

**Report of the Treasurer to the Chair and Members of the Police  
Authority Executive  
20<sup>th</sup> December 2011**

**Executive & Presenting Officer: Mr M Porter, Treasurer**

**Status: For Approval**

**Government Grant Settlement – 2012/13**

**1 Executive Summary**

- 1.1 The Minister of State for Policing and Criminal Justice set out proposals for the aggregate amount of grant to Police Authorities and in so doing indicated a cash reduction in funding for each Police Authority of 6.7% in 2012/13. This followed on from the 5.1% cash reduction in 2011/12. The settlement is as indicated at the beginning of the CSR period.
- 1.2 Members are asked to note that the cuts for Cleveland Police are in line with these headline numbers. Members are also asked to note that the cut in Grant for 2012/13 totals £6.5m which follows on from a cut of £5.3m in 2011/12. These reductions in cash over the 2 year period equate to approximately £17m of cuts in 'Real' terms over the 2 years.

**2 Recommendations**

- 2.1 Members are asked to:
  - 2.1.1 Note the contents of the report
  - 2.1.2 Authorise the Chairman, in consultation with the Chief Constable, Chief Executive and Treasurer, to make representations in response to the proposed settlement.

**3 Reasons**

### 3.1 Provisional 2012/13 Funding Settlement

The Minister of State for Police and Criminal Justice announced on the 8<sup>th</sup> December 2011 a one-year Funding Settlement for 2012/13 only. The overall cash reduction in the Home Office budget is 5% for 2012/13 in comparison to 2011/12. No new indications have been given for 2013/14 and beyond at either an Authority level or at total Home Office budget level, however the initial CSR announcements for the Home Office budget in December 2010 showed reductions in overall funding to the Home Office budget of 1.85% in 2013/14 and 1.32% in 2014/15.

3.2 The table below shows the expected impact on Cleveland Police Authority in 2012/13, of the reductions in funding provided by the Government, although it must be noted that some grants have yet to be confirmed:

<b>Table 1: Cleveland Revenue Funding Settlement 2011/12 to 2012/13</b>		
	2011/12	2012/13
	£000s	£000s
<b>Formula Grant</b>		
Police Grant	51,355	47,470
RSG/NNDR	46,264	43,606
	<b>97,619</b>	<b>91,076</b>
% Decrease in Formula Grant		-6.70%
<b>Specific Grants</b>		
NPF/PCSOs	2,967	2,948
PFI Grants (yet to be confirmed)	4,110	4,110
Protective Services (yet to be confirmed)	1,093	1,093
Council Tax Freeze Grant	800	800
	<b>8,970</b>	<b>8,951</b>
% Decrease in Specific Grants		-0.21%
<b>TOTAL GRANT</b>		
	<b>106,589</b>	<b>100,027</b>
Decrease in Total Grant, £000s		<b>-6,562</b>
% Decrease in Total Grant		<b>-6.16%</b>

3.3 As can be seen from the above table the Authority is expected to receive a 6.7% reduction in Formula Grant which will be the same for every Police Authority. However, in terms of the reduction in overall Government Funding, the Authority will be £6,562k worse off in 2012/13, in cash terms, than in 2011/12. This equates to a 6.16% reduction in cash terms even though the Home Office is 'only' having its overall budget reduced by 5% in cash terms.

- 3.4 At this stage it is not possible to determine whether this is specific to Cleveland Police Authority or whether every Police Authority is in the same position.
- 3.5 What is clear however is that while the overall reduction in cash funding to the Police Service is 5%, the reduction being imposed on Cleveland Police Authority is much higher at 6.16%. This 1.16% equates to £1,236k less funding than the Authority would have received if the 5% reduction in the Home Office budget was shared equally amongst all areas covered by the Home Office.
- 3.6 Representations on the Government's proposals should be made by 16<sup>th</sup> January 2011. Any representations received after that date will be passed to Ministers for information but will not be considered for this settlement. Members are asked to approve that the Chairman, in consultation with the Chief Constable, Chief Executive and Treasurer, is authorised to make representations to the Home Office during this consultation period given the higher than 5% cuts the Authority is facing.
- 3.7 While these reductions may appear significantly less than those previously announced Members are reminded that these are cash reductions and as such the real impact of these cuts is significantly higher given that to keep pace with inflation the levels of grant would have been expected to increase during this period.
- 3.8 The announcement stated that *'The funding reductions are challenging, but the Government is confident that forces can make the necessary savings whilst protecting frontline services.'*
- 3.9 The announcement goes on to say *'There are clear indications of how savings can be made in policing without adversely affecting service to the public. Her Majesty's Inspectorate of Constabulary has already challenged forces to drive through efficiencies and shown that savings equivalent to half the grant reduction required nationally, can be achieved by forces just raising their performance to the average of their immediate peers. Through transformational change in the way services are provided, forces can and should take this further, with all forces achieving the efficiency levels of the best forces nationally. Routes open to forces for making improvements include sharing functions with other forces or public services, and working with the private sector.'*
- 3.10 Funding in addition to the Settlement

- Counter Terrorism  
This area has been prioritised and as such £564m (2011-12 - £567m) has been allocated to support counter terrorism policing in 2012/13. Forces will be informed of their individual allocations in January. Currently the Authority receives £1,093k in relation this area.
- PFI Grant  
Specific funding will be given to cover the costs of PFI projects which are currently operational and where Grants are paid in 2011/12. Currently the Authority receives £4,110k in relation to PFI Grants.
- Council Tax Freeze Grant  
The Funding set aside for each year of the CSR period to provide a grant to those Authorities who implemented a Council Tax Freeze in 2011/12 has been confirmed. The allocation to Cleveland Police Authority is the same as that being received in 2011/12 at £800k and was the equivalent of a 2.5% Precept Increase.
- Neighbourhood Policing Fund  
The Neighbourhood Policing Fund specific grant will continue until 2013/14, when directly elected Police and Crime Commissioners will be in place. Funding totalling £338m in 2012/13 will be made available. Approximately 90% of the grant will be ring-fenced for Police and Community Support Officers – contributing up to 75% of their salary costs. The remaining 25% will need to be match-funded by the police, councils, businesses and other organisations. From 2013/14 this grant, which totals £2,948k for Cleveland Police Authority, will be consolidated into Police Main Grant.

### 3.11 Capital

At the beginning of the CSR it was announced that this area of Grant funding would be 55% of its current level nationally by 2014/15 (ie a 45% reduction). The provisional allocations for Cleveland Police were as follows:

- 2011-12            £1.0m
- 2012-13            £1.4m
- 2013-14            £1.3m
- 2014-15            £1.3m

This was in comparison to an annual allocation of £1.6m per annum previously.

- 3.12 The Minister further announced that he was *'minded to amend the capital allocations for police authorities in order to support the establishment of the National Police Air Service. I will consider carefully any representations on this matter before taking my decision in time for the final settlement debate in February 2012. This change would mean that the proportion of police capital that goes to the NPAS would be increased to £10.8m in 2012/13 – £6m more than I suggested this time last year.'*

3.13 Members will be aware that the Authority has recently purchased a new helicopter which was in part funded via a Grant from the Home Office which equated to 40% of the purchase price, this was supplemented with the receipt from the sale of the Authority's old helicopter and finally through borrowing.

3.14 The funding initially set aside for Capital for NPAS was the funding that Authority's would previously have received towards the purchase of a new Helicopter (i.e. the 40% that the Authority received towards its purchase). To now top slice the Authority's Capital Grant, which has already been cut, to aid the purchase of Helicopters else where in the country, after the Authority had to borrow additional funds to purchase its new helicopter, would appear inequitable and therefore an area for further representation to the Minister.

### 3.15 Council Tax Referendums

The Localism Act 2011 includes powers, already used, to abolish capping in England and to introduce arrangements for council tax referendums. A referendum will take place if an authority, including a police authority, proposes a percentage increase in council tax that exceeds the level agreed by the House of Commons. These provisions will be implemented for 2012/13 and the Secretary of State for Communities and Local Government, in consultation with the Home Secretary, has set out the following proposals that they are minded to propose for 2012/13:

- **Council Tax increases would trigger a referendum if they exceed:**
  - 3.5% for most principal authorities
  - 3.75% for the City of London
  - **4% for the Greater London Authority, Police Authorities, and single purpose fire and rescue authorities.**

After considering any representations from authorities the final principles will be set out in a report to the House of Commons which will seek approval for these in parallel with the final report on the Local Government Finance Settlement.

## **4 Implications**

### **4.1 Financial**

Members are asked to note that the impact of this settlement is incorporated in the LTFP update paper that is also on today's agenda.

### **4.2** The key dates in the 2012/13 budget setting process are set out below for Members' information:

- Meeting with Business Sector – February 2011
- Meeting with Local MPs – February 2011
- Staff Associations – February 2011
- Set the Budget 2012/13 – 29<sup>th</sup> February 2011

### **4.3 Diversity and Equal Opportunities**

Diversity considerations are kept under constant review in line with Force policies and 'Putting People First'. There are no issues arising from this report to bring to Members attention.

### **4.4 Human Rights Act**

There are no Human Rights Act implications arising from this report.

### **4.5 Sustainability**

This report is part of the process introduced by the Authority to establish sustainable annual and medium term financial plans and maintain prudent financial management.

### **4.5 Risk**

The funding settlement provides a real risk to the Authority not only in terms of its ability to protect frontline policing and maintain service levels but also in terms of setting a legal budget for 2012/13. While some areas of significant savings have been identified there is still some way to progress to be able to deliver both a budget for 2012/13 and a Longer Term Financial Plan.

## **5 Conclusions**

### **5.1** Members will note that Cleveland received cuts in its funding that have been indicated to be in line with all other Police Authorities. The cuts over the first 2 years of the CSR period will total nearly £12m, from a Cash perspective, and in Real terms are closer to reductions of £17m.

### **5.2** While the overall reduction in cash funding to the Police Service is 5% in 2012/13, the reduction being imposed on Cleveland Police Authority is much higher at 6.16%. This 1.16% equates to £1,236k less funding than the

Authority would have received if the 5% reduction in the Home Office budget was shared equally amongst all areas covered by the Home Office.

- 5.3 The overall settlement provides the Authority with significant financial challenges and represents a significant risk for future service delivery. A more detailed report on the impact of the settlement on the 2012/13 budget and Long Term Financial Plan is also on today's agenda.

**Mr M Porter**  
**Treasurer**