

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE & CRIME PANEL

PAPER MARKED

Report of	POLICE AND CRIME COMMISSIONER
Subject	REVENUE BUDGET AND PRECEPT 2014-15 AND MEDIUM TERM FINANCIAL STRATEGY
Date	MONDAY 27 JANUARY 2014 – 2.00PM
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Purpose of Report

1. To present the 2014/15 revenue budget requirement and consequential council tax precept proposal for consideration and, in the latter respect, agreement by the Police and Crime Panel.
2. To present the current Medium Term Financial Strategy (MTFS) and to outline the intended plan for finding solutions to address the estimated funding gap.

Recommendations

3. The Police and Crime Panel (PCP) is asked to:
 - a. Note the information in this report, including the 2014/15 budget requirement at £172.595m and council tax requirement for 2014/15 at £51.083m.
 - b. Report on the proposal to increase the Band D council tax for police purposes by 1.5% to £176.4831, but reduce this to any referendum limit (when and if that has been determined by Ministers) if required.
 - c. Note that any changes required either by Government grant alterations notified through the final settlement or through council tax base notifications received from the collecting authorities, will be balanced through a transfer to or from the Budget Equalisation Reserve (BER).
 - d. Note the current MTFS, the change programme and plans to identify solutions alongside development of the Police and Crime Plan.

Summary

4. Following the recent announcement of a significant top slice to Police funding for 2014/15 and future years, the Police and Crime Commissioner is proposing a

precept increase of 1.5% for the 2014/15 financial year to build a sustainable base budget and to safeguard services and frontline policing where possible.

5. In addition to this, the PCC has determined an earmarked £2m from reserves over the next 3 years to support the force in prioritising community and neighbourhood safety which is targeted to sustaining and developing levels of neighbourhood policing, particularly concentrating on anti-social behaviour (ASB) hotspots, which includes increasing PCSOs for the three years by 28 posts to an established 251.
6. The PCC will also assure a commitment from the force to deliver a recently approved Volunteer Strategy which will achieve an additional 1,000 volunteers over the next three years.

Background

7. On 18 December 2013 the Government announced the provisional funding allocations for relevant authorities for the financial year 2014/15 (the final figures are expected in February 2014). Subsequent to the general announcement, led by the Department for Communities and Local Government (DCLG), the Home Office announced the provisional funding allocations for the policing bodies in England and Wales. The Home Office Police Grant Report also contained the DCLG funding allocations.
8. The grant report confirms that the Police have been protected from further reductions (beyond the Comprehensive Spending Review 2010 (CSR 2010) figures) announced in the Chancellor's 2013 Autumn Statement.
9. It is regrettable, however, that details of the revenue allocations have only been made available for 2014/15. The availability of only one year's figures will make medium term financial planning more uncertain, and probably more difficult, especially in the context of the requirement to have a Police and Crime Plan for the period to 31 March 2017.
10. The DCLG also announced that there will be additional council tax freeze grant for those authorities and policing bodies who do not increase their rate of council tax between 2013/14 and 2014/15, which would equate to £0.565m.
11. While it is welcomed that there is additional grant made available to help to reduce the burden of costs on local council tax payers, the lack of forward planning of these grants is unhelpful. In addition, the increasingly tight constraints for any authorities seeking to increase council tax, a costly referendum is required for any increase above a prescribed percentage (currently set at 2%). This level is the subject of review by ministers and which may potentially conflict with the localism agenda (including any mandate for preserving or improving policing services that newly elected commissioners have secured).

The Provisional Grant Settlement

12. From 2014/15 onwards, policing bodies will be receiving their formula funding solely from the Home Office which subsumes former DCLG grants. The grant allocation continues to be calculated through the four-block model, which has been subject to limited technical and data updates.
13. The most significant change in regard of Home Office Police Grant is the top slicing of £1.6m of Police Grant to fund central initiatives (see table below). Also, the Community Safety Fund (CSF) has been consolidated within the Police Grant as

expected. This means that the CSF grant of £1.6m for Leicestershire is no longer separately identifiable. Relevant comparisons are shown in the table below.

Funding Source	2013/14 Final (£'m)	2014/15 Planned (£'m)
Police Grant	71.901	70.005
Business Rates & Revenue Support Grant (DCLG)	43.300	41.278
Community Safety Fund Grant	1.649	-
Specific Grant – Victims, Witnesses and RJ	-	0.548
Precept	49.223	51.083
Localised Council Tax Support	6.998	7.020
2011/12 & 2013/14 Council Tax Freeze Grants	1.911	1.911
Council Tax Collection Fund Surplus	0.158	0.750
Total	175.140	172.595

14. Damping has again been applied to the allocations to ensure that all policing bodies receive a 3.3% cash reduction in overall formula funding in 2014/15, compared to 2013/14. In addition, the effect of top slicing the main Police Grant by a further £1.6m means that the real terms cash reduction is 4.85%. As has been highlighted in the budget reports of previous years, the Leicestershire Police force is currently disadvantaged by this arrangement as it would receive about £5.6m more each year if the formula were applied in full (i.e. if the floor was funded from sources other than those policing bodies whose formula increases are capped).
15. As mentioned above, council tax freeze grant is payable to policing bodies if they do not increase the basic amount of council tax in 2014/15 compared to that for 2013/14. The grant is equivalent to a 1% increase in the PCC's 2013/14 Band D amount multiplied by the council tax base for 2014/15. If the precept remains frozen for 2014/15, the grant will be paid in 2014/15.
16. Counter terrorism specific grant will remain as set out in the CSR 2010, but allocations will not be made known until early 2014. It is therefore estimated that the allocation will remain broadly the same as that for 2013/14.
17. The Office of the Police and Crime Commissioner (OPCC) will also receive a specific grant for the Localisation of Council Tax Support (LCTS). This scheme replaced council tax benefit scheme (CTB) in 2013/14, and is administered locally by council tax collecting authorities. As a local scheme, the grant previously given to collecting authorities to reflect actual expenditure on LCTS is distributed to collecting and precepting authorities. The sum allocated to the OPCC for Leicestershire is £7.02m.
18. The former Community Safety Fund (CSF) grant of £1.6m has been consolidated within the main police grant in 2014/15 and is therefore also subject to a 4.85% real terms cash reduction. This funding is available to PCCs to replace numerous funding streams for drugs, crime reduction and community safety. Further additional specific grant for Victims, Witnesses and Restorative Justice has been advised at £0.548m in 2014/15 (£1.102m in 2015/16). Following the refresh of the Police and Crime Plan, the Commissioner has issued the updated Commissioning Framework which will take effect from 1st April 2014. The updated Framework has been issued following consultation and is aligned to the Police and Crime Plan priorities.

19. Other national Home Office top slices from the Police Settlement include support to the IPCC of £18m (this is a part year effect which is envisaged to increase in 2015/16 and future years), HMIC of £9.4m, and the Police Innovation Fund of £50m. The impact of these top slices on Leicestershire Police is a net grant reduction of £1.6m in 2014/15. It is assumed this reduction is permanent and therefore the long term impact on the MTFs must be considered alongside the precept options presented in this report.

Precept Options

20. In order to calculate the precept increase required for 2014/15 to fund the budget requirement (after taking account of the Government formula grant and the use of reserves) it is necessary to have regard to two figures. Firstly, the value of the council tax base for the area and secondly, the Police and Crime Commissioner's share of the estimated surpluses on the billing authorities' collection funds for the preceding financial year (2013/14).
21. The collection fund surplus reflects the performance of the billing authorities in collecting council tax in 2013/14 and the tax base reflects the number of households upon whom council tax can be levied, usually quoted in Band D equivalent numbers. It is important to highlight that the billing authorities are currently finalising their collection fund surplus elements and it is unlikely that these will be finalised before the date of the meeting.
22. As mentioned above, the Government announced its commitment to freeze council tax at the 2013/14 level, at the same time offering a council tax freeze grant, equivalent to a 1% council tax increase, as compensation.
23. The Department for Communities and Local Government confirmed in the Ministerial Statement the referendum principles that will apply in 2014/15. These are that the increase in an authority's council tax requirement in 2014/15 will be considered 'excessive' if its Band D council tax in 2014/15 is increased by more than a prescribed percentage compared with 2013/14. There are exceptions for authorities whose 2013/14 Band D council tax is in the lower quartile for their class of authority; their increase can be over 2%, up to £5. This latter exception does not apply to Leicestershire.
24. If it were decided to increase the Band D council tax by more than the prescribed percentage then a public referendum would be required to seek to identify what support there might be for that level of increase. These are not only costly exercises, but also delay council tax collection, which has negative cash flow impacts for all authorities. In 2013/14 the prescribed percentage was 2%. However, in 2014/15 ministers are considering whether to reduce this level to 1.5%. It is unlikely that the referendum limit will be confirmed by the date of the Police and Crime Panel meeting, therefore this has been reflected within the recommendations.
25. In the light of this information three council tax options have been considered by the Commissioner (refer to Appendix 1 for detail):
- a. **Option 1** – no increase in Band D council tax combined with accepting the council tax freeze grant. This grant is estimated to be £0.565m for 2014/15.
 - b. **Option 2** – a council tax Band D increase of 1.5% (£2.61 per annum or 5 pence per week) in 2014/15, which would produce £0.755m in additional

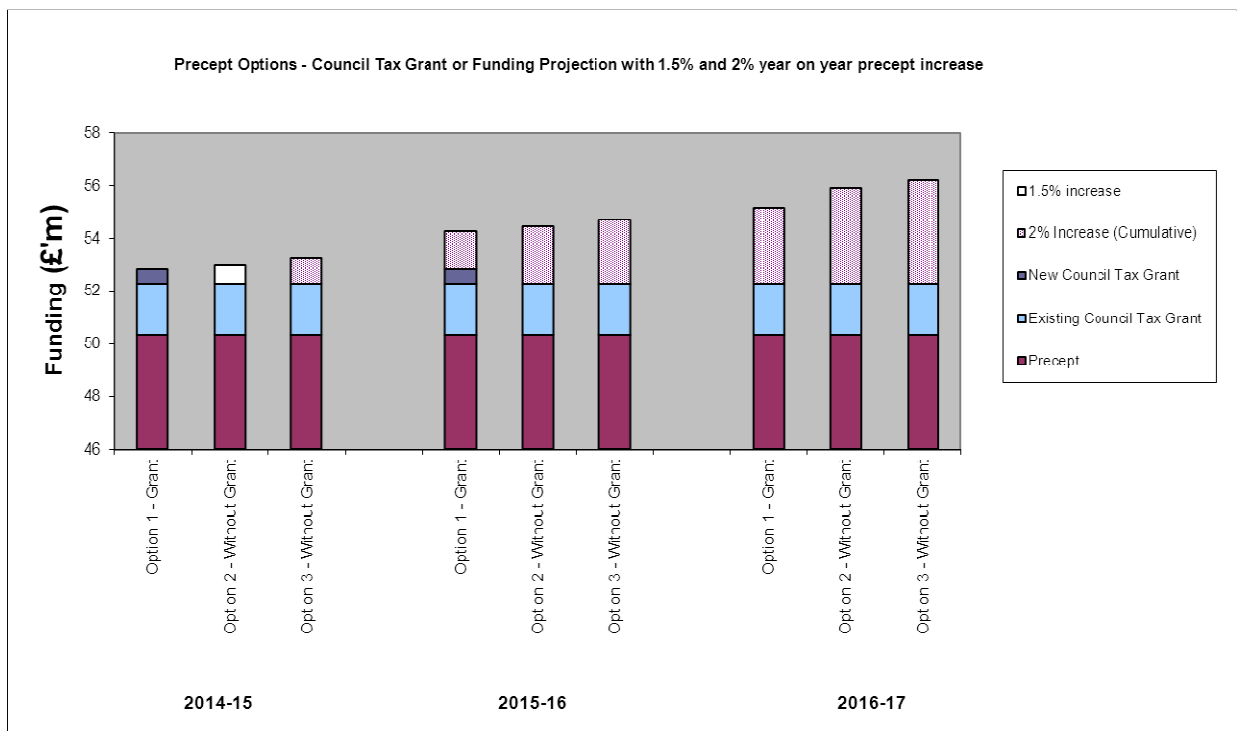
council tax receipts, the £0.565m council tax freeze grant would no longer be applicable and, therefore, this option would result in an additional £0.190m.

- c. **Option 3** – a council tax Band D increase of 2% (£3.48 per annum or 6.7 pence per week) in 2014/15, which would produce about £1.01m in additional council tax receipts, the £0.565m council tax freeze grant would no longer be applicable and, therefore, this option would result in an additional £0.441m.

26. The graph below shows the impact of these 3 options on the overall resources of the Police and Crime Commissioner over the medium term. It is necessary to make the following assumptions for this comparison:

- a. For option 1 it is assumed that council tax is frozen for 2014/15 which will attract a freeze grant equivalent to a 1% increase, and that this freeze grant will cease after 2015/16 and a 2% council tax increase will be applied in both 2015/16 and 2016/17. Freeze grants awarded for 2011/12 and 2013/14 have been baselined in the main Home Office Grant but are shown separately for ease of comparison in 2016/17.
- b. In option 2 it is assumed that there is a 1.5% increase in council tax for 2014/15 and 2% increases in both 2015/16 and 2016/17, Freeze grants for 2011/12 and 2013/14 have been baselined in the main Home Office Grant but are shown separately for ease of comparison in 2016/17.
- c. In option 3 it is assumed that there is a 2% increase in council tax for 2014/15 and 2% increases in both 2015/16 and 2016/17. Freeze grants for 2011/12 and 2013/14 have been baselined in the main Home Office Grant but are shown separately for ease of comparison in 2016/17.

27. The graph illustrates the additional financial resource that would be available over the next three years if option 2 and 3 were taken; that is, additional revenue of £0.190m in 2014/15 and a cumulative £1.2m over the three year period (option 2) and additional revenue of £0.441m in 2014/15 and a cumulative £1.98m over the three year period (option 3).



28. When considering the level of Council Tax Band D increase to set, a number of factors must be taken into consideration. These include:
- a. The capacity to address the priorities as set out in the Police and Crime Plan;
 - b. The potential efficiencies to be derived from the current change programme;
 - c. The hitherto good track record in driving costs down and efficiency up;
 - d. The incentive, in the form of council tax freeze grant, from central government.
 - e. The top slice of Police funding for 2014/15 and future years.

As a consequence of this, Option 2 is put forward as the recommendation.

Managing Risk – Budget Allocations

29. In 2008/09 the Force introduced a risk based approach to budget setting which sought to align the budget process with identified strategic operational priorities and risks.
30. The Force continues to consider key corporate risks when setting the budget. Essentially these risks are operational and organisational around managing people, infrastructure assets, information etc. The Force has maintained and kept up to date its Corporate Risk Register that sets out how it intends to control and mitigate these risks.
31. The Force continues to identify its Strategic Operational Risks as part of the National Intelligence Model (NIM). This has been used to inform resourcing strategies at BCU, Directorate and Departmental level.
32. Each year, the Force undertakes a major exercise to review its operational risks which are set out within the “Force Strategic Assessment”. This work was also informed by the work of the Regional Collaboration Project Team looking at the extent of collaborative opportunities across the East Midlands.
33. The purpose of the Force Strategic Assessment is to identify those areas of greatest risk. Essentially a high risk area is where only limited resources had been allocated to address a substantial risk i.e. this creates a significant risk gap.
34. A key part of this work was to bring together the Office of the Police and Crime Commissioner and Senior Officers across the Force, to consider the key risks that the Force faces and how best to address them.
35. The revised 3 year financial forecast and, in particular, the 2014/15 budget contained within this report aligns the Force’s financial resources to risk and therefore is key to the Force’s performance management regime.
36. The budget also takes into account the fact that the Force has delivered over £27m in cashable efficiency savings since 2009/10 in response to Home Office funding reductions arising from the Governments austerity measures.

Base Revenue Budget Changes

37. The first stage in the process is to build a budget for 2014/15 based upon the ‘budget rules’. The table below summarises the movement in budget:

	£	£
2013/14 Approved Base Budget		175,425,620
Variations:		
Police Officer Pay, Allowances & Income	(4,363,660)	
Police Officer Pensions	634,798	
Central & Financing Items	1,002,362	
Delegated Budgets	(801,559)	
Police Community Support Officers	435,667	
Office of the Police and Crime Commissioner	(15,000)	
Regional Collaboration	(160,071)	
Community Safety Fund	748,000	
2014/15 Base Budget Requirement (Gross)		<u>172,906,157</u>

Note: There are other budget streams which when added to the above makes up the 2014/15 net budget requirement set out in para 3a. These are listed below:

	£
2014/15 Base Budget Requirement (Gross)	172,906,157
Transfers to/(from) reserves (transfer to insurance liability reserve of £345k, and transfer £191k from the Proceeds of Crime Act reserve)	154,476
Efficiency savings	(465,591)
2014/15 Base Budget Requirement (Net)	<u>172,595,402</u>

Police Officer Pay, Allowances and Income

38. This includes part and full year effect savings of £3.3m that have arisen from planned restructuring and modernisation during 2013/14. A reduction to officer intakes due to further modernisation plans has generated additional savings. The combined effect of these changes will reduce full time equivalent police officer numbers by 90 from 2,061 in April 2014 to 1,971 by March 2015.

39. Savings in police allowances (Unsocial Hours, Rent and Housing Allowances etc) total £879k. This is due to the impact of officer retirements and the result of reducing CRTP (Competence Related Threshold Payments) rates following the Winsor Review.
40. There is a reduction to forecasted Seconded Officer income of £91k due to retirements of senior officer secondees, partly off-set by additional income for officers working for the National Police Air Service. Other Police Pay income has increased by £107k caused by EMCTIU income, but is partially offset by reductions to funding from the CSF.
41. Further savings have been made due to the reduction to police officer starting salaries.

Police Pensions

42. Forecast expenditure on ill-health capital charges is likely to increase substantially from £0.6m to £1.1m. This assumes 16 officers will retire during 2014/15, an increase of 7 over the previous year. There is also an annual CPI increase budgeted on injury pensions of £0.13m.

Central and Financing items

43. The increase in the Central and Financing budget of £1.0m is attributable to a number of factors.
 - The provision of the 2014 pay awards of 1% from September - £814k
 - The increase in the contribution for national police IT systems - £129k
 - Modernisation contingency - £492k

These are partially offset by savings on the utility budgets due to the closure of premises, the reduced insurance premium and increased special police services income.

Delegated Budgets

44. The movement in this budget takes into account:
 - Pressures/Cost Increases:
 - £1.2m relating to pay increments, the 2013 pay award, additional modernised posts and an increase to the superannuation rate.
 - £0.1m of other net price increases
 - Savings/Increased income:
 - £0.2m net increase in income and non-pay savings.
 - £0.4m reduction to police overtime and bank holiday working budgets
 - £0.5m anticipated saving following review of front counters
 - £0.2m saving due to changes to the DMU Training contract
 - £0.6m due to Change Board savings initiatives
 - £0.2m contribution from the CSF for the Drugs Intervention Programme

Police Community Support Officers (PCSOs)

45. This includes £230k savings resulting from Change Board decisions regarding the Roads Policing Unit and PCSOs external training provision, offset by pay increments, the 2013 pay award and an increase to the superannuation rate. Leicestershire County Council grant funding of £435k has also been withdrawn. The full time equivalent police community support officer numbers are due to reduce from 229 to 223 during 2014/15 as the panel were advised in December 2013 and does not impact on frontline neighbourhood policing. With the stated intention by the PCC to earmark £2m from reserves as detailed elsewhere in the report, this will increase posts to an established 251. The net effect of these changes is an increase of a net £436k.

Office of the Police & Crime Commissioner

46. In order to enable the PCC to fulfil the additional responsibilities expected of him, compared with the functions of the former Police Authority, it has been necessary to review the staffing of the OPCC, and the structure will be reviewed further in 2014/15. Pending this review, the 2014/15 budget has been reduced by £15,000 on the 2013/14 budget level at £1.031m, with a potential that the costs will be reduced further. In addition to the baselined budget, there is a transitional reserve which is utilised for one-off expenditure requirements and at the end of March 2014, it is anticipated that there will be £0.050m remaining in the reserve to meet these one off transitional requirements.

Regional Collaboration

47. EMSOU has guaranteed efficiency savings for Leicestershire of £115k in 2014/15 along with a saving of £131k on lease costs following the purchase of a property. There are also other miscellaneous savings on Special Branch and Human Resources Transactional Services budgets. These are partially offset by the introduction of the new Protected Persons Unit and an increase to Leicestershire's contribution rate of 0.2% from 22.8% to 23%.

Community Safety Fund

48. The 2013/14 allocation of £1.649m for the Community Safety Fund has now been baselined within the overall Police Grant as highlighted earlier in paragraph 10. For 2014/15, in line with the Police and Crime Plan, the PCC has set aside funding within the 2014/15 Commissioning Framework to commission services to support crime reduction, drugs and alcohol and community safety priorities as set out in the Police and Crime Plan. An additional allocation of £0.548m (incl. referral services component) will be received from the Home Office to build capacity and commission services for Victim Support and Restorative Justice in 2014/15, which will increase to £1.102m in 2015/16.

Capital Programme 2014/15 to 2016/17 and Treasury Management - Investment Strategy

49. The capital programme is set out in Appendix 2 to this report. The revenue consequences of the proposed programme have been taken into account in the development of the revenue budget, and the required prudential indicators are set out in Appendix 3.
50. The Treasury Management report is set out at Appendix 3. This is required by the Code of Treasury Management published by the Chartered Institute of Public

Finance and Accountancy and explains the Investment Strategy in relation to reserves and balances.

Use of Reserves and Balances

51. Over recent years, due to the impact of effective efficiency programmes and through financial prudence, a Budget Equalisation Reserve (BER) has been created. This reserve is currently at £11.4m and is anticipated to increase further by the year end based on the forecast underspend and depending on the delivery of further efficiency savings during the remainder of the financial year 2013/14.
52. The effects of top slicing the Police Grant mean that Efficiency Savings are anticipated in 2014/15 to meet the projected shortfall. However, whilst it is likely that the change programme will continue to deliver sustainable efficiencies in 2014/15 to meet this gap, if these cannot be fully achieved the BER will be utilised. In addition, there will be the potential that some 'invest to save' initiatives will be funded from the BER in 2014/15 as previously reported.
53. There is also a General Reserve held at approximately £6m. This represents 3.5% of the net budget requirement for 2014/15; it is prudent to have such a reserve at this level to enable the organisation to withstand unexpected events that have financial implications. There are no planned uses of this reserve during 2014/15.
54. A contribution of £345k will be made to the insurance liability reserve to fund any potential uninsured losses arising from new motor, public and employer liability claims.
55. There are a further 9 earmarked reserves, with an estimated value of £5.6m at the financial year end. The most significant of these are:
 - a. Capital reserve - £0.8m, although most will be spent by 31 March 2014;
 - b. Proceeds of Crime Act - £0.8m – reserve to smooth the peaks and troughs of flow of proceeds. £0.191m is planned to be utilised in 2014/15;
 - c. PCSO reserve - £2.9m – to support the engagement of PCSO's in future years as grant and local authority support reduces;
56. Earmarked reserves will continue to be reviewed and combined where appropriate.
57. The Force is currently working through what the service will look like in the future and, in advance of this service redesign and delivery, the PCC will set aside an earmarked £2m from reserves to prioritise community and neighbourhood safety over the three years 2014/15, 2015/16 and 2016/17. This investment will be targeted to sustaining and developing levels of neighbourhood policing, strengthening numbers of PCSOs, particularly concentrating on anti-social behaviour (ASB) hotspots, establishing Operation Tiger ASB patrols, and resources to be deployed in an intelligence-led way to crime and ASB hotspots.

Medium Term Financial Strategy (MTFS)

58. It is a requirement that the Police and Crime Plan must cover the period until the end of the year of the next election for PCCs, in this case to 31 March 2017. It is therefore appropriate that the MTFS covers the same period. However, this is not without its challenges, given that there is only a firm Government announcement of funding for 2014/15, that the impact of the new LCTS is unpredictable, that there is at least another CSR between now and then, and that there is a formula review to

be undertaken. Any one of these makes funding predictions challenging, but combined they make forecasting more akin to educated guesswork.

59. Key assumptions in seeking to outline the financial challenge for the medium term are:
- a. Option 2 above is chosen; that is, a council tax increase of 1.5% and increases of 2% from 2015/16, and that the council tax base grows at 0.8% per annum;
 - b. There is no new council tax freeze grant after 2015/16;
 - c. All existing council tax freeze grants are baselined and continue ;
 - d. Government funding reductions are 3.2% in 2015/16 and 5% in 2016/17;
 - e. The collecting authorities' LCTS schemes deliver a cash neutral position when combined with the council tax support grant from the Government;
 - f. Pay and price increases are assumed at realistic levels;
 - g. No additional, unfunded responsibilities are given to the PCC;
 - h. The BER can fund any necessary invest to save projects and further borrowing beyond the capital programme is not required;
 - i. The sum of £2m over three years will be set aside by the PCC to support the force to prioritise community and neighbourhood safety and targeted to sustaining and developing levels of neighbourhood policing and numbers of PCSOs, particularly concentrating on anti-social behaviour (ASB) hotspots;
 - j. The force is committed to deliver a Volunteer Strategy which is intended to increase Volunteers by 1,000 over three years.
60. With the above assumptions, the MTFs reveals a funding gap for future years based on Option 2 as set out in the table below:

2015/16	2016/17
£4.777m	£15.233m

61. The Chief Constable and PCC have agreed a change programme with the stated objective of "*with our staff and partners, transform the way we protect our communities and deliver over £20m in (revenue) savings by 2016*". This programme has produced a comprehensive suite of change options to create a Force that is fit for 2016/17, and beyond, within the funding available.
62. Following consultation during the summer, the PCC has restated the priorities set out in the Police and Crime Plan which shows how it is intended to balance the budget over the medium term, and with an organisation that is sustainable financially and in operational delivery.
63. The PCC will undertake full public consultation in the summer/autumn of 2014 in respect of precept options for future years.

Robustness of the Budget – Statement of the PCC Chief Finance Officer

64. The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2011, requires the PCC's Chief Finance Officer to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The PCC is required to have regard to the report of the Chief Finance Officer and the report must be given to the Police and Crime Panel.
65. In the sections above, titled "Managing Risk" and "Base Revenue Budget Changes" a detailed description of the development of this budget is given. During the preparation of the budget I have been given full access to the budget model and have been consulted on the assumptions being made in order to develop the model and received timely and detailed responses to queries and/or points of clarification. In the majority of cases I have agreed with the assumptions being made and, where I have sought changes, they have been incorporated.
66. I have reviewed the track record of Leicestershire Police in achieving efficiency savings; this is impressive with some £27m being removed from the base since 2009/10. I am therefore confident that the efficiencies required, supplemented by the use of the Budget Equalisation Reserve if required, in order to ensure a balanced budget for 2014/15 can be achieved.

I have confidence that the budget monitoring process will identify any variations of expenditure or income from that budgeted so that early action can be taken.

67. I have also reviewed the detailed calculations in arriving at the budget requirement and council tax precept and options and find these to also be robust.
68. The Chief Constable has been involved in the development of the refreshed Police and Crime Plan and has been able to develop a budget that supports the delivery of the priorities set out in that Plan.
69. There is an operational contingency available to the Chief Constable, and sufficient general reserves available should demands require access to these also. Earmarked reserves are also in place for specific requirements such as pensions and insurance.
70. In coming to my conclusion on the robustness of the budget I have also reviewed the separate papers on Capital Expenditure (Appendix 2) and Treasury Management (Appendix 3).
71. The section above on the MTFs does, however, set out a significant challenge to the organisation. In June 2013, the PCC approved a change plan which included Transactional reductions in earlier years (i.e. efficiencies against, broadly speaking, similar activities), followed by Transformational changes (i.e. changes in Force structure, modus operandi etc.) in the later years of the MTFs. During 2013/14, the change programme has already developed and/or implemented firm plans for reductions which have already been incorporated into the above Budget Requirement.
72. During 2014/15, it is essential that the change programme continues to deliver suitable Organisational Business Cases that will enable the OPCC and the Chief Constable to work together to close the funding gap over the medium term that will show how the Police and Crime Plan priorities can be delivered within the resources that are predicted to be available.

73. It is reassuring that there is a reserve in place to assist in delivering the change programme and it is anticipated that the 2013/14 forecast underspend (£1.1m as at November 2013) will further increase the level of reserves available.
74. I conclude, therefore, that the budget for 2014/15 has been prepared on a robust basis, and that the reserves are adequate. I am also pleased that the medium term funding issues, beyond 2014/15, are recognised, that assumptions have been considered and benchmarked with peers where appropriate, that a change programme is in place and that steps are being taken to seek to address them.

List of Appendices

Appendix 1 Budget and Precept 2014/15 to 2016/17

Appendix 2 Capital Programme 2014/16 to 2016/17

Appendix 3 Treasury Management – Investment Strategy

Background Papers

Provisional Police Grant Report – 18 December 2013

Council Tax Freeze Grant and Council Tax Referendum Principles

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