



## **Finance Briefing: Long Term Financial Strategy**

### **1. Purpose**

- 1.1 To update Panel members on the medium term financial position facing the Police and Crime Commissioner. This provides important contextual information for discussions on the response to the HMIC report and the PCC's performance update for April – June 2014.
- 1.2 For this briefing, the Panel are presented with the following information:
  - i. An update on the longer-term projections made in the PCC's budget presented to Panel in February as part of the precept process;
  - ii. Details of the medium term forecast examined by the HMIC.
  - iii. An update on the current position relating to the 2015/16 budget assumptions.
- 1.3 The medium term financial forecast is currently being updated, the first 2014/15 budget seminar being held on 30<sup>th</sup> September 2014. A further update for panel members can be provided after the seminar if required.

### **2. Update on longer-term projections**

- 2.1 The Panel examined the PCC's budget as part of the precept consultation process in February 2014. The approach to the longer term resourcing issues was subject to a series of key assumptions, which shaped the medium term financial forecast:
  - A 4.8% reduction in government funding on a like for like basis compared with 2013/14. This was a reduction of £15.3m for West Yorkshire.
  - The extension of the 2011/12 Council Tax freeze grant until 2015/16
  - A Collection Fund surplus of £0.74m
  - Council tax increases of 2% in 2015/16 and beyond.
- 2.2 It also noted that savings of £74.7m had been delivered in the first three years of the Spending Review and a further £30.6m was included in the budget for 2014/15. In addition to this the medium term projections showed a gap of £25.7m in 2015/16 and £21.1m in 2016/17.

- 2.3 At the time of setting the budget for 2014/15 (February 2014), the gross forecast savings target to 2015/16 was £131.2m based on the assumptions set out above. Of this, £105.2m was achieved (£74.8m to 2013/14 and £30.6m planned in 2014/15), leaving a gap of £25.8m for 2015/16.

### **3. The HMIC report update**

- 3.1 The updated forecast submitted to the HMIC showed a gross savings target of £156.9m in the period 2011/12-2016/17.

The HMIC report covers the period of the spending review from 2011/12 to 2014/15, the savings requirement in that period being £103.6m. The HMIC report acknowledges that this requirement is higher than most other Forces, the average for England and Wales being 18%, but felt that the Force and PCC had well developed and realistic savings plans to balance the budget for the final year of the spending review 2014/15.

- 3.2 The forecast presented to HMIC showed the most likely which reflected a further 1% loss of grant in 2016-17 and assumes pay awards of 1% in 2016-17 and beyond, compared with 2% outlined in the approved budget. A copy of this forecast can be found at Appendix A.

Members are requested to note that the presentation of the MTFF reflects within the budget the savings expected in each year rather than the shortfall which must be met to produce a balanced budget. Additionally, from 2014/15 onwards the localisation of council tax grant (£14.4m) forms part of the external support allocation built into the forecast.

- 3.3 The latest forecast of savings required through to 2016/17 is £156.9m in comparison with the figure of £152.2m shown in the February Budget report. This figure is still subject to change as work continues on detailed budget planning.
- 3.4 The programme of change continues to deliver savings according to plan. The majority of the 2013/14 planned underspend has been transferred to earmarked reserves set aside for specific initiatives e.g. cyber crime, CSE and human trafficking; or to fulfil approved long term business plans process e.g. the PFI sinking fund reserve.

### **4. Budget Seminar 30<sup>th</sup> September**

- 4.1 A fully revised medium term financial forecast is to be taken to the budget seminar which is to be held on 30<sup>th</sup> September 2014. The forecast will be extended to build in two extra financial years 2017/18 and 2018/19. Planning is being undertaken in a longer term context and part of the strategy to date is to utilise surplus revenue balances, generated from early achievement of savings targets, to support the transition through to a lower base budget.
- 4.2 Informal information received this week from the Home office advises that the police service should expect similar cut in next CSR as last one i.e. Another 20% over four years with some Forces being expected to shoulder a larger than average cut. Given that West Yorkshire's cuts were above average in the first CSR round, it

seems likely that this will be the case in the second. The HMIC Inspection Teams are also recommending Forces to re-examine their funding assumptions and assume higher levels of reduction and more pessimistic scenarios. HMIC are in the process of drafting a follow up letter to all forces to confirm this.

Work is continuing in relation to the transformation of services necessary to ensure the sustainability of the service, and maintain affordability in the long term.

## **5. Influencing shared use of resources**

- 5.1 The PCC is engaging proactively with partners to shape service delivery in line with the outcomes in the Police and Crime Plan. This is through the Partnership Executive Group, the West Yorkshire Community Safety Partnership Forum, the Third Sector Advisory Group and the Delivery Group.
- 5.2 Additionally, the use of Proceeds of Crime (POCA) returns has been reviewed within the last year with 50% of POCA money being allocated to the Chief Constable for use on operational initiatives. The remaining 50% is allocated to communities via the PCCs Safer Communities Fund. Recommendations on the projects to be funded are made by a Board comprising representatives from each district on the basis of bids received which support the Police and Crime Plan.
- 5.3 A very significant and successful area of joint use of resources is through the local authorities' commitment to funding PCSOs. The former Neighbourhood Policing Fund grant from the Home Office has now been merged into general police grant and is no longer ring fenced. In recognition of their valuable work, the PCC has made a commitment to protect the current level of funding for PCSOs from his budget for the next two years.