



Review of the Overall Budget Strategy

Task and Finish Group

Final Report

January 2018

Members

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The Group would like to thank the following people for contributing to its work:

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Summary

1. The Task and Finish Group was established to understand the key issues and financial pressures as part of the budget setting process in order to inform the work of the Panel and PCC. This included both the longer term financial planning process and the impact of the Government grant settlement. This settlement was announced during the timescale of the Group's work.
2. The Task and Finish Group met on 18 December 2017 to receive information about the Police and Crime Commissioner's overall budget strategy for 2017/18. Discussion took place about funding and planning assumptions, total funding projections and funding pressures.
3. The Group met again on 19 January 2018 following the settlement from the Government and discussed the proposed precept increase with the Police and Crime Commissioner.
4. This report provides detail of the evidence considered and questions that were raised for discussion with the PCC prior to consideration by the Police and Crime Panel meeting on 6 February when the precept will be set for 2018/19.

Recommendation

5. The Task and Finish Group support the proposal of the PCC to set the Band D Police Element of the Council Tax within Cleveland for 2018/19 at £226.54; an increase of £12, or 5.59% over the 2017/18 level.

DETAIL

2018/19 Funding/Planning Assumptions

6. The settlement from government was received just before Christmas 2017 and has been analyzed by the Chief Finance Officer of the PCC, the PCC's professional adviser on financial matters in order to understand what the implications are for this and future years.
7. In terms of financial planning, assumptions were undertaken in the same way as in previous years to increase the precept by 1.99%. However, the settlement announced just before Christmas provided the flexibility for an increase of up to £12 on a Band D property for all PCCs in 2018/19. The main points within the provisional settlement were as follows:
 - Precept flexibility to increase the level of Band D precept by up to £12 for all PCCs (or equivalents) in 2018-19
 - Flat cash grant funding (i.e. the same allocations as in 2017-18 for Home Office Core Police Settlement)
 - Updated assumptions around tax base growth – now assuming tax bases will grow by 1.34% in England.

- Including these assumptions on council tax and based on the 1.5% GDP deflator (the Government measure of inflation), the resulting settlement, including council tax, represents a “real terms” increase for all between 2017-18 and 2018-19
 - There would be £450m additional funding for the national police service. This includes £130m additional reallocation and approximately £147m as a result of additional council tax flexibilities. It also includes £50m additional counter Terrorism funding and the remaining £123m can be considered as “new money”.
 - The minister’s letter to PCCs refers to this additional funding in addition to identified efficiency savings of up to £100m (procurement) to enable “appropriate provision for likely cost increases next year”.
8. The Task and Finish Group noted that none of the £450 additional funding for policing would be in the form of Government grants that could be administered locally by PCCs:
- £177 is money that would come from local Precept increases
 - £50m is for additional counter terrorism funding
 - The remaining £123m new money is added to Home Office “national pots” for specific purposes

Future Funding/Planning Assumptions

9. When the 2017/18 budget was set in February 2017 the forecasts were underpinned by the following assumptions:
- Pay Awards: 1% increase per annum
 - Precept: Increases of 1.99% per annum
 - Tax Base increases of 1.0% per annum
 - Collection Surplus of £300k per annum
 - Grant Reductions of -1.4% per annum
 - Impact of Funding Formula Review - Nil
10. The Task and Finish Group noted that in line with good planning assumptions, it is expected that the LTFP for 2018/19 and beyond will assume the following:
- Pay Awards: 2% increase p.a
 - Precept: Increases of:
 - 2018/19 - £12 or 5.59%
 - 2019/20 - £12 or 5.29%
 - 2020/21 - £4.75 or 1.99%
 - 2021/22 - £4.84 or 1.99%
 - Tax Base increases 1.0% per annum, Collection Surplus £250k pa
 - Government Grants: Frozen until 2019/20 and the increases of 2% thereafter
 - Impact of Funding Formula review – Nil
11. The Task and Finish Group noted that Government Grant cuts had reduced by £25.5 in cash terms since 2010/11 equating to around £40m in real terms.

12. Based on these revised assumptions, and the information received and forecasts around other areas of funding, the entire funding expected for the next four years, in comparison to 2016/17 and 2017/18, is as follows:

	Actual	Actual	Forecasts			
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Funding	£000s	£000s	£000s	£000s	£000s	£000s
Government Grant	(84,684)	(83,500)	(83,500)	(83,500)	(85,170)	(86,873)
Council Tax Precept	(31,642)	(32,656)	(34,582)	(36,637)	(37,738)	(38,839)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(123,994)	(123,824)	(125,750)	(127,805)	(130,576)	(133,380)
%age change in Net Budget Requirement	0.5%	-0.1%	1.6%	1.6%	2.2%	2.1%
Specific Grants	(5,843)	(4,558)	(4,911)	(4,436)	(5,436)	(4,336)
Witness and Victims Funding	(663)	(659)	(1,246)	(820)	(669)	(682)
Partnership Income/Fees and Charges	(2,760)	(2,664)	(2,737)	(2,869)	(2,923)	(2,942)
Total Funding	(133,260)	(131,705)	(134,644)	(135,930)	(139,604)	(141,340)
%age change in Total Funding	1.1%	-1.2%	2.2%	1.0%	2.7%	1.2%
NBR Forecast - February 2017	(123,994)	(123,824)	(123,244)	(123,081)	(124,918)	(127,430)
Changes to NBR Funding Forecast	0	0	(2,506)	(4,724)	(5,658)	(5,950)

13. As a result of the Government Grant settlement being better than expected and the flexibility to increase precept by more than previously forecast, the overall funding available to the PCC is higher than previously projected. It would increase by around £2.6m, providing around £1.2m more than the anticipated 1.99% precept increase, and £1.8m more than no increase at all. The Panel were advised that overall funding would, however, only be 1.8% higher than in 2017/18 and taking into account the pay awards at 2% and general inflation, this would result in a 'standstill budget' that would in effect maintain current levels of service.
14. The Group noted that the increases in income therefore should allow the organisation to continue to deliver the current level of service but there were unfortunately no additional funds to increase the services currently being provided.
15. The Group asked how reserves were being utilised to support the budget and were advised that it was planned to reduce General Reserves from £9.2m (in 2015/16) to £4.2m (by 2019/20) which was 3% of overall Budget and less than two week's cash; earmarked reserves would reduce from £5.8m in 2015/16 to £1.5m by 2019/20. The Task and Finish Group was reassured that if a serious incident occurred in the Force area there would be sufficient reserves to respond. The Group was advised that there would be an expectation that the first £1.3m would be met from reserves and then there would be the opportunity to bid for Government grant.

Impact of Precept Increase

16. The Task and Finish Group noted that the current Council Tax/ Precept Level for a Band D property was £214.54 (59p per day) and the impact of a £12 increase in 2018/19 would be £1 per month for a Band D property with most households (80%) only paying 15-20p more per week. The Group also noted that this was one of the lower increases in the country.

17. The Group asked what the early indications were from public consultation on the proposed £12 increase. The Group were advised that roughly 80% were supportive of an increase and to date there had been approximately 200 responses on the website and 500 attendees at consultation meetings. A further update would be provided to the full Panel meeting on 6 February.

PCC Priorities

18. The vast majority of PCC monies are provided to the Chief Constable to provide and deliver services in line with the PCC's priorities. The proposed 2018/19 budget underpins the PCCs objectives:

- Investing in our Police
- A Better deal for victims and witnesses
- Tackling re-offending
- Working together to make Cleveland safer
- Securing the future of our communities

Financial Summary

19. The Chief Finance Officer provided the Group with a draft Budget based on a £12 precept increase (see Appendix A).

Conclusion

20. The Task and Finish Group works on behalf of the full Police and Crime Panel to allow for in-depth scrutiny and analysis of the PCC's budget and the proposed precept for 2018/19 prior to consideration by the Panel.

21. Based on the evidence provided by the PCC and the PCC's Chief Finance Officer and the settlement from Government, the Task and Finish Group supported the proposal to set the Band D Police Element of the Council Tax within Cleveland for 2018/19 at £226.54; an increase of £12, or 5.59% over the 2017/18 level. The Group noted that the increase would enable a "standstill" budget to be set and was essential to avoid further cuts to policing services.

PCC Summary LTFP - Jan-18 - Incl Grant Settlement and Updated Precept Figures

	Actual	Forecasts			
	2017/18	2018/19	2019/20	2020/21	2021/22
Funding	£000s	£000s	£000s	£000s	£000s
Government Grant	(83,500)	(83,500)	(83,500)	(85,170)	(86,873)
Council Tax Precept	(32,656)	(34,501)	(36,633)	(37,734)	(38,834)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(123,824)	(125,669)	(127,801)	(130,572)	(133,375)
Specific Grants	(4,558)	(4,911)	(4,436)	(5,436)	(4,336)
Witness and Victims Funding	(659)	(1,246)	(820)	(669)	(682)
Partnership Income/Fees and Charges	(2,664)	(2,790)	(2,869)	(2,908)	(2,922)
Total Funding	(131,705)	(134,615)	(135,925)	(139,585)	(141,315)
%age Change in Funding	-1.2%	2.2%	1.0%	2.7%	1.2%
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	850	860	875	890	905
Community Safety/Victims and Witness	£000s	£000s	£000s	£000s	£000s
Community Safety Initiatives	986	1,068	1,068	1,068	1,068
Service Improvement and Development	1,250	1,450	1,500	1,550	1,600
Victims and Witnesses Services	1,009	1,517	1,092	927	927
Total Planned Expenditure	3,245	4,035	3,660	3,545	3,595
Corporate Services	£000s	£000s	£000s	£000s	£000s
Staff Pay	330	340	350	360	370
Non Pay Expenditure	100	100	100	100	100
PFI Action Stations	5,145	5,240	5,325	5,410	5,499
PFI Urlay Nook	1,770	1,820	1,855	1,915	1,945
Asset Management	1,605	1,875	2,175	1,960	1,600
Total Corporate Costs	8,950	9,375	9,805	9,745	9,514
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Pay					
Police Pay	66,740	63,874	65,015	65,818	67,029
Police Overtime	1,375	1,456	1,541	1,621	1,780
Police Community Support Officer Pay	4,255	4,360	4,595	4,720	4,880
Staff Pay	9,755	10,525	10,999	11,321	11,636
Pay Total	82,125	80,215	82,150	83,480	85,325
Major Contracts					
Custody and Medical Contract	2,523	2,446	2,520	2,570	2,620
Outsourcing Contract	17,139	17,900	18,300	17,990	17,990
Major Contracts Total	19,662	20,346	20,820	20,560	20,610
Non-Pay Budgets					
Other Pay and Training	380	774	774	774	774
Injury and Medical Police Pensions	2,435	2,753	2,753	2,753	2,753
Premises	3,620	3,637	3,197	3,220	3,243
Supplies and Services	7,035	7,935	7,391	7,554	7,556
Transport	1,576	1,576	1,576	1,576	1,576
External Support	2,587	2,533	2,738	2,942	2,942
Non-Pay Total	17,633	19,209	18,430	18,820	18,845
Total Planned Force Expenditure	119,420	119,770	121,400	122,860	124,780
%age Change in Expenditure	0.0%	0.3%	1.4%	1.2%	1.6%
(Surplus)/Deficit	£000s	£000s	£000s	£000s	£000s
760	(575)	(185)	(2,545)	(2,520)	
Planned Transfers to/(from) General Fund	(2,000)	(950)	(850)	0	0
Contribution to Capital Programme	1,165	1,375	885	2,395	2,370
Planned Transfers to/(from) Earmarked Reserves	75	150	150	150	150
Net (Surplus)/Deficit After Reserves	(0)	(0)	(0)	(0)	0
General Reserves	£000s	£000s	£000s	£000s	£000s
General Fund Balance b/f	8,016	6,016	5,066	4,216	4,216
General Fund Movements	(2,000)	(950)	(850)	0	0
General Fund Balance c/f	6,016	5,066	4,216	4,216	4,216
Employee Numbers (Average per year)	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,280	1,236	1,226	1,226	1,226
PCSOs	148	147	147	147	147
Police Staff - Police Force	285	318	318	318	318
PCC/Corporate Staff	14	14	14	14	14
Assumptions					
Staff Pay Increases	1.0%	2.0%	2.0%	2.0%	2.0%
Police Pay Increases	1.0%	2.0%	2.0%	2.0%	2.0%
Non Pay Inflation	1.6%	2.0%	2.0%	2.0%	2.0%
RPI	3.0%	3.5%	3.0%	3.0%	3.0%
Precept Increases	2.0%	5.6%	5.3%	2.0%	2.0%
Government Grant Movements (Cash Basis)	-1.4%	0.0%	0.0%	2.0%	2.0%