

For Information and Comment	
Public/Non Public*	Public
Report to:	Strategic Resources and Performance Meeting
Date of Meeting:	22nd January 2014
Report of:	Chief Finance Officer
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Agenda Item:	10

Chief Finance Officer Update on the Budget Process

1. Purpose of the Report

- 1.1 To update this meeting on the budget process, the associated risks and how these will be managed.

2. Recommendations

- 2.1 This report is for noting and comments in relation to the budget are invited, particularly where suggestions for efficiencies can be made.

3. Reasons for Recommendations

- 3.1 This complies with good financial management and good governance.

4. Summary of Key Points

Background

- 4.1 The Commissioner received notification of the provisional grant settlement for 2014-15 on 18th December 2013. It is anticipated that the settlement amounts will remain unchanged and confirmed when put before Parliament in February.
- 4.2 The grant settlement was broadly in line with what had been estimated; however this still required significant efficiencies to be identified in order to deliver a balanced budget for 2014-15.
- 4.3 Single year settlements make longer term financial planning very difficult and the indicative grant for 2015-16 has not been provided by the Home Office at this stage. The Commissioner made comments to this effect in his letter of representation on settlement to the Home Secretary. A copy of this letter is attached at **Appendix A**.

Budget Process

- 4.4 There have been joint working arrangements in place between the OPCC and the Force to build upon the previous years Medium Term Financial Planning process. The June 2013 Comprehensive Spending Review (CSR) gave an indication that grant in 2014-15 would be less than anticipated and this was taken into account in identifying the level of savings that would be required.
- 4.5 Previously, there had been identified plans for £9.5m of savings in 2014-15. With a review of additional budget pressures and the need to identify further savings as a result of the CSR the actual budget gap for 2014-15 became £13.6m.
- 4.6 The estimates for the following 3 years of the Medium Term Financial Plan (MTFP) identifies further gaps at an average of £10m per year. Having already delivered £42m of savings this continued need to identify this level of savings becomes very difficult and cannot be met from continuing to cutting existing budgets.
- 4.7 The Commissioner instigated an Independent Base Budget Review to identify where further savings might be achieved and to review the work already underway within the force.
- 4.8 The Force has been working on delivery of transformational change through a Target Operating Model (TOM). Indications from this work is that significant savings can be delivered, but this will require a significant change to the way in which the police currently work, including a greater emphasis to preventive crime activities.
- 4.9 Some of the transformational change has already been put into action, such as the review of the police estate and this will continue to be reviewed, downsized where appropriate and increased partnership working with co-location.
- 4.10 Much of the transformational work and collaborative work will require some pump priming to be provided and these one off costs will be met from reserves.
- 4.11 The proposed budget report and supporting reports will be presented by the Commissioner to the Police & Crime Panel on 3rd February 2014. The panel will consider these reports when deciding to agree or disagree with the precept proposal.

5. Financial Implications and Budget Provision

- 5.1 As detailed within this report there are significant financial pressures that have to be managed and the next CSR period will also require more cuts in public services expenditure.

6. Human Resources Implications

- 6.1 None as a direct result of this report. However, workforce planning is a key element of the budget and MTFP planning process.
- 6.2 Currently, the Commissioner has made promises to increase Police Officer numbers by 150 and PCSO numbers by 100. By March 2015 there will be 2142 Police Officers this is an increase of 120 since 2012-13. There will also be 375 PCSO's an increase of 75 since 2012-13.

7. Equality Implications

- 7.1 None as a direct result of this report.

8. Risk Management

- 8.1 There remain risks in relation to being able to deliver all of the required savings in 2014-15. It is anticipated that more detailed results from the TOM work will start to deliver further savings in 2014-15 in preparation of the following financial years. This will continue to be monitored and managed through the Strategic Resources and Performance group.
- 8.2 At the time of writing this report a further risk has emerged relating to the referendum limit. The Minister for Communities & Local Government does not intend to confirm the referendum limit until mid February and this may be as low as 1.5%. This falls outside the statutory timetables that the Commissioner has for setting a precept level and having the Police & Crime Panel endorse that level.

9. Policy Implications and links to the Police and Crime Plan Priorities

- 9.1 The delivery of a balanced budget which supports the delivery of the police & crime plan is fundamental to the business operation of the OPCC and force.

10. Changes in Legislation or other Legal Considerations

- 10.1 None.

11. Details of outcome of consultation

- 11.1 A consultation process is in place through various focus groups and an on-line survey. The results of which will be considered in the budget process and in the refresh of the police & crime plan. This will include any suggestions made at this meeting.

12. Appendices

- 12.1 None