

REPORT / SUMMARY DECISION SHEET

PURPOSE: COMMISSIONER DECISION

Timing: Urgent (Approval required to inform County Councils in the area of the precept)

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. No feedback was received from consultation with local business rate payers. The issued precept is unchanged from that originally proposed.

The attached determinations are supported by:

- the Commissioners report to the Police and Crime Panel meeting on the 25th January 2013
- 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 Commissioners response to the Panel's report.

-The final police settlement was received on the 4th February 2013 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:** 20/02/2013

Council Tax Requisite Calculation – 3.9% precept increase

i. Budget Requirement 2013/14

£98.178 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	108,435,532	
<u>Add:</u>		
Contribution to Balances	215,000	
TOTAL GROSS EXPENDITURE		108,650,532
Income		10,220,752
NET EXPENDITURE		98,429,780
<u>Less:</u>		
Contribution from Balances	252,000	
Net Budget Requirement		98,177,780
Net Budget to be met from:		
Police Grant	30,779,728	
Floor Grant	9,048,104	
National Non-Domestic Rates	14,032,543	
Revenue Support Grant	943,000	
BALANCE TO BE MET FROM COUNCIL TAX		43,374,405

Note	£'000
Notional Council Tax requirement	19,972
Revenue balances are anticipated at:	4,500

ii. Council Tax Base for 2012/13 at Band D equivalent number of properties

Unitary Authority Area	Equivalent Number of Band D Properties
Carmarthenshire	68,382.28
Ceredigion	30,143.03
Pembrokeshire	52,657.34
Powys	59,086.91
Total	210,269.56

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

£

$$98,177,780 - (943,000 + 14,032,543 + 30,779,728 + 9,048,104)$$

210,269.56

THEREFORE, the Basic Amount of Tax for the Police and Crime Commissioner for Dyfed Powys area amounts to £206.28 (rounded to nearest penny and divisible by nine)

v. Council Tax Per Property Band

Property Band	Weighting	Council tax £
A	6/9ths	137.52
B	7/9ths	160.44
C	8/9ths	183.36
D	9/9ths	206.28
E	11/9ths	252.12
F	13/9ths	297.96
G	15/9ths	343.80
H	18/9ths	412.56
I	21/9ths	481.32

N.B. Tax Calculation = Weighting x Band D Value i.e. Band D = £206.28

vi. Police and Crime Commissioner for Dyfed Powys' Precept 2013/14

Unitary Authority	Tax Base	Tax per Band D Property £	Precept due £
Carmarthenshire	68,382.28	206.28	14,105,897
Ceredigion	30,143.03	206.28	6,217,904
Pembrokeshire	52,657.34	206.28	10,862,156
Powys	59,086.91	206.28	12,188,448
Total	210,269.56		43,374,405

Report of the Police and Crime Commissioner

INITIAL PRECEPT / BUDGET FOR 2013/14 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 2013 for me to present my initial precept proposal for 2013/14 to the Dyfed-Powys Police and Crime Panel following the announcement of the provisional settlement on the 19th of December 2012.

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 2013/14; an initial council tax precept and a cost reduction plan which aims to continue and build upon the excellent progress that was being made by the Police Authority in managing the financial challenges being faced.

In setting these, I have sought to act prudently and reflect the considerable degree of uncertainty which remains in relation to future financial settlements for policing the Dyfed Powys area, whilst setting a challenging initial 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 against setting a precept level that the public would be willing to support.

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 2013/14 which I have already consulted upon with the Chief Constable.

2. Financial Strategy – Past and future

Progress against Cost Reduction Plans

I am grateful to the Police Authority and Force for the considerable efforts made to date in facing up to the significant financial challenges that have arisen over the past few years. The Police Authority had faced settlement reductions in cash terms of 5.1% in 2011/12 and a further 6.7% reduction in 2012/13 and sought to mitigate the impact of cuts on front line performance by identifying significant cost reduction initiatives (of £10.4million to 2012/13) to achieve a balanced budget, and by setting a precept increase of 5% for 2012/13.

Cost reduction measures implemented focussed initially on reducing unnecessary spending against non-pay headings and overtime. A recruitment freeze for police officers and staff was implemented alongside a programme which sought to deliver reductions in costs through voluntary early retirement and voluntary redundancy. Significant reductions in the number of supervisory positions across both police staff and officer structures have been successfully implemented through the introduction of a revised operational and business support structure.

A number of fundamental reviews of services including Contact Management, Criminal Justice, and Intelligence have been implemented which have resulted in further cost reductions. A programme of Support and Challenge meetings have been held by Chief Officers with Heads of Department which have focussed on identifying further cost reductions options and opportunities.

A summary of the cost reductions achieved and removed from budgets between 2010/11 to 2012/13 is shown in the table below:

Budget Reductions (£'000)	2010/11	2011/12	2012/13	Total
Austerity Measures – Non Pay Headings	108	1,297	402	1,807
Police Staff Budget Reductions	498	1,649	1,777	3,924
Police Officer Budget Reductions	0	520	1,887	2,407
Pay / Overtime / Allowances	192	895	100	1,187
Police Authority	0	97	70	167
Capital and Infrastructure	0	216	322	538
Collaboration	0	247	0	247
Pensions	0	153	0	153
TOTAL	798	5,074	4,558	10,430

Impact on Staffing Levels

The cost reduction measures implemented to date have resulted in a significant reduction in the number of police staff and officer positions as outlined in the table below:

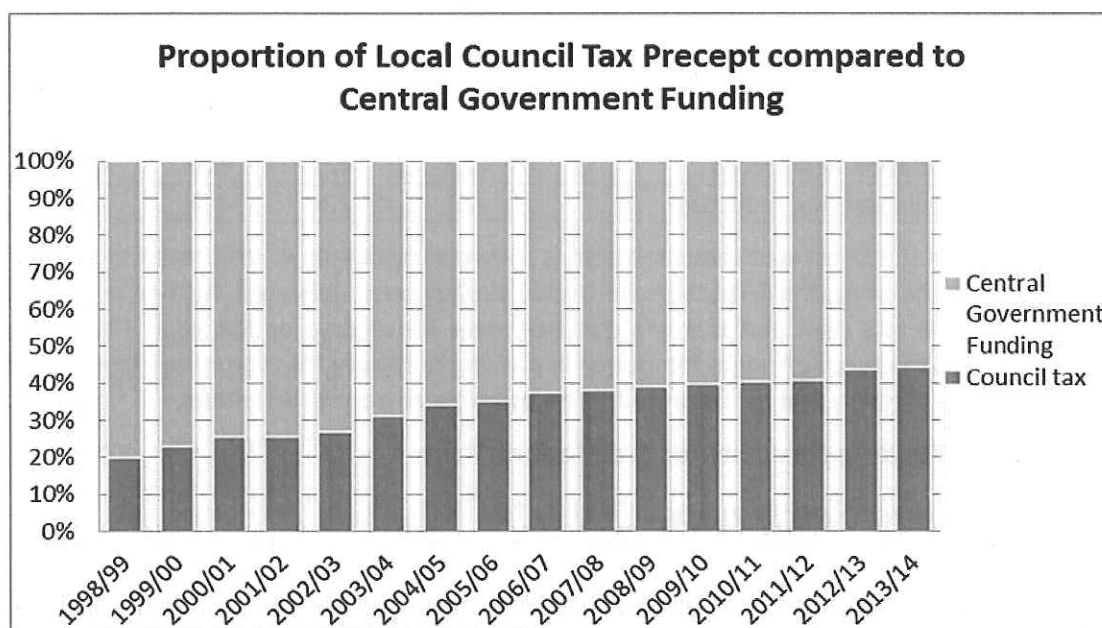
Funded Establishment	2008/09	2009/10	2010/11	2011/12	2012/13
Police Officers	1,180	1,175	1,180	1,188	1,129
Police Staff	671	693	730	696	660
Police Community Support Officers	74	74	74	74	148
Total	1,925	1,942	1,984	1,957	1,936

Impact on Force Performance

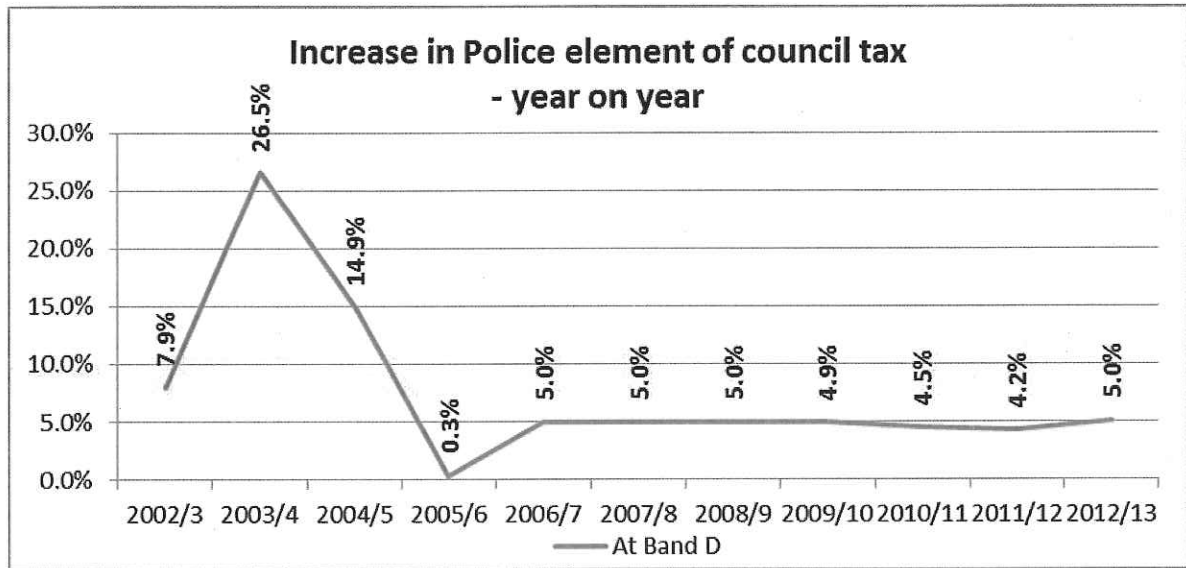
Despite such reductions, the Force is continuing to perform well and has been able to continue a downward trajectory in terms of notifiable offences and anti-social incidents.

Levels of Council Tax

The proportion of the Police budget which has been funded by the Council Tax Precept has increased steadily over the last decade and now represents almost 44% of the combined budgets for the Commissioner's Office and Force. This is illustrated in the tables below:



Annual increases in the police element of council tax have averaged over 5% for the last decade and I am determined that this should not continue.



Future Cost Reduction Plans (CRP).

With the continued pressure on finances set to remain for the foreseeable future, we need to build further on the progress made in recent years. I will ensure that the way we do business will allow us to meet these challenges and the changing demands of our times. This means delivering the services we offer at a lower cost in a way that is sustainable in the long term.

The Hutton Review of public sector pensions and the implementation of Winsor Reforms to the terms and conditions of police officers and staff provide a further opportunity to build upon the excellent work that was initiated by the Police Authority in terms of cost reductions for the future. I will also aim to ensure, with the assistance of the Chief Constable, that business and operational support functions are lean and provide the important support needed by front line officers and staff in a cost effective manner.

The table below sets out how I will build upon the existing Police Authority target for delivering recurring cost reductions over the period 2013-14 to 2017-18:

Headings	13-14	14-15	15-16	16-17	17-18
	£M	£M	£M	£M	£M
Authority Cost Reduction Plan	-1.6	-2.0	-2.4	-2.8	-3.2
PCC Additional Cost Reductions	-0.5	-2.5	-3.5	-4.7	-5.8
Total Cumulative Reductions	-2.1	-4.5	-5.9	-7.5	-9.0
Total Annual recurring reduction	-2.1	-2.4	-1.4	-1.6	-1.5

A copy of the latest cost reduction plan is shown in **Appendix A**. Whereas the savings needed to balance the budget in 2013/14 have largely already been delivered, further work will be needed to finalise this plan and this will continue over the course of the year. I am determined to continue the focus on value for money in policing to ensure that future settlement reductions do not unnecessarily add to the pressures on precepts or front line services.

3. Future Funding Forecasts for the Medium Term

Provisional Settlement - 2013/14

The provisional settlement for 2013/14 was announced on the 19th December 2012 by the Home Secretary. A written Ministerial Statement by the Minister for Policing and Criminal Justice set out

the aggregate amount of grant available to Local Policing Bodies in England and Wales. The Welsh Government also set out its proposals for the allocation of funding in 2013/14 for Local Policing Bodies.

Every Force area will receive a grant reduction of 1.6% in 2013/14. Damping funding will be continued to be paid as in previous years in 2013/14 and 2014/15. A fundamental review of the funding formula mechanism is to be implemented by 2015/16 at the earliest.

The Home Office has protected the police from the further 1% reductions to Departmental Budgets for 2013/14 announced in the Chancellor's Autumn Statement 2012 and from reductions announced by the Chancellor in November 2011 relating to the 1% pay freeze for 2013/14 to 2014/15. The financial settlement is therefore challenging however better than it could otherwise have been.

No announcement has been made in respect of settlements from 2014/15 onwards. This introduces a degree of uncertainty pertaining to the forward financial position. At the time of the last Comprehensive Spending Review in December 2010, the overall Home Office budget for policing was set to reduce by -1.8% for 2014/15. The Home Office may yet need to reduce Policing Body Budgets to take account of the Chancellor's announcement of a 1% pay award for the last two years of the comprehensive spending review and also the Chancellor's announcement of a further 2% budget reduction to the Home Office Budget for 2014/15. The recent Budget Statement included further reductions in Departmental Expenditure Limits in 2015/16 and in 2016/17. In addition there are the implications of further progress in terms of tapering out damping funding for these years as well as further risks from the economic position as well as formula reviews.

The Provisional Settlement figures for 2013/14 are shown in the table below:

Settlement	12/13	13/14
	£'000	£'000
Formula Police Grant	29,388	30,780
Damping Funding	9,000	9,047
Revenue Support Grant	166	943
Non Domestic Rates	15,486	14,033
	54,040	54,803
Neighbourhood Policing Fund	1,637	0
Total	55,677	54,803
% Decrease		-1.6%

Decisions on council tax precept should not focus on the next financial year alone. Despite the announcement of provisional settlement figures for 2013/14, uncertainty in relation to settlement levels from 2014/15 onwards continues to make forward financial modelling difficult and uncertain. For forward financial modelling purposes, it is assumed that financial settlements will continue to reduce at -2.8% for 2014/15 and -2% thereafter as shown in the table below.

Funding Source	Actual		Estimated			
	12-13	13-14	14-15	15-16	16-17	17-18
	£M	£M	£M	£M	£M	£M
Home Office	38.4	39.8	38.7	37.9	37.2	36.4
Non Domestic Rates	15.5	14.1	13.7	13.4	13.1	12.8
Revenue Support Grant	0.2	0.9	0.9	0.9	0.9	0.9
Neighbourhood Policing Fund	1.6	0	0	0	0	0
Total Central Grants	55.7	54.8	53.3	52.2	51.2	50.1
		-1.6%	-2.8%	-2%	-2%	-2%

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

4. Future Taxation Strategy

I am aware that precept increases above inflation are not sustainable 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 £43.0M for 2013/14 rising to £49.8M by 2017/18. This means that an average Band D property will be contributing £206.28 to policing in 2013/14.

The council tax precept will be set every year, and is subject to scrutiny by the Police and Crime Panel. I am anxious however to signal my intention for council tax increases to take a downward path for the future. The table below shows the level of precept that I am proposing for 2013/14 and a forecast on the level that will be assumed for each subsequent year for planning purposes, I am minded subject to the central funding position not worsening significantly to keep future precept increase at or just above RPI inflation.

Assumed Precept	12/13	13/14	14/15	15/16	16/17	17/18
Average at Band D	198.54	206.28	212.67	218.43	223.92	229.50
% Increase year on year	5%	3.9%	3.1%	2.7%	2.5%	2.5%
% of Total Funding	43%	44%	46%	47%	48%	50%

This initial taxation strategy takes into account the uncertainty faced beyond 2013/14, and offers some flexibility for the future. This preserves room for manoeuvre in terms of planning. This signals my intention to lower precept rises over the next five years from the levels of rises approved by the Police Authority over the past decade.

The changes made to tax base collection assumptions for 2013/14 and tax base levels at Band D are shown in the table below:

Unitary Authority	Collection Assumption %		Tax Base at Band D		% Change
	12/13	13/14	12/13	13/14	
Carmarthenshire	96.0%	96.0%	67,944	68,382	+0.64%
Ceredigion	96.5%	96.5%	30,162	30,143	-0.06%
Pembrokeshire	98.0%	97.7%	52,654	52,657	+0.01%
Powys	98.0%	97.5%	59,063	59,087	+0.04%
Total			209,822	210,270	+0.21%

5. Cost Pressures

Work has been progressing since the settlement was announced on establishing a budget position, council tax level for 2013/14 and a medium term financial plan that takes account of the likely forward position on settlements, cost pressures, inflation, pay awards and cost reduction requirements.

Based upon discussions held in the new-year, an initial budget proposal has been formulated for 2013/14 which requires a net revenue budget requirement of £98.178 million (£97.335 million in 2012/13) which is a £0.843 million or 0.87% increase on 2012/13 taking account of the adjustment to Neighbourhood Policing Grant. This budget position incorporates a 1% pay increase expected from September 2013 and a 2.5% increase in non-pay headings in line with inflation. Energy and fuel cost increases of 5% have been incorporated.

The Budget also takes account of annual recurring cost reductions of £1.557 million, being the target set by the Authority for the 2013/14 at the time of setting the last budget. Further cost reduction measures of £0.578 million have been incorporated into the budget position for 2013/14 which takes the final total to £2.134 million or -2.2% of the budget. The budget position outlined also incorporates known cost pressures and strategic priority developments for the Force. In order to arrive at a balanced budget position, reserves of £200K are being used to cushion the council tax payer from the impact of non-recurring pressures for cyclical firearms licensing and police staff pension pressures. Full details are included in the report attached as **Appendix B**.

6. Recommended Precept and Budget for 2013/14

Given the settlement reduction of 1.6%, there is a council tax funding requirement of £43.375 million for 2013/14 resulting in a council tax increase of 3.9% at the level of budget outlined in the attached paper at **Appendix B**.

I therefore submit the for scrutiny by the Dyfed-Powys Police and Crime Panel a budget level of £98.178 million for 2013/14 which would result in an initial council tax precept at band D of £206.28 (from £198.54) an increase of 3.9% or 14.9 pence per week.

Each 1% change in council tax at Band D (3.8 pence per week) for 2013/14 would produce a funding change of £0.416 million 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 2013/14 are shown in the table below

Council Tax Increase 13/14 %	3.9%	2.7%	3.0%	4.0%	4.95%
Precept at Band D (£198.54)	£206.28	£203.94	£204.48	£206.46	£208.35
Additional Amount (annual)	£7.74	£5.40	£5.94	£7.92	£9.81
Additional Amount (weekly)	14.9p	10.4p	11.4p	15.2p	18.9p
Settlement	£'000	£'000	£'000	£'000	£'000
Precept (including tax base adjustments)	43,375	42,882	42,996	43,412	43,810
Central Government Grants	54,803	54,803	54,803	54,803	54,803
Budget Requirement	98,178	97,685	97,799	98,215	98,613
	+0.87%	+0.4%	+0.5%	+0.9%	+1.3%
Revenue Expenditure					
Baseline Budget	98,178	98,178	98,178	98,178	98,178
Changes Required (- budget reduction)	0	-493	-379	+37	+435
Adjusted Budget Requirement	98,178	97,685	97,799	98,215	98,613

7. Forward Capital Programme

In relation to the capital programme, at this stage I intend to retain the individual scheme totals approved by the Police Authority in October 2012 and reconsider /re-profile these early in the summer. The latest position is noted in the table below however some significant slippage is expected from this position particularly from the 2012/13 to the 2013/14 financial year.

Forward Capital Programme 2011/12 to 2017/18							
	11/12	12/13	13/14	14/15	15/16	16/17	17/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Spending							
Land and Buildings	2,108	7,856	4,944	2,507	1,080	500	500
Vehicles	596	1,050	750	750	750	650	650
IT and Equipment	702	3,612	1,305	1,436	1,040	541	541
Total Spending	3,406	12,518	6,999	4,693	2,870	1,691	1,691
Capital Financing							
Government Grant	-869	-1,140	-1,050	-1,350	-925	-750	-750
Borrowing	-520	-520	-5,059	-1,620	-1,120	-520	-520
Capital Receipts	-33	-260	-500	-1,500	-10	-10	-10
Revenue/ Reserves	-1,984	-10,598	-390	-223	-815	-411	-411
Total Financing	-3,406	-12,518	-6,999	-4,693	-2,870	-1,691	-1,691

8. Final Funding Settlement and Summary

I am unlikely to receive a notification of the final settlement for 2013/14 until late January 2013. I do not anticipate any changes but will arrange to notify any to the Panel once received.

In summary, the financial prospects for the next five 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 2015/16. There is much

uncertainty pertaining to these factors which makes forward planning extremely challenging and has necessitated a cautious approach to budget and precept setting for 2013/14.

9. Appendices

Appendix A – Cost Reduction Plan 2013/14 to 2017/18

Appendix B – Draft Revenue Budget 2013/14 to 2017/18

10. Impact Consideration

Implication	Impact Considered (Yes/No)	Impact Identified (paragraph reference)
Legal	Yes	Paragraph 10
Financial	Yes	Main Report
Race and Equality	Yes	N/A
Human Rights	Yes	N/A
Environmental and Sustainability	Yes	N/A
Risk Analysis	Yes	Paragraph 9
National Park Implications	Yes	N/A

11. Background papers

None

12. Contact details

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COST REDUCTION PLAN - 2013-14 to 2017-18						Appendix A	
	Staff / Offices	2013-14	2014-15	2015-16	2016-17	2017-18	Total
	FTE	£'000	£'000	£'000	£'000	£'000	£'000
Savings In Pipeline / Delivered							
1. Police and Crime Commissioner Cost Reductions							
a. Staff Reductions	0.80	-44	0	0	0	0	-44
b. Members Travel / Expenses	0.00	-227	0	0	0	0	-227
c. Non Pay Headings	0.00	-23	0	0	0	0	-23
	0.80	-294	0	0	0	0	-294
2. Police Force Cost Reduction Plan							
a. Staff / Officer Reductions - Major Reviews	21.00	-512	0	0	0	0	-512
b. Corporate Services	3.90	-194	0	0	0	0	-194
c. Human Resources	9.80	-287	0	0	0	0	-287
d. Finance and Facilities	2.50	-110	0	0	0	0	-110
e. Central Operations Support	1.00	-41	0	0	0	0	-41
f. Procurement / Allowances / Other Cost Reductions	0.00	-506	-409	-406	-406	-407	-2,134
	38.20	-1,650	-409	-406	-406	-407	-3,278
3. Other Cost Reductions To be identified							
a. Additional required for Balanced Strategy	0.00	0	-1,483	-789	-349	-411	-3,032
	0.00	0	-1,483	-789	-349	-411	-3,032
Total Before National Reviews	39.00	-1,944	-1,892	-1,195	-755	-818	-6,604
4. National Review Cost Reductions							
a. Winsor Reforms	0.00	-190	-430	-227	-309	-202	-1,358
b. Hutton Review	0.00	0	0	0	-500	-500	-1,000
	0.00	-190	-430	-227	-809	-702	-2,358
TOTAL COST REDUCTION PLAN	39.00	-2,134	-2,322	-1,422	-1,564	-1,520	-8,962



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Diogelu ein Cymuned - Safeguarding our Community

REPORT OF THE DIRECTOR OF FINANCE AND RESOURCES / CHIEF FINANCIAL OFFICER

- **Revenue Budget 2013/14 to
2017/18**

Introduction and Purpose

This report sets a Medium Term Financial Plan for the Police and Crime Commissioner and Chief Constable to consider that takes account of the latest expenditure pressures, cost reduction requirements and strategic development priorities identified by the Chief Constable to date for the period 2013/14 to 2017/18.

The Net Budget Position 2013/14

Detailed modelling work has now been concluded to arrive at a draft budget position for 2013/14 and indicative budgets for 2014/15 to 2017/18. A full Summary of the budget position at an assumed level of settlement and precept 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	2013/14	2014/15	2015/16	2016/17 and 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% plus £250 for staff with basic pay of less than £21,000	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

The Chancellor of the Exchequer in his Autumn Statement set a target average public sector pay award level of 1% for each of the two years after the current pay freeze comes to an end in September 2013. This figure has been used in financial modelling for 2013/14 and 2014/15.

The emergency budget in June 2010 stated “the Government announces a two year pay freeze for public sector workforces, except for workers earning less than £21,000 a year who will receive an increase of at least £250 per year in these years”.

The Association of Police Authorities (APA) wrote in October 2011 stating that the Trade Union Side (TUS) had made a pay claim to the Police Staff Council (PSC) for a £250 flat rate increase on all PSC pay points and the deletion of the lowest pay point on the PSC pay point. The claim was made in response to the government’s policy announcement in the 2010 Budget of a £250 pay rise for any

The Consumer Prices Index (CPI) annual inflation stands at 2.7 per cent in November 2012, unchanged from October. Although unchanged overall, at a more detailed level, there were significant upward and downward pressures on CPI annual inflation between October and November. The largest upward pressures to annual inflation came from food & non-alcoholic beverages (principally bread & cereals and vegetables) and housing & household services (particularly domestic gas and electricity). The largest downward pressures came from motor fuels and furniture, household equipment & maintenance.

The Retail Prices Index (RPI) annual inflation stands at 3.0 per cent in November 2012, down from 3.2 per cent in October. The largest downward pressures behind the change in the RPI rate came from motoring expenditure, housing and household goods. These were partially offset by an upward pressure from food.

2013/14				2014/15	2015/16	2016/17	2017/18
Cost Pressure	Increase (£'000)	% Budget	% Cum	Increase (£'000)	Increase (£'000)	Increase (£'000)	Increase (£'000)
Premises Increase	104	0.11%	0.95%	66	66	66	66
Transport Increase	111	0.11%	1.06%	57	57	56	55
Other Inflation	325	0.33%	1.40%	245	248	247	250
Income Inflation	(22)	-0.02%	1.38%	(20)	(25)	(30)	(30)
Total Increase	518			348	346	339	341
Total Increase Pay and Prices	1,339			1,347	1,519	1,709	1,730

Other Cost Pressures

Police Reform & Social Responsibility Act 2011

The Act has been considered in terms of possible financial implications and risk as part of the transitional project arrangements established with in the Authority and Force. The detailed budget has been considered by the Police and Crime Commissioner. It is envisaged at this stage that significant cost reductions of £294k can be achieved against the original budget however that additional salary and other costs of some £139k will be required.

The Government has allocated a specific grant of £856k to the Commissioner to cover the costs of the Drug Intervention Programme, the Community Safety Fund and Youth Justice Grant / Substance Misuse. In 2012/13 commitments from this funding equated to £898k leaving a deficit of £42k. For 2013/14 this sum has been included as an additional growth bid.

Notwithstanding this, the net budget for the Commissioner's Office has reduced by £107k in 2013/14 compared to the Original Budget set by the Police Authority for 2012/13.

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 for the rank. This requires additional budget of £188k. Other changes as a result of the Winsor Review are included later in the report under the cost reduction section.

In addition the abolition of the Special Priority Payment has resulted in officers no longer receiving any recompense for on-call working. A local scheme has been devised based on the Winsor recommendations for a £15 on-call payment to be made to officers for each occasion worked at a cost of £75K per annum.

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% in 2013/14 and a further 2% in 2014/15 based on the initial indications received from pension actuaries. A full Review of pensions will be completed by the autumn however it is prudent to allow for these amounts provisionally in the budget at this stage.

Bank Holidays

The base budget includes provision for the payment of overtime for eight Bank Holidays. Each Bank Holiday costs the Force approximately £85,000 to provide existing coverage levels. The number of bank holidays in 2013/14 and 2014/15 will be seven and eight respectively. There will be 10 bank holidays falling in the 2015/16 financial year. It is expected that this fluctuation in bank holidays will be managed from within the devolved budget.

The bank holiday calendar for the next four financial years is:

	2013	2014	2015	2016
Bank Holiday Day				
New Year's Day	01-Jan	01-Jan	01-Jan	01-Jan
Good Friday	29-Mar	18-Apr	03-Apr	25-Mar
Easter Monday	01-Apr	21-Apr	06-Apr	28-Mar
Early May Bank Holiday	06-May	05-May	04-May	02-May
Spring Bank Holiday	27-May	26-May	25-May	30-May
Summer Bank Holiday	26-Aug	25-Aug	31-Aug	29-Aug
Christmas Day	25-Dec	25-Dec	25-Dec	26-Dec
Boxing Day	26-Dec	26-Dec	28-Dec	27-Dec

In setting the 2012/13 original budget it was assumed that savings of £250K would be possible from the bank holiday budget as a result of the implementation of Winsor. This is now unlikely as the original proposal has been amended. It is believed however that this saving can be offset by the cost resulting from the unsocial hours allowance being lower than anticipated at the time of the budget by a similar amount.

Additional Running Costs – Llandrindod Wells Police Station

The 2013/14 financial year will see the completion of a number of strategic Capital Projects including the new Police Station in Llandrindod Wells. It is considered prudent to budget for an increase of £40K in respect of rates and running on the new building from 2013/14 onwards.

National Policing Improvement Agency (NPIA) Full Cost Recovery

The National Audit Office raised concerns that the NPIA did not charge its customers for the full economic cost of all its services in line with HM Treasury rules and their own policy. Further indications of the level of charging for services from the NPIA have been announced to move the NPIA to a full cost recovery basis for charging over a three year period commencing in 2013/14. The implication is that existing charges, for PND would increase by £50K in 2013/14 and a further £50K in 2014/15.

Loan Charges and Public Finance Initiative Grant Reduction

Loan charges are payable in respect of debt incurred for capital spending approved prior to the introduction of the new capital control system in April 1990. Grant is received from the Home Office,

calculated as 51% of net eligible expenditure. As loans are repaid, the budget for interest payments funded by grants reduces. An annual shortfall of £21K to £17K per annum is projected for the period.

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.

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 2013/14 and the Force plans to continue to meet any funding reductions through cost reductions in this element of spending.

Income Reductions -Firearms Administration Licensing Fees

Firearms licensing renewal volumes follow a cyclical pattern and renewals for 2013/14 and 2014/15 are set to fall significantly against the current budget of £247k. Under existing fee structures set by the Home Office renewal income is projected to be £61K in 2013/14 and 94K in 2014/15 before increasing again to £210K by 2015/16 and £194K in 2016/17.

Fees are presently under review by the Home Office and Treasury and increases to fees of up to 100% are awaiting Ministerial approval. The increases could be fairly substantial and this could further impact on demand levels however these have yet to be finalised. There will need to be an assessment of staffing levels within the Department over the next 2 years to ensure that this is matched to demand. At present an increase of £130K in budget has included however it may be prudent to consider bridging any further gaps with reserves in the short term should there be a requirement to retain staffing levels and skills over this period.

Summary of Cost Pressures

A full summary of cost pressures included in the 2013/14 and forward budget is included in the Table below:

Cost Pressure	2013/14			2014/15	2015/16	2016/17	2017/18
	Increase (£'000)	% Budget	% Cum				
Office of the Police and Crime Commissioner	178	0.18%	1.56%	0	0	0	0
Salary and Pension Costs	751	0.77%	2.33%	685	334	267	264
Premises Costs	40	0.04%	2.38%	0	0	0	0
IT costs	50	0.05%	2.43%	50	0	0	0
Grant reductions	21	0.02%	2.45%	47	47	48	48
Income reductions	130	0.13%	2.58%	0	0	-200	0
Funded from reserves	(200)	(0.21%)	2.37%	0	0	200	0
Total Increase	970			782	381	315	312

Cost Reduction Plan 2013/14 to 2017/18

The detailed cost reduction plan is shown in Annex 3 to this report.

2013/14				2014/15	2015/16	2016/17	2017/18
Cost Pressure	Increase (£'000)	% Budget	% Cum	Increase (£'000)	Increase (£'000)	Increase (£'000)	Increase (£'000)
Cost Reduction Plan	(1,944)	(2.00%)	0.37%	(1,892)	(1,195)	(755)	(820)
Total Increase	(1,944)			(1,892)	(1,195)	(755)	(820)

Cost Reductions Identified by the Police and Crime Commissioner

The detailed budget for the Office of the Police and Crime Commissioner has been considered by the Police and Crime Commissioner. It is envisaged at this stage that significant cost reductions of £294k can be achieved against the original budget in 2013/14 however that additional salary and other costs of some £139k will be required.

Police Force Cost Reductions Plan

The remainder of the cost reduction plan emerges from work undertaken in the year in implementing the findings of the Reviews of Criminal Justice, Contact Management, and Intelligence functions. Planned savings from closing front desks at certain locations have not been included at this stage.

Additional vacancies arising in some business support areas including Corporate Development, Human Resources, Finance, Facilities and Central Operation Support have also been removed from budgets as part of the Support and Challenge Process.

Procurement

An annual recurring procurement savings target has been included at 3% of influenceable non pay spending. This amounts to approximately £406K per annum over the period. Savings have also been included as a result of eth savings programme. Small savings are also included in respect of estates rationalisation i.e. rates & rents and from better procurement and collaborative arrangements in respect of fuel.

Regional Firearms Collaboration

A report on proposals for the Regional Firearms Facilities was presented to Members at the Finance and General Purposes Committee on the 12th September 2011 and Police Authority meeting on the 19th September 2011. It was resolved to establish the facility at a cost to the Authority of £238k. A revised methodology for allocating costs between the parties has been negotiated and this has resulted in a drop in the contribution required from Dyfed Powys Police to £168K per annum.

Winsor Review of Remuneration and Conditions of Service

The Winsor review is an independent review of Police Officer and Staff remuneration and conditions which came within the remit of the Police Negotiating Board (PNB). This was commissioned by the Home Secretary on the 1st October 2010 and conducted by Mr T.P. Winsor, and was to be reported in two parts. The first part of the review was published on the 8th March 2011 and many of the findings of stage 1 were implemented from 1st April 2012. In setting the budget for 2012/13 the Authority provided for the net recurring cost of stage 1 of the Review which amounted to £523K.

The Part 2 of the Review was published on the 15th March 2012 and contains 121 recommendations, some of which have financial implications to Police Officers and to the Force. The salient points are:-

- Competency Related Threshold Payments to be abolished over 4 years by April 2016;

- A new shorter pay scale for constables to be introduced from April 2013 with a lower starting point than the current scale. The savings attributable to this are expected to offset the cost of removal of pay points 6, 7 and 9 from the existing constables pay scales;

2013/14				2014/15	2015/16	2016/17	2017/18
Cost Pressure	Increase (£'000)	% Budget	% Cum	Increase (£'000)	Increase (£'000)	Increase (£'000)	Increase (£'000)
Abolition of CTRP	(190)	(0.20%)	0.18%	(180)	(180)	(180)	0
Constable and Sergeant Pay Grades	0	0.00%	0.18%	(100)	(47)	(129)	(202)
Allowances	0	0.00%	0.18%	(150)	0	0	0
Total Increase	(190)			(430)	(227)	(309)	(202)

Eight of the recommendations from the Winsor report were referred to the Police Arbitration Tribunal for consideration, following a failure to agree at the Police Negotiating Board. These recommendations were largely accepted by PATs and therefore the Police Regulations and determinations are in the processes of being amended.

For police staff, recommendations have been made to bring them closer to the new terms and conditions which were recommended in Part 1, namely an unsocial hours allowance and reforms to the eligibility criteria for the payment of overtime. This will allow Police Forces to deploy officers and staff more effectively on joint operations. It is not expected that the review will reduce the pay of frontline police staff, so the changes have been designed to be cost-neutral and individual members of police staff should not face unwarranted financial detriment. These changes are expected to be implemented by April 2016.

Police Officers Pension Scheme

Public Sector pensions have been subject to a detailed Review by Lord Hutton which has considered the long terms affordability of schemes across the Public Sector including Police Officer and Local Government Pension schemes. This has resulted in revised pension schemes for both Police Officers and Police Staff.

On the 28th of March, the Government set an ambitious cost ceiling for the Police Officer Pension Scheme as set out in the Table below:

Pension Scheme	Gross Cost Ceiling	Taxpayers	Employees
Police Officer Pension Scheme	28.0%	14.3%	13.7%

The Home Secretary had been consulting the Police Negotiating Board on the Government's preferred scheme design. On the 4th of September 2012, the Independent Chair of the Police Negotiating Board set out details of an accrual rate of 1/55.3th of pensionable pay and a Normal Pension Age of 60. It is believed that this is based on final pensions being set with reference to career average re-valued earnings (at CPI+1.25%) rather than final salaries however protection arrangements will apply to officers late in service. Preferential factors for early retirement from age 55 have been included to allow an officer to retire early with an actuarial reduction being based on a Normal Pension Age of 60 rather than state pension age.

With the scheme set to be established from April 2015, there could potentially be a significant cost reduction as Authorities currently pay an employer's contribution of 24.2% of police officer's pay and receive substantial Home Office 'top-up' grants for pension account deficits. The outcome of discussions and timing of any savings are unclear however the Government Actuary's Department

has confirmed that the new scheme design is within the cost ceiling over the 7 year period to 2022. For budgeting purposes an annual 1.0% reduction in employer's pension contribution has been assumed from 2016/17. There is significant uncertainty about the ability to deliver such savings at this stage.

The costs of the new Police Staff Scheme have been assumed to remain unchanged for 2013/14 and over the period until 2016/17 at this stage.

2013/14				2014/15	2015/16	2016/17	2017/18
Cost Pressure	Increase (£'000)	% Budget	% Cum	Increase (£'000)	Increase (£'000)	Increase (£'000)	Increase (£'000)
Long Term Pension Reform Employers Reduction (1.0%)	0	0.00%	0.18%	0	0	(500)	(500)
Total Increase	0			0	0	(500)	(500)

Strategic Developmental Expenditure and Plans

Neighbourhood Policing

The Commissioner will receive a grant totalling £6.579m from the Welsh Government for an additional 74 PCSO's over the period 2011/12 to 2014/15. Full rollout of these staff will be completed in the current year.

Funding Source	2011/12	2012/13	2013/14	2014/15	Total
	£'000	£'000	£'000	£'000	£'000
<u>Recurring Costs</u>					
Salaries and on-costs	86	1,541	2,304	2,436	6,367
Non Staff Costs	0	40	40	40	120
Total Recurring Costs	86	1,581	2,344	2,476	6,487
<u>Non Recurring Costs</u>					
Set up costs	35	65	0	0	100
Total Non-Recurring	35	65	0	0	100
Total Expenditure	121	1,646	2,344	2,476	6,587
Total Income	(121)	(1,646)	(2,344)	(2,476)	(6,587)

The deployment profile for these 74 PCSO's is:

Local authority area	Numbers
Carmarthenshire	27
Pembrokeshire	16
Ceredigion	12
Powys	19
Total	74

Collaboration Activity

National Air Support Service

The budget for 2012/13 included a provision of £349k in respect a rotary wing replacement option when the current force helicopters life span comes to an end. It was the Authority's resolution to continue to raise objections in relation to the National Police Air Service proposals and this amount is retained in the forward budget from 2013/14 onwards..

Strategic Crime Collaboration

There is a long track record of collaboration in areas of Serious and Organised Crime and future opportunities will be developed other the next 12 months.

Other Developmental Priorities

In terms of prudent financial management, none of these initiatives will be progressed until there is greater certainty around funding levels for 2014/15, and more work has been completed around the identification of future cost reduction measures.

Additional Chief Inspectors (2 FTE equivalent)

Some concern has been expressed in relation to resilience at Chief Inspector rank across territorial Divisions. Members will be aware that the number of Chief Inspectors was reduced dramatically as part of the Operation Sage review. The proposal emerging is to reinstate 2 Chief Inspector roles in the territorial policing areas thereby increasing to 6 posts in all.

Custody Staffing

A proposal is being considered by Chief Officers to improve the provision of Custody linked to an assessment of requirements against the Corporate Manslaughter Act and emerging guidance. 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. There is also a proposal for a reduction of one Sergeant posts which takes account of the adoption of more efficient and effective working practices and staffing mix in Haverfordwest and Brecon which is also being considered alongside this. The total costs amounts to £2K on a recurring basis.

Offender Management Units

The budget also includes provision for an additional 5.5 posts for the creation of new offender management units throughout the Dyfed Powys area. A sum of £220K has been set aside for this purpose.

2013/14				2014/15	2015/16	2016/17	TOTAL
Cost Pressure	Increase (£'000)	% Budget	% Cum	Increase (£'000)	Increase (£'000)	Increase (£'000)	Increase (£'000)
Chief Inspector Posts	150	0.15%	0.33%	0	0	0	0
Strategic Crime Collaboration	120	0.12%	0.46%	175	0	0	0
Custody Staffing	178	0.18%	0.64%	140	0	0	0
Offender Management Units	220	0.23%	0.87%	0	0	0	0
Total Increase	668			315	0	0	0

Strategic Framework

The budget process needs to link closely with the Commissioner's strategic priority setting process. Dyfed Powys Police priorities for 2013/14 will be determined by the incoming Commissioner. This budget position forms the starting point for discussion around the costs of current structures and patterns of service delivery which can be amended as part of wider strategic planning processes.

Balances, Provisions and Reserves

The "Financial Management Code of Practice" (FMCoP) suggests that when the PCC, in consultation with the Chief Constable reviews the medium term financial plan and prepares the annual budget that consideration is given to the role of reserves.

It is important that the PCC takes responsibility for ensuring the adequacy of reserves when they set the budget 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. It is essential that the PCC's decisions on reserves are communicated clearly to local taxpayers to promote accountability.

Within the existing reserves policy, governance arrangements required in respect of reserves and balances and which are the responsibility of the CFO are:

- 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, District Audit 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 2012/13 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 control 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 government funding cuts and capping 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 2013/14 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 are presented in the following table and have been subject to review as part of the 2013/14 budget setting process.

Reserve	Balance at 31 st March 2012	Projected Balance at 31 st March 2013	Description
	£'000	£'000	
Pensions Cost Reserve	1,441	1,500	To mitigate any volatility caused by lump sum payments in respect of ill-health early retirements and injury awards.
Insurance Reserve	750	750	Funds that are held to meet potential and contingent insurance liabilities. This relates to the surplus/deficit at 31 st March on the internal insurance account.
Operational Service Delivery Reserve	295	200	Reserves available to support local policing, patrol/incident response and custody facilities.
Central Operational Support Reserve	712	680	Funds held in support of specialist police units when specialist equipment and training are required to deal with public order, firearms incidents, civil emergencies and roads policing.
Central Non Operational Reserve	1,147	1,250	Comprises funds held for uniform and protective clothing replacement, to support the training programme and estates serving contracts.
Investigations Reserve	3,762	3,000	Reserves held for specialist investigations including murders, protecting vulnerable people and counter terrorism.
Governance Reserve	7,710	9,000	Funds required in support of future years recurring budgets, including capital projects, redundancy costs, equipment replacement and costs associated with the introduction of the Police and Crime Commissioner.
Total	15,817	16,380	

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 are being reviewed to determine the need for external borrowing against the use of reserves.

Andrew Bevan – 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 2013/14 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
- Additional cost savings from revised future year budget figures
- Outcomes from the Winsor review into pay and conditions of service
- 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.

12..1 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>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	Linked to police officer salary costs above
Indirect Staff Costs	1%	Low	Not material	Training budgets to reflect only operationally critical requirements.
Premises Costs	3%	Medium	Increases 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	10%	High	Non purchase orders could result in over spends against the budget. Procurement procedures are in place to ensure value for money is achieved.	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.</p> <p>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.</p> <p>All terms of grant are authorised by the Chief Financial Officer.</p> <p>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	0%	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

Andrew Bevan – Chief Financial Officer

Contact details

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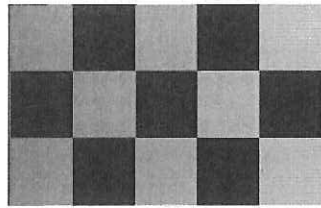
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Annex 1

Revenue Account 2012/13 to 2017/18

	Final Budget	NFP Adjustment	Restated Budget	Draft Budget	Variation		Indicative Budget			
	2012/13	2012/13	2012/13	2013/14	2013/14		2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000
PA/OPCC Costs										
Staff Costs	369	0	369	463	95	25.7%	474	480	487	495
Running Expenses	526	0	526	331	(195)	-37.1%	322	313	304	295
Total PA/OPCC Costs	894	0	894	794	(100)		796	793	791	789
Employees										
Police Officers	51,068	0	51,068	51,624	556	1.1%	51,455	51,764	52,400	53,006
Police Staff	20,343	0	20,343	20,380	37	0.2%	20,694	20,743	21,077	21,469
PCSO's	4,157	0	4,157	4,258	102	2.4%	4,368	4,425	4,491	4,558
Police Pensions (net)	11,500	0	11,500	11,588	88	0.8%	11,716	11,877	11,561	11,240
Indirect Staff Costs	704	0	704	705	1	0.2%	703	701	699	697
Total Employee Costs	87,771	0	87,771	88,556	785		88,937	89,509	90,227	90,970
Running Expenses										
Premises Costs	3,288	0	3,288	3,345	57	1.7%	3,349	3,353	3,357	3,362
Transport Costs	2,947	0	2,947	2,962	14	0.5%	2,928	2,894	2,859	2,823
Supplies & Services	9,467	0	9,467	9,542	75	0.8%	9,088	8,980	8,710	8,476
Agency & Contracted Services	2,381	0	2,381	2,461	80	3.3%	2,670	2,708	2,747	2,786
Total Running Expenses	18,084	0	18,084	18,310	226		18,036	17,935	17,673	17,446
Capital Financing Costs	755	0	755	776	21	2.8%	793	811	828	847
Total Expenditure	107,504	0	107,504	108,436	931		108,561	109,047	109,519	110,052
Income										
Specific Grants	(8,266)	1,637	(6,629)	(6,629)	0	0.0%	(6,606)	(6,583)	(6,559)	(6,535)
Other Income	(3,700)	0	(3,700)	(3,592)	108	-2.9%	(3,618)	(3,650)	(3,889)	(3,928)
Total Income	(11,966)	1,637	(10,329)	(10,221)	108	-0.9%	(10,224)	(10,232)	(10,447)	(10,463)
TOTAL NET REVENUE EXPENDITURE	95,539	1,637	97,176	98,215	1,039	1.1%	98,337	98,815	99,072	99,589
Use of / Contribution to Reserves	159	0	159	(37)	(196)	0.0%	(37)	(38)	167	170
NET EXPENDITURE TO BE MET BY GOVERNMENT GRANTS & PRECEPTS	95,698	1,637	97,335	98,178	843		98,300	98,778	99,239	99,759
Grants and Precepts										
Police Grant	(38,388)	(1,637)	(40,025)	(39,828)	197		(38,713)	(37,938)	(37,180)	(36,436)
NNDR	(15,486)	0	(15,486)	(14,033)	1,453		(13,640)	(13,367)	(13,100)	(12,838)
RSG	(166)	0	(166)	(943)	(777)		(917)	(898)	(880)	(863)
Total External Support	(54,040)	(1,637)	(55,677)	(54,803)	873	-1.6%	(53,269)	(52,204)	(51,159)	(50,136)
Precepts on Billing Authorities	(41,658)	0	(41,658)	(43,374)	(1,716)	4.1%	(45,031)	(46,574)	(48,079)	(49,622)
TOTAL RESOURCES	(95,698)	(1,637)	(97,335)	(98,178)	(843)		(98,300)	(98,778)	(99,239)	(99,759)
Taxbase	209,822		209,822	210,270			211,741	213,224	214,716	216,219
COUNCIL TAX LEVEL	£ 198.54		£ 198.54	£ 206.28			£ 212.67	£ 218.43	£ 223.92	£ 229.50
Council Tax Increase				3.90%			3.10%	2.71%	2.51%	2.49%



**PANEL HEDDLU A
THROSEDDU DYFED-POWYS**

**DYFED-POWYS POLICE
AND CRIME PANEL**

**REPORT ON THE COMMISSIONER'S PROPOSED PRECEPT FOR
2013/14**

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 18th January 2013 of his proposed Police and Crime Budget and precept for 2013/14.

The Panel considered a detailed report outlining the proposed budget for 2013/14 at their meeting held in County Hall, Ceredigion on the 25th January 2013. 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 2013/14 and beyond and the impact of any increase in the precept.

The Panel acknowledged the challenging timetable imposed by central government which had effectively precluded meaningful discussion and the opportunity for negotiation in the budget setting process. It is to be hoped that the Commissioner will make every effort to address this in future budget setting exercises.

Recommendations

1. That the Commissioner's proposal to increase Dyfed-Powys Police's precept by 3.9% for 2013/14 be endorsed.
2. That 3.9% would be the upper limit to what the Panel finds acceptable for 2013/14.
3. To support the Commissioner's ambition to increase the precept by a lower percentage in 2014/15 and thereafter to maintain any increase at no higher than the rate of inflation.

February 2013



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18th February 2013

Mr A. Edwards
Chairman
Dyfed Powys Police and Crime Panel

Dear Mr Edwards

Report on the Proposed Precept 2013/14

Thank you for providing me with the Panel's recommendations in respect of the proposed precept for 2013/14. Bearing in mind the current economic situation, I believe my proposal to be a reasonable balance which recognises the current financial pressures whilst ensuring the provision of a high quality policing service. The formal consultation with the public on both the Police and Crime Plan and the precept/budget has now closed and I am confident that I have the public's support. I am grateful for the Panel's endorsement of my proposal as well as my aspiration in respect of future precept levels.

Yours sincerely

Christopher Salmon
Police and Crime Commissioner Dyfed Powys

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 2012/13.

On the 19th December 2012, the Minister of State for Policing and Criminal Justice announced details of the aggregate amount of grant available to Local Policing Bodies in England and Wales for 2013/14. Every force area will receive a grant reduction of 1.6% in 2013/14. Damping funding will be continued to be paid as in previous years in 2013/14 and 2014/15. A fundamental review of the funding formula mechanism is to be implemented by 2015/16 at the earliest. The final police settlement was received on the 4th February 2013 and was unchanged from the provisional settlement previously announced.

A draft budget for 2013/14 and indicative budgets for 2014/15 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 14th January 2013 and agreement was reached on the proposals. The PCC notified the Police and Crime Panel (PCP) of the proposed precept on the 25th January 2013. At this meeting the PCP voted to endorse the PCC's proposal for a council tax precept increase of 3.9% as an upper limit for 2013/14. They also supported the PCC's intent to lower the council tax precept increase next year with the increase being reduced in line with inflationary increases in future years.

The PCC received notification from the Minister of State for Policing and Criminal Justice outlining the final police settlement for 2013/14 on the 4th February 2013. 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 tax payers expectations.

At the PCP meeting held on 25th January 2013, 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.



Andrew Bevan

Chief Financial Officer

20 February 2013 *

NB Agreed on 20th February but not physically signed until the 12th March due to sickness absence.

