

**Joint Report of the Chief Executive & Chief Constable to the Chair and Members of the Policy and Resources/Corporate Development Panel
22nd July 2009**

**Executive & Presenting Officer: Mrs Ann Hall, Assistant Chief Officer
(Finance & Commissioning)**

Status: For Approval

Long Term Financial Plan Update

1 Purpose

- 1.1 Members approved the 2009/10 Budget and 2010/13 LTFP at their meeting on the 26th February 2009. The LTFP approved at that meeting required savings to be made in 2010/11 and 2011/12 to return the Force to recurring financial balance.
- 1.2 This report is to update Members on developments in the financial position since the plan was approved.

2 Recommendations

Members are requested to note:

- 2.1 The contents of the report.
- 2.2 The continuing process to deliver a balanced budget for 2010/11 and beyond.
- 2.3 That briefings will be arranged during the development of the Long Term Financial Plan and the 2010/11 budget, before Members are asked to approve the budget for 2010/11.
- 2.4 That final proposals will be brought to the February Police Authority Executive Meeting for Members' consideration and decision.

- 2.5 Members are asked to approve the setting of a challenging efficiency target for the Force for the 2010/11 budget. It is recommended that the revised cashable savings target of £2,520k in the Long Term Financial Plan represents a challenging target.

3 Reasons

3.1 Summary

Members approved the 2009/10 Budget and 2010/13 LTFP at their meeting on the 26th February 2009 which required the development of savings to enable a balanced budget to be delivered for the years 2010/11 and 2011/12.

- 3.2 The position at February was as set out in the table below.

Position as per 2009/13 LTFP	2010/11	2011/12	2012/13
	£000s	£000s	£000s
Savings Target in February 2009/13 LTFP	1,100	2,700	2,590

- 3.3 Since the approval of the 2009/10 budget and the 2010/13 LTFP additional pressures have emerged creating greater risk around the delivery of a balanced position in future years. Some additional savings have been identified and agreed by the Chief Constables Executive Team, others have been proposed and further work will be done over the coming months to move these from proposals to deliverable savings. While considering these proposals and drawing up further proposals to meet these pressures the emphasis will remain on front line policing and improved performance.

- 3.4 Members should note that whilst the table below shows a LTFP that is balanced throughout, and if delivered will provide a recurring balanced financial position by 2012/13, there is still a significant amount of work to do to deliver this. The current position is as per the table below.

Summary	2010/11	2011/12	2012/13
	£000s	£000s	£000s
Savings Target in February 2009-13 LTFP	1,100	2,700	2,590
Income Pressures	320	320	320
Excess Inflationary Pressures	0	0	0
Technical Adjustments/Other Pressures	1,100	1,100	1,100
Developments	0	0	0
Revised Savings Target	2,520	4,120	4,010
Agreed Reductions/Contributions	(1,300)	(1,440)	(1,665)
Savings Target after Agreed Contributions	1,220	2,680	2,345
Expected Reductions/Contributions	(445)	(670)	(350)
Savings Target after Expected Contributions	775	2,010	1,995
Riskier Reductions/Contributions	(775)	(2,010)	(1,995)
(Surplus)/Deficit after Riskier Contributions	0	0	0

3.5 A detailed exposition of the current position is given below for Members' consideration.

3.6 Grant

Members will recall that the Government announced a three year settlement in December 2007. The settlement provided firm figures for 2008/09 and indicative allocations for 2009/10 and 2010/11.

3.7 In November 2008, the Minister of State for Local Government confirmed the figures for 2009/10 and provisional figures for 2010/11. In both years these were the same as expected.

3.8 The economic landscape has changed significantly since November 2008 and we await confirmation of whether the provisional figures for 2010/11 remain in place. These provisional figures provide for a 2.5% increase in Grant in comparison to the amount to be received in 2009/10.

3.9 While the levels of Grant for 2010/11 are expected to be confirmed in November/December 2009 there is likely to be little clarity for future years. The next Comprehensive Spending Review is expected in October 2010 which is expected to provide details of the indicative financial settlements for the years 2011/12 to 2013/14. At this stage we have assumed that Grants will continue to increase at a rate of 2.5% per year.

3.10 Precept

Members approved an increase in Precept, when setting the budget for 2009/10, of 4.95%. This updated plan assumes that this level of precept will continue to be applied for the life of this plan which is as per the 2010/13 LTFP that Members previously approved.

3.11 If increases in Council Tax were to be capped below the 4.95% assumed within this plan, for example at 3% for each of the years within this plan, then the impact on the funding available to Cleveland Police Authority would be reductions of:

- £600k in 2010/11
- £1,250k in 2011/12
- £1,950k in 2012/13

3.12 Pressures

The LTFP approved by Members on 26th February 2009 was approved with a requirement to deliver recurring savings to balance future years of the plan. However, since that plan was approved the tightening economic climate and a number of significant pressures have emerged. A schedule of all the pressures is set out in the table below for Members information.

Pressures	2010/11	2011/12	2012/13
	£000s	£000s	£000s
Income Pressures			
Continued Reduction in Interest Rates	320	320	320
	320	320	320
Technical Adjustments/Other Pressures			
Review of IPLDP savings	950	950	950
NSPIS Case and Custody Funding Reduction	150	150	150
	1,100	1,100	1,100
Total Pressures	1,420	1,420	1,420

3.13 Interest Rates

Since the 2009/13 LTFP was approved interest rates have fallen to 0.5%. This is 1% lower than when the plan was set. In addition to this there appears no sign of interest rates increasing in the short term therefore the forecast interest we will receive on the investment of our surplus cash balances has been reduced to reflect this.

3.14 IPLDP (Initial Police Learning and Development Programme) (or Project T) Savings

Savings of £950k were built into the LTFP on the expectation that we could reduce the amount of time probationers spent being trained by the Force whilst we were paying them. The premise being that if we reduced the current 40 weeks of training to 30, and the first 10 weeks of training were undertaken by the students themselves then we would save money. However, the students would still be available to the front line at the same time (after 40 weeks) although they would technically become an employee of Cleveland Police 10 weeks later than is currently the case and this would result in an increased vacancy rate for the Force. It is the increased vacancy rate that generates the cashable savings, rather than the cutting of costs.

We will therefore pursue this option on the lines of efficiency but remove the savings from the plan. Savings have been replaced by an increased Police Officer vacancy rate. The monetary value of that effect is at a lower value, reflecting the lower level of probationer recruitment than was anticipated when the work on IPLDP (Project T) was begun.

3.15 NSPIS Case and Custody

The NPIA have insufficient funds to continue to support NSPIS Case and Custody at the levels that they previously did. In 2009/10 Forces are expected to pick up a bill of just under £5m in relation to the support of this system. Our share of this is £160k. The overall costs are expected to increase significantly in 2010/11 and our share is expected to increase to £440k (we have budgeted £290k) and therefore if the full extent of the costs are passed to us we will need an additional £150k to meet our share of the support costs.

3.16 Members are asked to note that there is no capacity within this plan for any internally generated growth or any growth that is imposed on Cleveland Police through the implementation of National Initiatives.

3.17 Savings

In order to deliver a balanced budget in 2010/11 and a LTFP that is in recurring balance a programme of potential savings has been identified. These savings are currently split into 3 areas as detailed in the table in 3.18:

- Agreed reductions/contributions
- Expected reductions/contributions
- Riskier reductions/contributions

The Chief Constables Executive Team has signed up to the agreed reductions/contributions, whilst further work will be required for those savings currently highlighted as 'Expected' and 'Riskier' before they can progress into the agreed category. A LTFP Savings Group will be established to oversee and drive through these savings. Members will be informed of the progress made in the delivery of these proposals at future briefings prior to the setting of the 2010/11 budget. The LTFP Savings Group will work to deliver the savings required to maintain financial stability for the Force whilst maintaining the emphasis on front line policing and improved performance.

3.18 Savings Proposals

Savings Proposals	2010/11	2011/12	2012/13
Agreed Reductions/Contributions	£000s	£000s	£000s
Procurement Cashable Savings Target	(200)	(250)	(300)
Lower PFI Unitary Charges	(200)	(200)	(200)
Review Injury/Medical Retirement Pensions	(50)	(100)	(150)
Project I	(350)	(350)	(350)
Income changes	(500)	(540)	(665)
Total Agreed Reductions/Contributions	(1,300)	(1,440)	(1,665)
Expected Reductions/Contributions			
Reduction in Police Officer Allowances		(200)	(205)
Volunteers	(45)	(45)	(45)
Contributions from General Fund	(300)	(325)	0
Uniforms/Occupational Health	(100)	(100)	(100)
Total Expected Reductions/Contributions	(445)	(670)	(350)
Riskier Reductions			
Further Savings to be Generated in 2009-10		(475)	
Reduce capacity for Medical Retirements		(225)	(300)
Planned Maintenance		(150)	(150)
Police Officer Vacancy Rate increased to 1.5%	(425)	(435)	(445)
Non-pay inflation frozen across the plan	(350)	(725)	(1,100)
Total Riskier Reductions	(775)	(2,010)	(1,995)
Total Savings Proposals	(2,520)	(4,120)	(4,010)

4 Productivity & Efficiency

- 4.1 Under the National Productivity & Efficiency Strategy, the Home office is accountable for the delivery of 9.3% cashable efficiency gains over 3 years to March 2011. Whilst individual force targets have been set at local level, Police Authorities are responsible for setting "ambitious local targets" (Audit Commission), and holding forces to account for delivery. The current national target period ends at the end of financial year 2010/11, at the end of the current comprehensive spending round.
- 4.2 In the development of the 2008/09 budget, £2,411k cashable savings were realised, and 2009/10 £2,925k will be realised. The 2010/11 target of £2,520k brings the cashable efficiency savings to £7,856k over the life of the current CSR.

5 Implications

5.1 Finance

There are no financial implications other than those mentioned above.

5.2 Diversity & 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.

5.3 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.

5.4 Risk

If the savings required to deliver a balanced budget for 2010/11 and for the LTFP 2011/14 are not achieved then this could impact on the focus on front line policing and performance improvement.

6 Conclusion

- 6.1 The tightening economic climate and the emergence of a number of very significant pressures have created greater risk around the delivery of a balanced position in future years. Updated proposals to deliver a balanced budget for 2010/11 and beyond will be brought to Members briefings before being tabled at the February meeting for Members' consideration and decision.

Chief Executive

ChiefConstable