



Mae'r ddogfen hon ar gael yn Gymraeg yn ogystal â Saesneg.

This document is available in Welsh as well as English.



COMISIYNYDD
HEDDLU A THROSEDDU
DYFED-POWYS
POLICE AND CRIME
COMMISSIONER

Police and Crime

Commissioner for Dyfed-Powys

2015/16 Precept and Draft Budget

January 2015

Contents

Executive Summary	2
1. Introduction	3
2. Funding – Provisional Settlement 2015/16	4
3. Council Tax Precept 2015/16	5
4. Draft Budget for 2015/16	8
6. Capital	12
Appendix A – Report of the Chief Finance Officer	13
Appendix B – Medium Term Plan	24

Executive Summary

In considering the level of precept, I have consulted with others, taken into account the performance of the force along with the current level of reserves.

The draft settlement of £50.299m announced on the 17th December 2014 has resulted in a reduction in core government funding of 5.1% in cash terms. This equates to £2.709m less for Dyfed Powys in 2015/16 compared with 2014/15.

Reserves currently amount to £43m, split between earmarked revenue reserves, capital reserves and a general reserve. Under spends were made against the budget in 2012/13 and in 2013/14 and again, savings are anticipated in this financial year. I therefore believe that there is a need to realign the level of the council tax precept to better match the cost of providing policing services in Dyfed Powys.

I therefore submit for scrutiny by the Dyfed-Powys Police and Crime Panel a precept of £43.033m. Central and local funding will therefore amount to £93.332m. An average band D property will see a reduction in the council tax precept from £210.60 payable in this year to £200.07 payable in 2015/16.

I am likely to receive notification of the final settlement for 2015/16 in February 2015. I will notify the Panel of any changes to the provisional settlement once I receive them.

1. Introduction

- 1.1 The statutory arrangements established under the Police Reform and Social Responsibility Act impose a tight timescale of the 1st of February 2015 for me to present my initial precept proposal for 2015/16 to the Dyfed-Powys Police and Crime Panel following the announcement of the provisional settlement on the 17th of December 2014. A Seminar was held on the 12th of December 2014 at which I was able to set out the details of my plans around precepts for 2015/16.
- 1.2 In order to fulfil my responsibilities as Commissioner, I have consulted with the Chief Constable (CC) and have determined an initial position on the budget for 2015/16; an initial council tax precept and a cost reduction plan which aims to continue the progress that is being made by my Office and the Chief Constable in managing the financial challenges being faced.
- 1.3 In setting these, I have sought to act prudently and reflect the considerable degree of uncertainty which still remains in relation to future financial settlements for policing the Dyfed Powys area, whilst setting a challenging cost reduction target for the Chief Constable to deliver against. I am seeking to balance my desire and pledge to prioritise neighbourhood policing services to the public at a precept level that the public would be willing to support. This approach of putting the "Public First" in all that we do is a philosophy that I and the Chief Constable are committed to as we face up to these challenges.
- 1.4 This report aims to provide Dyfed-Powys Police and Crime Panel Members with the information necessary to scrutinise my initial precept decision and the inherent budget position for 2015/16 upon which I have already consulted with the Public and the Chief Constable.
- 1.5 Appendix A contains the joint report of the CC's Director of Finance and Commissioner's Chief Finance Officer on budget calculations as required by Section 25 of the Local Government Act 2003.
- 1.6 Appendix B provides the medium term financial plan to 2018/19.

2. Funding – Provisional Settlement 2015/16

- 2.1 On the 17th December 2014, the Home Office published provisional 2015/16 Police Grant allocations which were followed on the same day by the allocations of Revenue Support Grant and National Non Domestic Rates from the Welsh Government.
- 2.2 In preparing the overall policing funding envelope for 2015/16, the Home Secretary has allocated funding to specific areas that she considered to be of a national policing interest:
- maintaining funding for counter-terrorism policing of at least £564m;
 - providing a further £30m for the Independent Police Complaints Commission;
 - supporting HMIC’s PEEL inspection programme with £9.4m;
 - offering £4.6m for the College of Policing’s direct entry schemes;
 - allocating £70m of funding to the Police Innovation Fund; and
 - providing £40m of funding for Major Programmes.
- 2.3 The Home Secretary has also indicated that she will consider whether some of the Police Capital Grant will be reallocated to support the Communications Capabilities Development and Emergency Services Mobile Communications (ESMCP) programmes. Her decision will accompany the Final Police Grant Report in February 2015.
- 2.4 The above has resulted in a reduction in core government funding for all forces in England and Wales in 2015/16 of 5.1% in cash terms.
- 2.5 This equates to £2.709m less in central funding in cash terms for Dyfed Powys in 2015/16 compared with 2014/15.

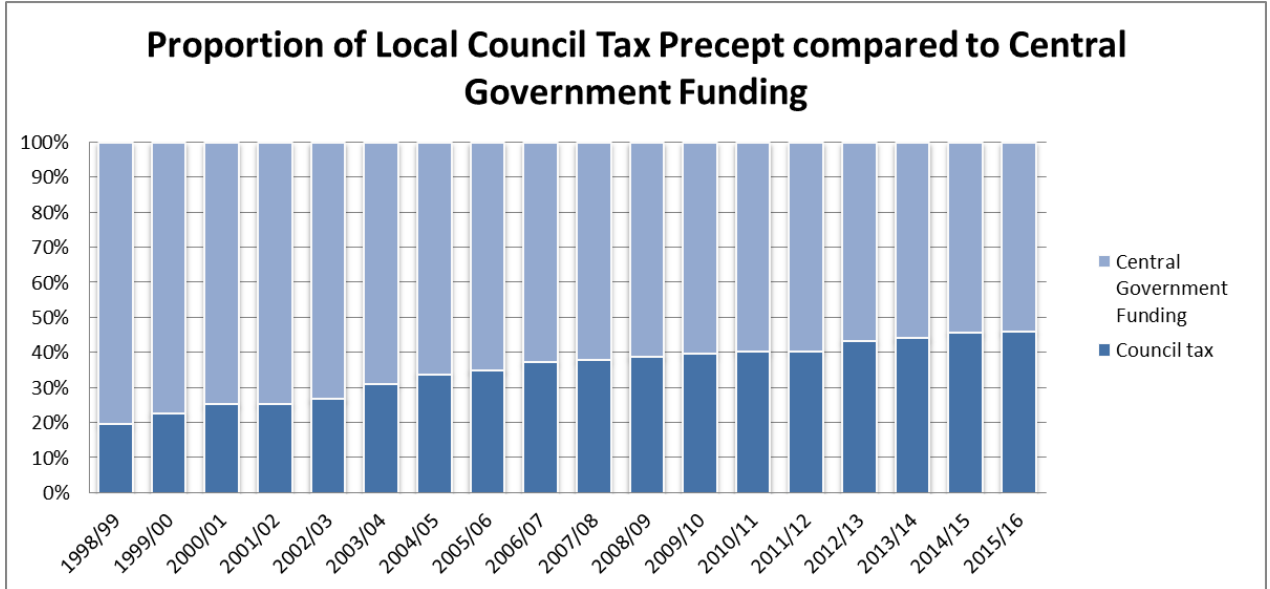
3. Council Tax Precept 2015/16

- 3.1 In setting the police element of the council tax (known as the precept) for 2015/16, I have again been conscious of balancing the pressures on household budgets against the need to provide an effective public policing service.
- 3.2 I have consulted with the public, held a seminar with the Police and Crime Panel in December 2014 and held discussions with the Chief Constable and his Director of Finance on the level of the precept that I will set for 2015/16.
- 3.3 The public consultation was run between 1st December 2014 and 4th January 2015. In total, 767 responses were received although not all respondents answered the three questions posed.
- 3.4 In response to the first question, "In your opinion, do you pay too much, too little, or about right for the police?", 59% said that they felt they paid about the right amount for the police, 28% said they felt that they paid too much and 13% said they felt they paid too little.
- 3.5 In response to the second question, " In 2015/16 how do you think the Commissioner should prioritise his spending?", 58% said their top priority was more officers dedicated to their town/community. The remaining responses were relatively equally split across the other options (more officers dedicated to specific types of crime, police stations and better technology).
- 3.6 The final question was "There is some existing money in police funds. How should this be used?". 49% said it should be used to improve the service from Dyfed Powys police, 31% said it should be used to keep this year's precept rise as low as possible and 20% said it should be set aside for unforeseen needs.
- 3.7 In 2014/15:
- The average council tax precept across the whole of England and Wales is £171.80;
 - The average council tax precept across our Most Similar Group (as defined by Her Majesty's Inspectorate of Constabulary) is £204.50;
 - The average council tax precept across Wales is £208.00.

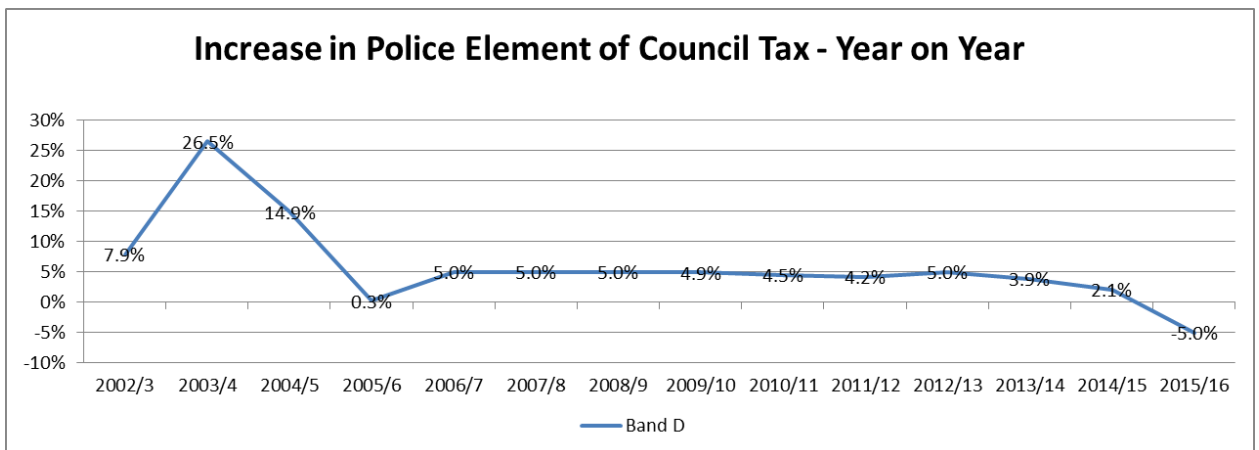
On all of the above measures, on average, the residents of Dyfed-Powys are currently paying more for police services compared with residents in other forces.

- 3.8 I have also taken into account the provisional settlement along with the performance, both operational and financial, of Dyfed Powys Police (DPP) since I have taken office.
- 3.9 DPP achieved in year under spends of approximately £5m in 2012/13 and £6m in 2013/14 against its revenue budgets whilst still providing an effective police service to the public. This, in part, demonstrates the considerable effort on the part of the Chief Constable that has taken place to reduce the ongoing running costs of the force over the last few years but these year on year under spends also indicate that there is further scope to reduce the running costs of the force whilst maintaining services.
- 3.10 I have also considered the uncertainty of central police funding in the future:
- the latest Comprehensive Spending Review does not provide figures beyond 2015/16;
 - the forthcoming general election may result in a change of government, policy and funding patterns.
- 3.11 Despite these uncertainties, it is necessary to make estimates of the likely level of future central funding for planning purposes. Currently, a reduction in central funding of over 20% over the course of the following three years is anticipated. Previous under spends were not lost but instead have bolstered DPP's reserves. These reserves could be used to assist DPP in transitioning to a new operating model should the expected funding decreases be realised.
- 3.12 An under spend of approximately £4m is also anticipated in 2014/15 and therefore, in line with my intention to minimise council tax precept rises as detailed in my Police and Crime Plan, I propose to set a precept level of £43.033m for 2015/16.
- 3.13 This equates to a 5% reduction in the council tax precept payable by residents of Dyfed-Powys compared with 2014/15. This means that an average Band D property will pay £200.07 in 2015/16 compared with £210.60 in 2015/16.

3.14 The following graph shows how the proportion of income that Dyfed Powys receives from central sources compared with local sources has changed over time:



3.15 The following graph shows how precept rises have changed over time in Dyfed Powys:



4. Draft Budget for 2015/16

- 4.1 The overall result of the provisional settlement and proposed precept f is a funding reduction of £4.562m in 2015/16 compared with 2014/15 as shown in the table below.

Table 1: Total Funding for 2015/16 (Provisional)

Description	2014/15	2015/16	Change	
	£M	£M	£M	%
Core Police Grant	30.111	28.268		
Floor Funding	9.256	9.243		
Welsh Government	13.641	12.788		
Central Funding	53.008	50.299	-2.709	-5.1
Council Tax Base (Band D)	213,135	215,091		+0.9
Council Tax at Band D (£)	210.6	200.07		-5.0
Precept	44.886	43.033	-1.853	-0.4
Total Funding	97.894	93.332	-4.562	-4.7

- 4.2 This has resulting in the following balanced budget being prepared for 2015/16:

Table 2: Draft Revenue Budget for 2015/16

	2014/15	2015/16
	£M	£M
OPCC Pay	0.648	0.632
OPCC Non Pay	0.338	0.337
Total OPCC	0.986	0.969
Commissioning	1.135	1.000
Total OPCC and Commissioning	2.121	1.969
Total Force	95.773	91.363
Total OPCC, Commissioning and Force	97.894	93.332

- 4.3 A full breakdown of the proposed expenditure for the force for 15/16 (through to 2018/19) is provided in Appendix B.
- 4.4 In 2015/16 I am expecting the Ministry of Justice to provide funding to me to undertake commissioning work predominantly in relation to victim services and restorative justice. The final amount of funding has yet to be announced however I expect it to be in the region of £550k in total.

- 4.5 Also, I am expecting to receive income from driver retraining courses that are administered on my behalf by the force. I intend consulting with the public to determine whether this income should be ring-fenced to be spent on road safety initiatives or whether it should be spent on general policing activities. Currently this income has not been budgeted for but as the income will be re-invested in police services, this will have a net zero impact on the budget.
- 4.6 In line with my intention to prioritise spend on front line services, the Public First programme of back-office support function restructuring that commenced in 2014/15 will continue and is expected to deliver savings of £1.9m (on business and operational support and on senior officer/staff pay reductions) during 2015/16.
- 4.7 In addition, further savings of £1.046m are expected in 2015/16 (after taking inflation into account). This will be challenging to deliver, but it is imperative that I continue to drive down non-pay expenditure where possible in order to reduce the impact of budget reductions on front line services.
- 4.8 Police Officer and PCSO staffing costs (excluding secondments) amount to some £68m or 73% of the Force's annual net budget in 2015/16. This is a significant proportion of the budget. However, salaries and allowances payable to officers are governed and set nationally and therefore making a reduction in expenditure on officers and PCSOs is not easy. However, changes are in the process of being implemented to some allowances and arrangements following the outcome of the Winsor Review of Terms and Conditions. Total savings of £330k (including savings on police officer allowances) are expected in 2015/16 as a result of the review.
- 4.9 In preparing the budget for 2015/16, the following inflationary factors were applied to the 2014/15 budget:

Table 3: Budget Assumptions for 2015/16 (compared with 2014/15)

Budget Assumptions (%)	2014/15	2015/16
Police Officers	1%	1%
Police Staff	1%	1%
Inflation	0%	2%
Premises Fuel	0%	2%
Vehicle Fuel	0%	2%
Grants	0%	0%
Income	0%	1%

Capital Financing	0%	0%
-------------------	----	----

4.10 The outline budget includes annual recurring cost reductions as outlined above. These amount to £3.607m and are detailed below:

Table 4: Cost Reduction Summary for 2015/16

	Budgeted 2014/15	Expected 2015/16
	£'000	£'000
<u>Public First Programme</u>		
Business and Operational Support	-1,425	-1,550
Senior Officer / Staff Pay Reductions	-123	-350
Police Officer Structures	-75	-30
Non Pay Budget Review	-200	-150
Collaboration (Inc NPAS / Firearms)	0	-434
Greener Energy Initiative - Sustainability Group Savings	-150	0
Total	-1,973	-2,514
<u>Other Reductions</u>		
Winsor Review - Police Officers	-530	-230
Police Officer Allowances	-250	-100
Vehicle Fuel	0	-200
Fuel - Telemetrics	0	-112
Equipment Budgets	0	-50
Other Supplies and Services/Collaboration	-410	-351
	-1,190	-1,043
<u>Commissioner's Budget Reductions</u>		
Ammanford PFI - Savings	0	-50
Capital Financing Reduction	-400	0
Interest Receipts	-184	0
Pension Deficit - Use of Reserves	0	0
Total Savings Identified	-584	-50
Total Identified	-3,747	-3,607

5. Reserves

- 5.1 The opening position for reserves as at 1st April 2014 is shown in the table below. It was planned that £2.182m of revenue reserves would be utilised over 2014/15 to fund non-recurring revenue expenditure items and the cost of implementing the changes proposed in the Public First programme of restructuring support functions in the organisation.

Table 5: Reserve Balance Brought Forward

	Balance as at 1 st April 2014
	£M
Earmarked Revenue Reserves	22.625
Capital Reserves	15.951
General Reserve	4.500
Total	43.076

- 5.2 However, the level of reserves necessary to implement Public First has been much lower than anticipated and it is now predicted that there will be an under spend overall against the revenue budget for 2014/15. These factors will both further add to the level of reserves available for utilisation in 2015/16.
- 5.3 Therefore I proposed to utilise £2.265m of revenue reserves as a contribution towards the 2015/16 revenue budget to allow the precept to be reduced.

Table 6: Use of Reserves

	2015/16	2016/17	2017/18	2018/19
Use of Reserves	£M	£M	£M	£M
Contribution to Capital Financing	0.418	0.422	0.431	0.439
Public First	0.255	0	0	0
Pension	0	0.375	0	0
Continuous Improvement	0	0.268	0.273	0.278
Insurance	0.038	0.038	0.039	0.040
Contribution to revenue budget	2.265	2.288	1.502	0.631
Revenue Reserves	2.976	3.391	2.245	1.388
Capital Reserves	5.696	6.941	4.304	0.170
Total Reserves	8.672	10.332	6.549	1.558

6. Capital

- 6.1 Well maintained and managed assets play a vital role in the delivery of efficient policing services. Therefore it makes sense to plan how these assets will be maintained and managed. The draft capital programme for 2015/16 is shown below. The announcement of the Home Office capital grant has been delayed and therefore an estimate of the capital grant income is included in table below.

Table 7: Draft Capital Programme for 2015/16 to 2018/19

Capital Programme	2015/16	2016/17	2017/18	2018/19
	£M	£M	£M	£M
Land and Buildings	4.690	6.570	4.460	0.310
Vehicles (Including Boat)	1.535	0.890	0.972	1.107
IT and Other Strategic Spending	3.148	1.951	1.336	0.975
Capital Expenditure	9.373	9.411	6.768	2.392
Grant Funding	1.125	0.914	0.765	0.760
Borrowing	0.520	0.520	1.000	1.000
Capital Receipts	1.500	0.500	0.200	0
NPAS Capital Credit	0.114	0.114	0.068	0.023
Contribution from Revenue Reserves	0.418	0.422	0.431	0.439
Capital Reserve	5.696	6.941	4.304	0.170
Capital Financing	9.373	9.411	6.768	2.392

- 6.2 The total capital programme over the four years requires funding of £17.111m from capital reserves. There is expected to be an under spend of approximately £4m on revenue budgets in 2014/15. It is proposed that this under spend is allocated to the capital reserve to fund the above programme.

Appendix A – Report of the Chief Finance Officer

1. Balances, Provisions and Reserves

- 1.1 In accordance with the “Financial Management Code of Practice” (FMCoP) the Police and Crime Commissioner (PCC) has considered the role of reserves when compiling the medium term financial plan and annual budget. The PCC holds the responsibility for ensuring the adequacy of reserves each year so that unexpected demand led pressures on the budget can be met without adverse impact on the achievement of the key priorities.
- 1.2 The FMCoP requires the PCC to establish a policy on reserves (including how they might be used by the Chief Constable) in consultation with the Chief Constable (CC). This Section of the report sets out the PCC’s decisions on reserves so that these can be communicated clearly to local taxpayers thereby promoting accountability.
- 1.3 Within the existing reserves policy and associated governance arrangements, the Chief Finance Officer is accountable for:
 - Ensuring that advice is provided on the levels of reserves and balances in line with good practice guidance;
 - To report at the time the budget is considered and the precept set, on the robustness of the budget estimates and the adequacy of financial reserves, as required by s25 of the Local Government Act 2003, and in line with CIPFA guidance.
- 1.4 There are also a range of safeguards in place that militate against the PCC over-committing financially. These include:
 - The balanced budget requirement;
 - Chief finance officers’ Local Government Finance Act 1988 Section 114 powers which requires the Chief Finance Officer to report to the PCC if there is or is likely to be unlawful expenditure or an unbalanced budget; and
 - The external auditor’s responsibility to review and report on financial standing includes a review of the level of reserves taking into account their knowledge of the organisations performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual organisations.

2. Statement on Reserves

The level of general reserve and any movements on the fund

- 2.1 Legislation and other guidance require that a general reserve is maintained. Whilst CIPFA does not stipulate a minimum or optimal level of general reserve, its general guidance is to establish a reserve representing *“resources set aside for purposes such as general contingencies and cash flow management.”*
- 2.2 CIPFA’s “Guidance Note on Local Authority Reserves and Balances” states that a General Reserve is required to act as *“ a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves”*. A General Reserve is also required to act as *“a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.”*
- 2.3 Maintaining a General Reserve ensures compliance with the Local Government Finance Act 1992 for Local Authorities to *“have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.”*
- 2.4 Historically, the Wales Audit Office recommended that the general reserve is set at a minimum 2.5% of the net revenue expenditure budget. In addition the level of general reserves held by the Most Similar Forces will also be considered in determining the adequacy of the level of the general reserve held by the PCC. The PCC’s policy on reserves states that the general reserve should not exceed 5% of the net revenue expenditure budget. The PCC’s policy on reserves also requires an assessment of risk when determining reserve levels.
- 2.5 The general reserve currently amounts to £4.500 million which equates to 4.8% of the 2015/16 net revenue expenditure budget and is therefore within the parameters set in the PCC’s reserves policy. The following factors have been considered in determining the appropriate level of general reserve:

Overall financial position and adequacy of financial control

- 2.6 In setting the level of the general reserve it is important to bear in mind Dyfed Powys Police’s overall financial position and the adequacy of financial controls in operation. The overall financial position has been considered by the PCC as part of the budget process and, whilst secure, is keenly affected by the threat of future government funding reductions which must be borne in mind.

- 2.7 It is also important to remember the context of the Medium Term Financial Strategy (MTFS) so that the PCC continues to comply with CIPFA's "Guidance Note on Local Authority Reserves and Balances" which suggests that "*Advice should be given on the adequacy of reserves over the lifetime of the medium term financial plan*".

Risk exposure and risk assessment

- 2.8 Formulation of reserve levels must be considered in the context of risk if we are to comply with CIPFA's guidelines which state that "*in order to assess the adequacy of unallocated general reserves...take account of the strategic, operational and financial risks facing the authority.*"
- 2.9 Whilst risk exposure and mitigation of that risk may not necessarily drive a material increase in spending, it will influence the level of general reserves year by year.
- 2.10 Four key risks are currently relevant to the level of general reserves now and in the future, which are outlined below.
- Economic instability – the risk that due to worsening economic conditions, and real terms reductions in levels of precept and government grants, the increased resource requirements will have a significant effect on already stretched financial resources. This will result in a restriction on operational activity and developments over the next four years and beyond, for example, curbing the ability to offer the level of community policing that the public is expecting unless a bigger draw on reserves is authorised;
 - Capping – keeping council tax under control remains a priority for the Government;
 - External Risks – such as global financial markets have been taken into account in setting reserves, particularly in the light of the continued Bank of England base rate at 0.5%;
 - Operational major incidents – as part of the Dyfed Powys Local Resilience Forum a risk assessment into the likelihood and impact of a range of major incidents which could occur within the Force area has been carried out. Provision is made within the earmarked major incident reserve for funding such major incidents.

Public Opinion

- 2.11 The public's acceptance of the precept is partly reliant on the understanding that the precept is spent on policing and that only a reasonable and prudent amount of any over-funding is being stored away as a general reserve. Conversely, when unforeseen expenditure arises, it is likely that the public would expect that the PCC would have sufficient resources to cover the expense without recourse to overspend.

The adequacy of the general reserves and an estimate of provisions in respect of the forthcoming financial year and the PCC's and CC's medium term financial strategy

- 2.12 Based on the above it is suggested that the level of general reserve is maintained at £4.5m which represents 4.8% of the proposed 2015/16 net revenue expenditure budget. It is suggested that this balance is retained at this level given the projected budget reductions in the next four financial years.

The annual review of earmarked reserves including estimates of the year end balances

- 2.13 Earmarked reserves are held as a means of building up funds to meet known or predicted requirements. The main earmarked revenue reserves held by the PCC have been subject to review as part of the 2015/16 budget setting process.
- 2.14 At the beginning of 2014/15, earmarked revenue reserves amounted to £22.625m. If the under spend predicted for this financial year is allocated to capital reserves, then it is estimated that the balance of the earmarked revenue reserve at the end of 2014/15 will be £20.442m.
- 2.15 The PCC has stated that, given the high level of existing reserves, he intends using some of these to reduce the council tax precept. He cannot justify raising more funds through the precept without first addressing the issue of the significant reserves that he currently holds. He proposes to use £2.265m of revenue reserves as a contribution towards the 2015/16 revenue budget, thereby allowing him to reduce the precept for 2015/16.
- 2.16 The PCC's intended treatment of reserves does not comply with his current Reserves Policy which states that he will use reserves to fund non-recurring purchases to reduce the impact on the council tax precept. The policy will be updated to reflect his current intention before the start of the 2015/16 financial year.
- 2.17 The draft capital programme over the four years requires total funding of £17.111m from capital reserves. At the start of this financial year there was £15.951m in capital reserves and it is estimated that there will be £11.346m in the reserve at the end of 2014/15. There is expected to be an under spend of approximately £4m on revenue budgets in 2014/15. It is proposed that this under spend is allocated to the capital reserve to fund the above programme. There will remain a £1.811m funding gap in 2018/19 and options to eliminate this gap are currently being considered.

Jayne Woods – PCC's Chief Finance Officer

3. Budgetary Risk

- 3.1 Section 25 of the Local Government Act 2003 requires that the Chief Finance Officer reports to the PCC, at the time the budget is being set, on the risks and uncertainties that might require more to be spent on the service than planned. Allowance is made for these risks by:
- making prudent allowance in the estimates; and in addition
 - ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.
- 3.2 It is important that the PCC take responsibility for ensuring that budgetary risk has been minimised when the budget is set. The level of budgetary risk must be formally considered by the PCC informed by the advice and judgement of his Chief Finance Officer.
- 3.3 The proposed budget for 2015/16 reflects the identified, quantifiable risks; however it has not been possible to incorporate the following risks:
- Amendments to the final government grant notification from the provisional figures included in this report or for future years;
 - Full additional cost savings from revised future year budget figures – more work will be ongoing on this as the year progresses;
 - Impact of pension scheme reviews on employer contribution rates.
- 3.4 To enable the PCC to reach his decision, his Chief Finance Officer has performed a risk assessment of material items of revenue and capital budgets which is included in the tables on the following pages.

Material Budgets

A risk analysis has been performed on the various budget headings and assessed based on the % of the net revenue budget and known factors which could influence levels of actual expenditure or income.

Budget area	% of net revenue budget	Risk level	Identified Risk	Mitigating factor
Police Officer Salary Costs	55%	High	<p>The number of officers in post increases above the approved funded establishment.</p> <p>Overtime incurred on major incidents/operations/investigations is not controlled and monitored and therefore exceeds the budget.</p> <p>Allowances paid for bonus payments, etc could exceed budget.</p>	<p>The establishment is monitored continually as part of budgetary control process. The Director of Finance and Director of Resources meet monthly to monitor and control the establishment on a strategic basis. A Budget Monitoring Procedure is in place with the budget being reported regularly to Chief Officer Group and Police Accountability Board.</p> <p>HR has a recruitment plan for the year ahead based on the projected number of police officer retirements, leavers and transferees. The required intake of probationers are planned and allocated accordingly.</p> <p>Finance representation on gold groups and other operational investigation groups now occurs as a matter of course. This enables overtime and other costs to be closely monitored and reported to each meeting.</p>

Budget area	% of net revenue budget	Risk level	Identified Risk	Mitigating factor
Police Staff Salary Costs (including PCSO's)	25%	High	<p>The number of staff in post increases above the approved funded establishment.</p> <p>Progress with Public First Reductions.</p> <p>Projects requiring staff involvement out of normal working hours are accurately costed for additional costs such as overtime etc.</p>	<p>The establishment is monitored continually as part of budgetary control process. A Gateway process is being established to monitor and control the establishment on a strategic basis. A Budget Control Procedure is in place.</p> <p>Professional payroll and human resources staff will be engaged in establishing staff entitlement for additional hours.</p>
Police Officer Pensions	13%	Medium	<p>Linked to police officer salary costs above. Our contribution to pensions is due to drop, however, the Home Office will reap the rewards of the drop, rather than forces.</p> <p>There is a risk of future increased contributions that we must bear and changes in the way certain elements such as injury payments are treated.</p>	<p>Linked to police officer salary costs above.</p> <p>Ability to amend recruitment profiles during the year.</p>

Budget area	% of net revenue budget	Risk level	Identified Risk	Mitigating factor
Indirect Staff Costs	0.8%	Medium	There remains one phase of Public First which might result in additional training, redundancy and pensions capital costs.	Training budgets to reflect only operationally critical requirements.
Premises Costs	4%	Medium	Increases in the estate require an increase in premises running costs. Fluctuations in electricity and gas prices may continue as contracts are renegotiated.	The capital programme is considered as part of Medium Term Financial Strategy and annual budget setting process. Procurement involves the finance department in discussions regarding contracts. Robust budget monitoring procedures are in place and adhered to.
Transport Costs	3%	Medium	An increase in the fleet size could occur without an adequate increase in running costs. We have recently benefitted from unexpected reductions in fuel prices. However, these recent reductions might equally quickly revert to significant fuel price increases, resulting in budget over spends.	The capital programme is considered as part of Medium Term Financial Strategy and annual budget setting process. The Strategic Vehicle Group meets to discuss the vehicle fleet – group is chaired by the Director of Finance. Fuel prices are monitored and their impact regularly assessed through the robust budget monitoring procedures that are in place.

Budget area	% of net revenue budget	Risk level	Identified Risk	Mitigating factor
Supplies and Services and Commissioning	9%	Medium	Non purchase orders could result in over spends against the budget.	<p>Purchase orders are processed with a built in budget check for high value items.</p> <p>The Procurement Department ensure that the procurement of goods and services are made in accordance with Financial Regulations and Procedures.</p> <p>Robust budget monitoring procedures are in place and adhered to.</p> <p>PCC's commissioned services are authorised by the Director of Commissioning.</p>
Agency & Contracted Services	3%	Low	Not material	Not material
Capital Financing	1%	Low	Not material	Not material

Budget area	% of net revenue budget	Risk level	Identified Risk	Mitigating factor
Specific Grant	-7%	High	<p>Grants should be utilised in accordance with the terms and conditions of grant.</p> <p>Grant providers may cease payments of grant with minimal notice.</p>	<p>A grant register records all grants due.</p> <p>Posts funded by grants should be recruited on a temporary basis for the duration of the grant.</p> <p>All terms of grant are authorised by the Chief Financial Officer.</p> <p>All Establishment Amendment forms are authorised by the Director of Finance and Head of Human Resources.</p> <p>PCC Commissioned services are authorised by the Director of Commissioning after consultation with the Chief Finance Officer.</p>
Other Income	-4%	Low	Not material	
Use of Reserves	-3%	Medium	<p>Reserves should not be utilised to fund recurring expenditure.</p> <p>Unexpected demand led pressures on budgets can be met without an adverse impact.</p>	<p>The Force has no operational Reserves other than limited virement opportunities. Regular monitoring of the financial position occurs through the forces' Chief Officer Group (COG).</p>

Budget area	% of net revenue budget	Risk level	Identified Risk	Mitigating factor
Capital	N/A	High	The size, high cost and complexity of capital projects increases the risk of exceeding budgets, time overruns and not achieving the objectives of the original business case.	The capital programme is approved and monitored by the PCC. Chief Officers receive regular reports and monitor progress with capital projects at COG. Governance arrangements are in place covering all major projects for the force.

Jayne Woods – PCC’s Chief Finance Officer

Appendix B – Medium Term Plan

1. Future Funding

- 1.1 Considerable uncertainty exists over likely future financial settlements. As well as likely reductions from the government's general austerity programme affecting policing as a non-protected service, there is the prospect of changes to funding formula methodology over the period which will have an, as yet, unquantifiable effect on future settlements.
- 1.2 The 2014 Autumn Statement included a provision for a significant reduction in Resource Departmental Expenditure Limits which include Home Office Revenue Grant. If these reductions were to be applied to currently non protected departments, this would result in a reduction of almost 27% in general central funding over the course of following three years.
- 1.3 A new Comprehensive Spending Review will not be conducted by the government until following the election in May this year and therefore, it is difficult to assess future settlement levels. HMIC have been clear in their advice that Forces should plan for a continuation of austerity at least at the levels seen hitherto i.e. around -5% per annum and it is on this basis that the medium term plan has been created.
- 1.4 However, given the uncertainty that persists in relation to likely settlements, the impact of four different settlement scenarios have been modelled (5%, 7% and 10% year on year reductions in addition to reductions matching the levels presented in the Autumn Statement).
- 1.5 For the purposes of producing an initial forward projection, it has been assumed that settlements and budgets for Dyfed Powys Police will continue to reduce at the same rate as at present. This is equivalent to a 5% reduction per annum in central grants for 2016/17 to 2018/19. It has been assumed that the council tax precept remains the same for a band D property in 2016/17 followed by increases of 5% the latter two years of the plan.
- 1.6 Such a scenario would result in a significant decrease in funding by 2018/19 of a further (i.e. excluding 2015/16) £2.969m as illustrated in the Table below.

	2015/16	2016/17	2017/18	2018/19
	£M	£M	£M	£M
Central Grants	50.299	47.784	45.395	43.125
Council Tax Precept	43.033	43.463	46.093	48.882
Total Funding	93.332	91.248	91.488	92.007
Change against prior year (£million)	-4.562	-2.084	0.240	0.519
% Change	-4.66%	-2.23%	+0.26%	+0.57%

- 1.7 The scenario above results in a reduction in total funding of £5.887m over four years. Running the model for 7% and 10% year on year reductions in central funding results in a total decrease in funding of £8.554m and £12.344m respectively.
- 1.8 The detailed calculations supporting the figures in the table above are included in the penultimate table below.

2. Unavoidable Cost Pressures

- 2.1 It is expected over the period that pay and price inflation will exert an upward pressure on the costs of providing policing services over the period and the following assumptions have been made in relation to these:

Budget Assumptions (%)	14/15	15/16	16/17	17/18	18/19
Police Officers	1%	1.0%	1.5%	2.0%	2.0%
Police Staff	1%	1.0%	1.5%	2.0%	2.0%
Inflation	0%	2.0%	2.0%	2.0%	2.0%
Premises Fuel	0%	2.0%	2.0%	2.0%	2.0%
Vehicle Fuel	0%	2.0%	2.0%	2.0%	2.0%
Grants	0%	0.0%	0.0%	0.0%	0.0%
Income	0%	1.0%	1.5%	2.0%	2.0%
Capital Financing	0%	0.0%	0.0%	0.0%	0.0%

- 2.2 The implementation of changes to National Insurance (NI) from April 2016 will also add considerably to the costs of policing in that year. This has been estimated at £1.3 million for the year 2016/17 for Dyfed Powys Police.
- 2.3 In addition to these increases in base costs, a savings plan has been developed that is due to deliver savings amounting to £6.217m over the next four years. These savings are detailed in the table below:

Cost Reduction Summary 2014/15 to 2018/19	Budgeted	Future Plans				
	2014/15	15/16	16/17	17/18	18/19	Total
Force cost reductions	£'000	£'000	£'000	£'000	£'000	£'000
<u>Public First Programme</u>						
Business and Operational Support	-1,425	-1,550	-322	0	0	-1,872
Senior Officer / Staff Pay Reductions	-123	-350	0	0	0	-350
Police Officer Structures	-75	-30	0	0	0	-30
Non Pay Budget Review	-200	-150	-100	-50	0	-300
Collaboration (Inc NPAS / Firearms)	0	-434	0	0	0	-434
Greener Energy Initiative -Sustainability Group Savings	-150	0	0	0	0	0
Total	-1,973	-2,514	-422	-50	0	-2,986
<u>Other Reductions</u>						
Winsor Review - Police Officers	-530	-230	-300	-200	0	-730
Police Officer Allowances	-250	-100	-50	-50	-50	-250
Police Officer Overtime	0	-200	0	0	0	-200
Fuel - Telemetrics	0	-112	-100	0	0	-212
Equipment Budgets	0	-50	0	0	0	-50
Other Supplies and Services/Collaboration	-410	-351	-353	-350	-175	-1,229
	-1,190	-1,043	-803	-600	-225	-2,671
<u>Commissioner's Budget Reductions</u>						
Ammanford PFI - Savings	0	-50	0	0	0	-50
Capital Financing Reduction	-400	0	0	0	0	0
Interest Receipts	-184	0	-85	-50	0	-135
Pension Deficit - Use of Reserves	0	0	-375	0	0	-375
Total Savings Identified	-584	-50	-460	-50	0	-560
Total Identified	-3,747	-3,607	-1,685	-700	-225	-6,217

- 2.4 The impact of applying the upward cost pressures and identified savings are summarised below. Above and beyond the identified savings, there remains a savings gap from 2016/17 onwards. These amount to £7.098m in total:

	15/16	16/17	17/18	18/19
	£M	£M	£M	£M
Net costs of Policing to be funded from Central Funding and Local Precept (as detailed on the last table in this report) after taking inflationary factors and identified savings into account	93.332	94.385	96.380	99.105
Central Funding and Local Precept	-93.332	-91.247	-91.488	-92.007
Total savings gap	0	3.138	4.892	7.098
Savings gap split by year:				
Savings gap in 2015/16	0	0	0	0
Savings gap in 2016/17	0	3.138	3.138	3.138
Additional Savings gap in 2017/18	0	0	1.754	1.754
Additional Savings gap in 2018/19	0	0	0	2.206
Total Savings gap	0	3.138	4.892	7.098

3. Conclusion and Further Work required

- 3.1 Despite the future uncertainty of funding it is prudent for plans to be developed to meet a reduction in funding in future years. This work is underway.
- 3.2 The PCC and CC are engaged in discussions with other forces on collaboration and the CC is undertaking a thorough demand analysis to determine the impact of reductions of this magnitude.
- 3.3 The CC is also currently looking at options that achieve the savings gap identified above. These will be further developed and discussed with the PCC over the course of 2015/16.

High Level Financial Model 2015/16 to 2018/19

	Baseline	Assumptions				Projected Financing Available			
	2014/15	2015/16	2016/17	2017/18	2018/19	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Grants		DRAFT	EST	EST	EST				
Formula Police Grant	-29,314	-5.1%	-5.0%	-5.0%	-5.0%	-27,818	-26,427	-25,105	-23,850
Damping Funding	-8,617	-5.1%	-5.0%	-5.0%	-5.0%	-8,176	-7,768	-7,379	-7,010
Community Safety Funding	-815	-5.1%	-5.0%	-5.0%	-5.0%	-773	-734	-697	-662
Revenue Support Grant	-898	-5.1%	-5.0%	-5.0%	-5.0%	-851	-809	-768	-730
National Non Donestic Rates	-13,364	-5.1%	-5.0%	-5.0%	-5.0%	-12,681	-12,047	-11,445	-10,873
	-53,008					-50,299	-47,784	-45,395	-43,125
	-4.8%					-5.1%	-5.0%	-5.0%	-5.0%
Council Tax Precept									
Base	213,135	0.9%	1.0%	1.0%	1.0%	215,090	217,241	219,414	221,608
Rate at Band D	210.60	-5.0%	0.0%	5.0%	5.0%	200.07	200.07	210.07	220.58
Projected Precept	-44,886					-43,033	-43,463	-46,093	-48,882
Total Financing Projected	-97,894					-93,332	-91,248	-91,488	-92,007
		<i>Total Funding Available to PCC</i>							
						-4.7%	-2.2%	0.3%	0.6%
<i>% Funded by Council Tax</i>	46%					46%	48%	50%	53%

Taxbase	Taxbase at Band D			Collection		
	2014/15	2015/16	Change	2014/15	2015/16	Change
Carmarthenshire	69,905	70,376	0.67%	97.5%	97.5%	0.0%
Ceredigion	30,340	30,468	0.42%	96.5%	96.5%	0.0%
Pembrokeshire	52,861	53,358	0.94%	98.0%	98.0%	0.0%
Powys	60,029	60,889	1.43%	97.5%	97.5%	0.0%
	213,135	215,090	0.92%			

Revenue Account 2014/15 to 2018/19					
	Final Budget	Proposed Budget	Indicative Budget		
	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Budget for OPCC and Commissioning					
Staff Costs	648	632	650	662	675
OPCC Running Expenses	337	337	341	347	354
Commissioning Budget	1,135	1,000	1,016	1,044	1,074
Total OPCC Costs	2,120	1,969	2,006	2,053	2,103
Budget for Chief Constable and Staff under Direction and Control of Chief Constable					
Employees					
Police Officers	51,366	51,497	52,847	53,847	54,934
Police Staff	19,956	18,270	18,507	18,839	19,216
PCSO's	4,667	4,713	4,841	4,928	5,027
Police Pensions (net)	11,661	11,684	11,784	11,998	12,238
Indirect Staff Costs	2,210	717	724	739	754
Total Employee Costs	89,859	86,882	88,703	90,352	92,168
Running Expenses					
Premises Costs	3,356	3,401	3,446	3,515	3,585
Transport Costs	3,115	2,771	2,622	2,675	2,728
Supplies & Services	8,731	8,602	8,619	8,358	8,525
Agency & Contracted Services	2,554	2,385	2,231	1,664	1,468
Total Running Expenses	17,756	17,158	16,919	16,211	16,306
Capital Financing Costs	1,069	1,069	1,069	1,069	1,069
Total Expenditure	108,684	105,108	106,691	107,632	109,543
Financed By:					
Income					
Specific Grants	-6,840	-6,844	-6,849	-6,857	-6,864
Other Income	-3,887	-3,926	-4,071	-4,204	-4,288
Total Income	-10,727	-10,770	-10,921	-11,061	-11,152
Contribution From Reserves					
Use of / Contribution to Reserves	-2,182	-2,976	-3,391	-2,245	-1,388
	-2,182	-2,976	-3,391	-2,245	-1,388
Net Costs - Force	95,774	91,363	92,379	94,327	97,002
Total Costs for OPCC and Force	97,894	93,332	94,385	96,380	99,105
Net Cost of Policing To be Funded From Grants and Precepts	97,894	93,332	94,385	96,380	99,105
Grants and Precepts					
Police Grant	-38,746	-36,765	-34,927	-33,180	-31,521
NNDR	-13,364	-12,682	-12,048	-11,446	-10,873
RSG	-898	-852	-809	-769	-730
Total External Support	-53,008	-50,299	-47,784	-45,395	-43,125
Precepts on Billing Authorities	-44,886	-43,033	-43,463	-46,093	-48,882
TOTAL RESOURCES	-97,894	-93,332	-91,247	-91,488	-92,007
Difference (Unidentified Savings @ -5%)	0	0	3,138	4,892	7,098
Taxbase	213,136	215,091	217,241	219,414	221,608
COUNCIL TAX LEVEL	£ 210.60	£ 200.07	£ 200.07	£ 210.07	£ 220.58
Council Tax Increase		-5.0%	0.0%	5.0%	5.0%