699	-841	-475
	-37	0	-37	-2,183	-699	-841	-475
Net Costs - Force	97,384	0	97,384	95,796	94,530	96,158	97,279
Total Costs for OPCC and Force	98,178	856	99,034	97,894	96,664	98,330	99,483
Net Cost of Policing To be Funded From Grants and Precepts	98,178	856	99,034	97,894	96,664	98,330	99,483
Grants and Precepts							
Police Grant	-39,828	0	-39,828	-37,931	-36,148	-34,955	-33,766
Community Safety Fund	0	-856	-856	-815	-777	-751	-726
NNDR	-14,033	0	-14,033	-13,364	-12,736	-12,315	-11,897
RSG	-943	0	-943	-898	-856	-828	-799
Total External Support	-54,803	-856	-55,659	-53,008	-50,516	-48,849	-47,188
Precepts on Billing Authorities	-43,374	0	-43,374	-44,886	-46,556	-48,195	-49,903
TOTAL RESOURCES	-98,178	-856	-99,034	-97,894	-97,072	-97,045	-97,091
Difference	-0	0	-0	0	-408	1,285	2,392
Taxbase			210,270	213,136	215,267	217,420	219,594
COUNCIL TAX LEVEL			£ 206.28	£ 210.60	£ 216.27	£ 221.67	£ 227.25
Council Tax Increase			3.9%	2.1%	2.7%	2.5%	2.5%

BUDGET VARIATION POSITION 2014/15 to 2017/18							Annex 2		
Reason	2014/15					2015/16	2016/17	2017/18	
	Inflation Increases	Cost Pressures	Other	Cost Reductions	Total	Total	Total	Total	
	£	£	£	£	£	£	£	£	
Total Budget PYR					99,034	97,894	96,664	98,330	
Total Budget CYR					97,894	96,664	98,330	99,483	
Difference					-1,140	-1,230	1,666	1,152	
Represented By									
<i>Police and Crime Commissioner's Office</i>									
Full Year Effect of Last Year's Pay Award	2	0	0	0	2	3	3	3	
Next Year's Pay Award	4	0	0	0	4	4	6	6	
Pay Increments	0	10	0	0	10	0	0	0	
Staff Transfers - Stage 2	0	0	0	146	146	0	0	0	
Police Staff Pensions	0	8	0	0	8	0	0	-8	
Non Staff Inflation	7	0	0	0	7	7	7	7	
Commissioning Adjustment - CSF	22	250	0	0	272	23	23	23	
<i>Police Officer Pay</i>									
Full Year Effect of Last Year's Pay Award	209	0	0	0	209	209	210	219	
Next Year's Pay Award	317	0	0	0	317	323	484	492	
Pay Increments	0	236	0	0	236	204	142	242	
National Insurance Increase	0	0	0	0	0	0	1,500	0	
Cost Reductions	0	0	0	-621	-621	-260	-300	-200	
Other	0	0	0	0	0	0	0	0	
<i>Police Staff Pay</i>									
Full Year Effect of Last Year's Pay Award	85	0	0	0	85	83	77	77	
Next Year's Pay Award	115	0	0	0	115	108	161	162	
Pay Increments	0	140	0	0	140	130	125	125	
Police Staff Pensions Increase	0	314	0	0	314	0	0	-294	
Cost Reductions	0	0	0	-1,369	-1,369	-1,550	-871	0	
National Insurance Increase	0	0	0	0	0	0	500	0	
CDO - Full Year Effect	0	0	140	0	140	0	0	0	
<i>Police Community Support Officers</i>									
Full Year Effect of Last Year's Pay Award	20	0	0	0	20	20	20	21	
Next Year's Pay Award	28	0	0	0	28	29	43	43	
Cost Reductions	0	0	0	0	0	0	0	0	
Police Staff Pensions Increase	0	78	0	0	78	0	0	-73	
<i>Officer Pensions</i>									
Full Year Effect of Last Year's Pay Award	43	0	0	0	43	43	43	44	
Next Year's Pay Award	89	0	0	0	89	90	122	124	
Injury Pensions	0	92	0	0	92	0	0	0	
<i>Indirect Staff Costs</i>									
Public First - Utilisation of Reserves	0	0	0	1,486	1,486	-1,486	0	0	
Inflation	44	0	0	0	44	15	15	16	
<i>Premises Costs</i>									
Public First	0	0	0	-150	-150	0	0	0	
Inflation	64	0	0	0	64	65	66	68	
<i>Transport Costs</i>									
Inflation	59	0	0	0	59	60	62	63	
<i>Supplies and Services</i>									
Public First	0	0	0	-910	-910	-600	-501	-400	
Inflation	170	0	0	0	170	163	158	152	
<i>Agency and Contracted Services</i>									
Public First	0	0	0	0	0	-450	-250	-120	
Inflation	49	0	0	0	49	41	37	35	
<i>Capital Financing Costs</i>									
Cost Reductions	0	0	0	0	0	0	0	0	
Inflation on Capital Financing Costs	17	0	0	0	17	17	18	18	
<i>Specific Grants</i>									
Cost Reductions	0	0	0	0	0	0	0	0	
Inflation	-7	0	0	0	-7	-7	-6	-6	
PFI Grant Reduction	0	30	0	0	30	30	30	30	
<i>Other Income</i>									
Cost Reductions	0	0	0	-184	-184	0	-85	-50	
Inflation	-26	0	0	0	-26	-27	-32	-32	
<i>Contribution to Reserves</i>									
Cost Reductions	0	0	0	-2,146	-2,146	1,485	-125	375	
Inflation	-1	0	0	0	-1	-3	-16	-9	
	1,309	1,158	140	-3,747	-1,140	-1,230	1,666	1,152	
Less: Change in Financing Available					284	822	27	-46	
Transfer to Police Grant					856	0	0	0	
Cost Reduction Requirement	1,309	1,158	140	-3,747	-0	-408	1,694	1,106	

Annex 3 - Cost Reduction Summary 2014/15 to 2017/18

	Future Plans				
Force cost reductions	2014/15	2015/16	2016/17	2017/18	Total
	£'000	£'000	£'000	£'000	£'000
<u>Public First Programme</u>					
Business and Operational Support	-1,425	-1,550	-622	0	-3,598
Senior Officer / Staff Pay Reductions	-123	0	0	0	-123
Police Officer Structures	-75	-30	0	0	-105
Non Pay Budget Review	-200	-150	-100	-50	-500
Collaboration	0	-400	-250	-120	-770
Greener Energy Initiative - Sustainability Group Savings	-150	0	0	0	-150
Total	-1,973	-2,130	-972	-170	-5,246
<u>Other Force Reductions</u>					
Winsor Review - Police Officers	-530	-230	-300	-200	-1,260
Police Officer Allowances	-250	-100	-50	0	-400
Other Supplies and Services Reductions / Non Pay Budgets	-410	-350	-350	-350	-1,460
	-1,190	-680	-700	-550	-3,120
<u>Commissioner's Budget Reductions</u>					
Ammanford PFI - Savings	0	-50	0	0	-50
Capital Financing Reduction	-400	0	0	0	-400
Interest Receipts	-184	0	-85	-50	-319
Pension Deficit - Use of Reserves	0	0	-375	0	-375
Total Commissioner's Reductions	-584	-50	-460	-50	-1,144
Total Identified	-3,747	-2,860	-2,132	-770	-9,510
Unidentified Savings Required	0	0	-1,286	-1,106	-2,392
Total Savings Required	-3,747	-2,860	-3,418	-1,876	-11,902

Local Government Act 2003 – “Section 25” Chief Financial Officer Statement

Section 25 of the Local Government Act 2003 requires the Police and Crime Commissioner (PCC) to have regard to a report from the Chief Financial officer when he is considering his budget and council tax precept. The following reports on the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so the PCC will have authoritative advice available to him when he sets the budget and council tax precept.

The PCC decides every year how much he is going to raise from council tax. The decision is based on a budget that sets out estimates of the planned spend. Because the decision on council tax is made before the year begins and it cannot be increased during the year, consideration has to be given to the risks and uncertainties that might force more to be spent on the service than planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for each of the services, and in addition
- ensuring that there are adequate reserves to draw on if estimates turn out to be insufficient.

With the continued pressure on finances set to remain for the foreseeable future, there is a need to build further on progress made in recent years on the cost reduction plan. The cost reduction plan has continued to be monitored and reported upon throughout 2013/14.

On the 18th December 2013, the Home Office published provisional 2014/15 Police Grant allocations which were followed on the same day by the allocations of Revenue Support Grant and National Non Domestic Rates from the Welsh Government.

The Comprehensive Spending Review announcement in the summer of 2013 had indicated that police budgets overall were set to reduce by 3.3% for 2014/15. The Policing Minister Damien Green in his written Ministerial Statement confirmed that the police settlement had been protected from the further 1.1% cut to Departmental Expenditure Limits announced as part of the Autumn Statement 2013. However due to the protection afforded Counter Terrorism spending and several other top slices outlined below, the reduction in core funding allocated to local policing bodies in England and Wales is actually -4.8%.

A draft budget for 2014/15 and indicative budgets for 2015/16 to 2017/18 have been compiled, taking into account inflation, known commitments and the impact of the Comprehensive Spending Review.

This draft budget position and associated cost savings plan was considered by the PCC and Chief Constable on the 9th January 2014 and agreement was reached on the proposals. The PCC notified the Police and Crime Panel (PCP) of the proposed precept at a Seminar held on the 6th of January and then formally on the 24th January 2014. At this meeting the PCP voted to endorse the PCC's proposal for a council tax precept increase of 2.1% as an upper limit for 2014/15. The PCC received notification from the Minister of State for Policing and Criminal Justice outlining the final police settlement for 2014/15. The proposed final settlement remains unchanged from the provisional settlement.

Meeting the scale of the financial challenge that lies ahead is a key priority of the PCC, by ensuring that services are delivered in a cost effective way. The PCC is aware that precept increases above inflation are not sustainable and has balanced

this pressure on the taxpayers in Dyfed Powys against the need to provide an effective public policing service.

The PCC has therefore set a budget which aims to achieve a balance between the spending pressures identified and taxpayers' expectations.

At the PCP meeting held on 24th January 2014, members of the panel were informed that the General Reserve balance had been maintained at £4.5m. This balance equates to 4.6% of the net revenue budget as defined in the Medium Term Financial Plan. It is suggested that this balance is retained at this level given the projected budget reductions in the next four financial years.

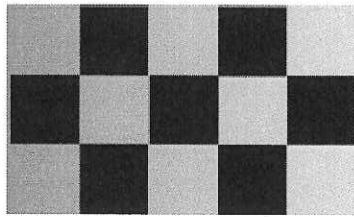
As Chief Financial Officer, I am satisfied that there has been a thorough and robust budget process and that due allowance has been made in relation to the matters mentioned above. In my opinion there are no major omissions to draw to the PCC's attention and I believe that my responsibilities under Section 25 of the Local Government Act 2003 have now been discharged.



Edwin Harries

Chief Financial Officer

6th February 2014



**PANEL HEDDLU A
THROSEDDU DYFED-POWYS**

**DYFED-POWYS POLICE
AND CRIME PANEL**

**REPORT ON THE COMMISSIONER'S PROPOSED PRECEPT FOR
2014/15**

Background

This report is made in accordance with the Panel's statutory duty contained in Paragraph 3(2), Schedule 5 of the Police Reform and Social Responsibility Act 2011.

Review of Proposed Precept

The Dyfed Powys and Crime Commissioner notified the Panel on the 24th January 2014 of his proposed Police and Crime Budget and precept for 2014/15.

The Panel also considered a detailed report outlining the proposed budget for 2014/15 at their meeting held in County Hall, Pembrokeshire on the 24th January 2014. The Panel debated the proposed increase in light of the provisional Home Office and Welsh Government grant settlements, service pressures and areas of proposed budget growth, savings targets for 2014/15 and beyond and the impact of any increase in the precept.

Recommendations

1. That the Commissioner's proposal to increase Dyfed-Powys Police's precept by 2.1% for 2014/15 be endorsed.
2. That the Police and Crime Commissioner notifies the Panel in advance of the 8th February if the settlement from the Home Office alters any assumptions that have led to the 2.1% increase figure being agreed.

January 2014

