

**To:** Cambridgeshire Police Authority

**From:** Treasurer

**Date:** 20<sup>th</sup> December 2011

## **FINANCIAL REPORT**

### **1. Purpose**

1.1 To update the Authority on key financial matters, all of which have been fully discussed (27 October and 9 December 2011) by the Finance and Resources Committee (the Committee):-

- Financial position for the current year, revenue and capital
- Development of the 2012/16 Medium Term Financial Plan (MTFP) and the 2012/13 budget.

### **2. Financial Position Current Year**

2.1 The revenue budget was underspent by £2.1m as at the end of October (summary at Table 1, Appendix 1). This underspend is projected to increase to £4.2m (3% of budget) by the end of the financial year. The underspend is largely due to the continuing recruitment freeze and much higher than anticipated staff turnover. The Constabulary had also absorbed the costs of Operation Theta (£781k), the Cambridgeshire response to the recent civil unrest which started in London.

2.2 The £4.2m projected underspend does not include the underspending on capital financing which would usually be added to the Capital Reserve at the year end (for financing future capital expenditure).

2.3 There has been some slippage on capital spending (see summary at Table 2, Appendix 1). The outturn projection is spending of £5.3m (77%) against the capital payments budget of £6.9m. The slippage mainly results from difficulties with the procurement of fleet vehicles. It is envisaged that the fleet renewal capital allocation will be carried forward into 2012/13 and that spending will catch up.

### **3. The Medium Term Financial Plan (MTFP)**

3.1 The Government announced the Provisional Local Government Finance Settlement 2012/13 on 8 December 2011.

3.2 The headlines are as follows:-

- No change to the previously announced grant figures (a 6.7% cash reduction). This means that, in broad terms, there is no change to the overall level of cuts required over the 4 year Spending Review period.
- No announcement on future years (2013/14, 2014/15), probably because the Government's response to the Local Government Resource Review (LGRR) consultation will be published "shortly". However, it is unlikely that police funding will be distributed according to this methodology, which would be implemented in 2013/14. Police Authority Treasurers will be meeting DCLG and Home Office officials on 13 December 2011 to discuss the future of police funding and how it will be affected by the LGRR.
- Neighbourhood Policing Fund (NPF) allocations are confirmed as unchanged (£3.6m for CPA). *"From 2013/14 this funding will be rolled into the Police Main Grant, enabling the new directly elected Police and Crime Commissioners to have full discretion over their funding, recognising their accountability to the communities they serve."*

3.3 The authority is in receipt of a (four year) council tax freeze grant of £1.2m per annum (finishing in 2014/15) for agreeing not to increase the council tax in 2011/12. This will lead to a funding gap of £1.2m in 2015/16. The government has offered a further one year only council tax freeze grant, £1.4m, for 2012/13.

3.4 The government has also provisionally announced that any police authority considering a council tax increase of 4% or above in 2012/13 would be required to hold a referendum. It is reasonable to assume that for 2013/14 the 'trigger' point will be lower than 4% (given that inflation will be nearer the target of 2% and pay awards will be 1%) and in view of this a 'double' council tax increase in 2013/14 to compensate for the loss of the council tax freeze cannot be recommended.

3.5 2013/14 and 2014/15 are already challenging years because of the need to secure savings from collaboration.

3.6 The budget gaps 2012/13 to 2014/15 are being addressed by two major strands of work:-

- Operation ReDesign (Cambridgeshire only)
- Strategic Collaboration (with Bedfordshire and Hertfordshire)

3.7 The Force is saying that it would have produced a balanced 2012/13 budget but for the fact that there is an 'overhanging' of police officer salaries (officers outside planned structures) for the next two years. Operation ReDesign largely delivered the required savings, but other areas of savings (e.g., helicopter £0.5m) have not yet materialised. For this reason a contribution from reserves is include in 2012/13 and 2013/14 to balance the budget. The 'overhang' is £2m in 2012/13 and £0.7m in 2013/14.

3.8 The current iteration of the MTFP (as presented to the Committee on 9 December 2011) is attached at Appendix 2. Budget preparation is not yet

finished and a further version will be presented to the Committee on 18<sup>th</sup> January 2012. At that meeting it is expected that a budget recommendation will be agreed for consideration by the Authority on 9<sup>th</sup> February 2012.

- 3.9 The staff and public have been engaged in a consultation around the dilemma faced by the authority (i.e. take the council tax freeze grant and make further cuts in 2013/14, or increase the council tax in 2012/13).
- 3.10 Although the number of responses received so far has been low, they indicate that there could be some support for a council tax increase in 2012/13. Engagement is continuing.
- 3.11 The current planning assumption is that the final version of the MTFP will include a council tax increase of around 3% for 2012/13 and will include a contribution from reserves in 2012/13 and 2013/14 (to finance some of the police officer salary 'overhang' in those years).

#### 4. Recommendations

- 4.1 The Authority is asked to note the current financial position.

#### BIBLIOGRAPHY

Source Document (s)	Contact Officer	Location
MTFP approved in February 2011	John Hummersone Treasurer and Deputy Chief Exec T. 01480 422463 M. 07795 422740 E. <a href="mailto:john.hummersone@cambs.pnn.police.uk">john.hummersone@cambs.pnn.police.uk</a>	Police Headquarters Hinchingsbrooke Park HUNTINGDON Cambridgeshire PE29 6NP

## Revenue Budget Monitoring 2011/12 – end of October 2011

Table 1 (all figures £000)

Variance to Sep	£m	2011/12 Budget	2011/12 Budget YTD to Oct	2011/12 Actual to Oct	Variance	%	Forecast of Outturn
-0.7	Police Officer Pay & Allowances	56.9	32.8	31.9	-0.9		-1.8
1.0	Police Officer Overtime	2.1	1.1	2.2	1.2		1.2
0.0	PCSO Pay & Overtime	6.1	3.6	3.5	-0.1		-0.1
-0.8	Police Staff Pay & Overtime	29.4	17.1	16.2	-0.9		-1.8
0.1	Other Employee Expenses	0.8	0.3	0.3	0.0		0.0
<b>-0.5</b>	<b>Total Employee Costs</b>	<b>95.2</b>	<b>54.8</b>	<b>54.1</b>	<b>-0.8</b>	<b>-1.4%</b>	<b>-2.5</b>
-0.1	Net Cost of Police Pensions	15.2	8.7	8.6	-0.1		0.0
-0.1	Premises Costs	4.4	2.5	2.4	-0.1		-0.2
0.0	Transport	2.3	1.3	1.3	0.0		0.1
-0.8	Supplies and Services	17.0	9.2	8.2	-1.1		-1.6
0.0	Change Management Contingency	1.0	0.1	0.1	0.0		0.0
<b>-1.4</b>	<b>Gross Revenue Expenditure</b>	<b>135.0</b>	<b>76.6</b>	<b>74.6</b>	<b>-2.0</b>	<b>-2.7%</b>	<b>-4.3</b>
-0.2	Income	-6.8	-4.5	-4.8	-0.3		-0.3
0.0	Capital Financing Costs	2.3	0.4	0.4	0.0		0.0
0.0	Contributions +to / -from Reserves	-1.1	0.0	0.0	0.0		0.0
0.1	Collaborated Initiatives	1.0	0.9	1.1	0.2		0.3
0.0	Hosted Service & Holding Accounts	0.0	-0.3	-0.3	0.0		0.1
<b>-1.5</b>	<b>Net Budget Requirement</b>	<b>130.5</b>	<b>73.0</b>	<b>70.9</b>	<b>-2.1</b>	<b>-2.9%</b>	<b>-4.2</b>

0.7 \*Police Officer Overtime less rechargeable elements

1.0 1.7 0.7 43.0%

Note: numbers may not cast due to roundings.

## Capital Budget Monitoring 2011/12 – end of October 2011

Table 2 (all figures £000)

All figures £'000	Brought Forward from 2010/11	2011/12 Capital Programme	Previously Authorised Additions, Deletions and Virements	Proposed Additions, Deletions and Virements	Total 2011/12 Budgeted Capital Payments	Actual & Committed YTD	%	Expected Outturn	Expected Outturn % of Budgeted Capital Payments
<b>Capital Payments:-</b>									
Land and Buildings	588	2,728	136	-	3,452	1,590	46.1%	2,721	78.8%
IT & Communications	989	340	624	317	2,270	1,173	51.7%	2,148	94.6%
Vehicles	-	1,100	-	-	1,100	123	11.2%	425	38.6%
Collaboration	-	-	45	-	45	0	0.0%	45	100.0%
Contingency Budget	-	150	-140	-	10	-	-	-	-
<b>TOTAL</b>	<b>1,577</b>	<b>4,318</b>	<b>665</b>	<b>317</b>	<b>6,877</b>	<b>2,887</b>	<b>42.0%</b>	<b>5,339</b>	<b>77.6%</b>
<b>Capital Financing:-</b>									
Capital Grants		900	250	-	1,150	719	62.5%		
Revenue Contributions to Capital Outlay (RCCO)			70	67	137	50	36.5%		
Capital Receipts / Reserves	415	1,333	50	-	1,798	46	2.6%		
Other Sources of Funding			-	-	-	*			
Use of Reserves			106	-	106	*			
Borrowing	1,162	2,085	189	250	3,686	*			
<b>TOTAL</b>	<b>1,577</b>	<b>4,318</b>	<b>665</b>	<b>317</b>	<b>6,877</b>	<b>815</b>			

Note: figures may not cast due to roundings

\*year end adjustments

**Table A - Medium Term Financial Plan - rejecting 2012/13 Council Tax Freeze Grant**

Cambridgeshire Police Authority – Medium Term Financial Forecasts

- Rejecting Council Tax Freeze Grant

	Para.	Budget 2011/12 £'000	Estimate 2012/13 £'000	Incr %	Forecast 2013/14 £'000	Forecast 2014/15 £'000	Forecast 2015/16 £'000
Police Officer Pay & Allowances	2	56,911	55,478	-2.5%	55,274	55,487	56,376
Police Officer Overtime		2,060	2,000	-2.9%	2,000	2,000	2,000
PCSO Pay & Allowances	3	5,941	5,983	0.7%	6,072	6,224	6,411
Police Staff	4	29,413	27,375	-6.9%	27,284	27,737	28,197
Police Staff Overtime		238	238	0.2%	238	238	238
Training		790	800	1.3%	800	800	800
Other Employee Expenses		57	123	100.0%	123	123	123
Police Pensions		15,175	14,648	-3.5%	14,712	14,859	15,007
<b>Total Employee Costs</b>		<b>110,585</b>	<b>106,645</b>	<b>-3.6%</b>	<b>106,503</b>	<b>107,468</b>	<b>109,152</b>
Premises Costs		4,352	4,570	5.0%	4,844	5,038	5,239
Transport Costs		2,281	2,487	9.0%	2,636	2,742	2,851
Supplies & Services		17,022	17,769	4.4%	18,718	19,250	19,403
Capital Financing Costs	5	2,287	2,961	29.5%	3,207	3,791	4,518
Revenue Contribution to Capital			-	0.0%	-	-	-
Third Party Payments		681	683	0.3%	710	732	754
Change Management Contingency		904	-	-100.0%	-	-	-
<b>GROSS REVENUE EXPENDITURE</b>		<b>138,111</b>	<b>135,114</b>	<b>-2.2%</b>	<b>136,619</b>	<b>139,020</b>	<b>141,917</b>
Grant Income		-4,505	-3,862	-14.3%	-3,764	-3,727	-3,727
Council Tax Freeze Grant		-1,173	-1,173	100.0%	-1,173	-1,173	-
Other Income		-2,087	-2,139	2.5%	-2,192	-2,247	-2,247
<b>Total Income</b>		<b>-7,765</b>	<b>-7,174</b>	<b>-7.6%</b>	<b>-7,129</b>	<b>-7,147</b>	<b>-5,974</b>
<b>NET REVENUE EXPENDITURE</b>		<b>130,346</b>	<b>127,940</b>	<b>-1.8%</b>	<b>129,490</b>	<b>131,873</b>	<b>135,943</b>
Contributions +To / - From Reserves	6	137	-1,200		-500	-	-
<b>NET BUDGET REQUIREMENT (NBR)</b>		<b>130,483</b>	<b>126,740</b>	<b>-2.9%</b>	<b>128,990</b>	<b>131,873</b>	<b>135,943</b>
Budget -Decrease / +Increase Year on Year			-2.9%	1.8%	2.2%	3.1%	
<b>BUDGET GAP (Cumulative)</b>		-	-		-1,737	-3,224	-5,044
<b>Year on Year</b>					-1,737	-1,488	-1,820
<b>Financed by:</b>							
<b>Total Formula Grant</b>		<b>83,445</b>	<b>77,853</b>		<b>76,296</b>	<b>75,533</b>	<b>75,533</b>
Precept		46,900	48,887		50,958	53,116	55,366
Collection Fund - Deficit / +Surplus		137	-		-	-	-
<b>TOTAL FINANCING</b>		<b>130,483</b>	<b>126,740</b>		<b>127,253</b>	<b>128,649</b>	<b>130,899</b>
<b>Band D Council Tax :</b>		<b>£169.56</b>	<b>£174.65</b>	<b>103.0%</b>	<b>£179.89</b>	<b>£185.28</b>	<b>£190.84</b>

**KEY ASSUMPTIONS INCLUDED IN THE FORECASTS ABOVE**

Council Tax base increases	Actual	1.21%				
	Forecast		1.20%	1.20%	1.20%	1.20%
Council Tax Band D increases		0.00%	3.00%	3.00%	3.00%	3.00%
Taxbase		276,599	279,918	283,277	286,677	290,117
Grant increase / Decrease (-)	Actual	-5.14%				
	Forecast		-6.70%	-2.00%	-1.00%	0.00%
Police officer pay rise (w.e.f 01/09)		0.00%	0.00%	1.00%	1.00%	1.00%
Police staff pay rise (w.e.f. 01/9)		0.00%	0.00%	1.00%	1.00%	1.00%
General Inflation		2.50%	4.00%	4.00%	3.00%	3.00%
Fuel & Energy Inflation		4.00%	6.00%	6.00%	4.00%	4.00%