

**AVON AND SOMERSET POLICE AND CRIME COMMISSIONER**

**JOINT FINANCE MEETING**

**25<sup>th</sup> November 2015**

**OPCC BUDGET MID YEAR REPORT – including key finance issues, the 2015/16 OUTTURN AND DRAFT BUDGET FOR 2016/17**

**REPORT OF THE CHIEF FINANCE OFFICER (“CFO”) OF AVON & SOMERSET POLICE AND CRIME COMMISSIONER (“PCC”)**

**PURPOSE OF THE REPORT**

1. This report sets out the budget issues for the PCC and focuses on the outturn position for the Office of the PCC (“OPCC”) in 2015/16 and a proposed budget for the OPCC in 2016/17.

**THE KEY FINANCE ISSUES FOR AVON & SOMERSET PCC**

2. **Strategic funding issues – Medium Term Financial Plan (“MTFP”), CSR and police funding formula**

Details of our medium term financial planning is covered in separate papers and the PCC and Chief Constable are working to address the forecast increase in funding deficits in the coming years, caused by the impending CSR reductions to main police grant, a proposed new police funding formula and increasing costs (especially payroll and payroll tax related). In summary the key issues are:

**2.1 CSR**

Savings have already been made since 2010 in excess of £58 million and another £10 million is planned in the next 4 years. The current MTFP forecast identifies a further deficit of £30 million to be addressed by the next stages of savings programmes over the next four years. This is challenging after the reductions already made in headcount (including over 500 police officer posts) and the reductions in overheads including estates.

The forecast deficit of £30 million is based on a 25% real terms cut (20% cash cut) to our main grant funding. This will be partly offset by a proposed rise in the precept. However as the precept contributes 1/3 of the total PCC funding it cannot offset a large cut to the other 2/3.

**2.2 CSR response**

The PCC and Chief are now working on: HR plans to further reduce officer and staff numbers; better understanding of demand and review of the deployment of officers and staff; greater collaboration with other forces including a strategic alliance with Wiltshire police and PCC; delivering efficiency from new technology and further risk-based consideration of what the Constabulary can deliver with less resources.

Reserves

Funding the change required to meet the funding challenge will draw heavily on the PCC's reserves. These are forecast to reduce by the end of March 2016 from £60 million to circa £40 million following significant use of capital reserves funding technology and estates projects to reduce overheads and increase efficiency. These £40 million reserves left will comprise £22 million of discretionary or general fund reserves. (The other £18 million are earmarked for specific purposes or are capital reserves). The PCC will ensure the appropriate controls over these useable reserves and ensure best return from their investment.

### **2.3 Police funding formula**

The Home Office have abandoned plans to implement a new police funding formula for 2016/17 and have deferred this until 2016/17.

Avon & Somerset have lost over £110 million that the force has been assessed to need over the last 8 years via damping of the old police formula.

The new proposed formula was not supported by many PCCs as it had no weighting for crime, makes a very low weighting for population (30%) and a high weighting for deprivation (70% across three indicators). The low weighting to population and zero for crime render the proposed formula underweight in the main driver of demand arising from both crime and non-crime related incidents. The PCC has responded strongly to the consultation.

### **3. Precept 2016/17**

Last year, the PCC increased the policing precept by 1.99% for 2015/16 to £174 per band D household which is the median level amongst PCCs in England.

The current proposal for 16/17 precept is a further increase of 1.99% to £178 per band D household. This is subject to ongoing review by the PCC and could change if the amount of increase that would trigger a referendum ("cap") is raised above 2% by the Government.

### **4. OPCC Outturn 2015/16**

The PCC is forecasting to spend her core office and commissioning budgets as set out in more detail in this report. These OPCC budgets represent very small fractions of the total policing budget for Avon & Somerset - 0.5% (office) and 1.2% (3<sup>rd</sup> party commissioning). Where possible, underspending areas have been cashed as savings for 2016/17 to cover expected cost increases from funding the Police ICT co and national pay awards.

A small underspend in commissioning is forecast which will be taken to the Victims and commissioning reserve to support activity that may be agreed with the new PCC in 2016.

### **5. OPCC Commissioning and Grants 2015/16**

5.1. The PCC's victims services commissioning, community safety and other grants budget for 2015/16 was agreed as £3.2 million and is based on the new MoJ funding for Victims services and the continuation of Home Office funding

previously given to Local Authorities for community safety, Youth Offending Teams, Positive Futures and Drugs and Alcohol Teams.

#### 5.2. Grants and commissioning - Outturn 2015/16

The PCC has commissioned projects and services to £3.1 million of the planned spend (97%) and as published on the PCC website. The summary items are:

- Drugs & Alcohol referral services = £730k
- Youth Offending and Appropriate Adults services = £257k
- Victims services including ISVA and SARC services for victims of sexual violence/abuse = £1,525k
- Grants to community safety partners and projects = £602k

### 6. OPCC Commissioning and Grants budget 2016/17

The PCC is considering the following £3.2 million net budget for third party commissioning and grants in 2016/17:

- Drugs & Alcohol referral services = £730k
- Youth offending and Appropriate Adults services = £257k (*note 1*)
- Victims services including ISVA and SARC services for victims of sexual violence/abuse = £1,617k
- Grants to community safety partners (CSPs) = £602k (*note 1*)

The Victims services budget in 2015/16 and 2016/17 is supported by £1,736,000 new funding from the MoJ for victims services of which £1 million is a fixed contribution to the new IVC Lighthouse service provided by the Constabulary and the balance used to part-fund the OPCC commissioned, specialist emotional support and victim advocacy services. The MoJ have not yet confirmed continuity of this funding for 2016/17.

*(note 1) Grants to CSPs and youth offending teams will focus more on prevention activity and may be subject to cuts in line with the eventual CSR reductions to be announced at the end of November.*

### OFFICE OF THE PCC BUDGET 2017/18

7. The PCC set a budget for 2015/16 of £1.38 million which has been reduced from the level inherited by the Commissioner from the Police Authority in 2012 (£1.41 million).
8. The PCC has not appointed a Deputy during her first term.
9. The OPCC's out-turn spend in 2015/16 is forecast to be on budget at £1.38 million. Funding of exceptional legal costs relating to the former chief Constable has been met from reserves.
10. The latest (October 2015) HMIC value for money profiles show that the Avon & Somerset PCC's Office delivers high value for money with a very low cost per head of population is 84 pence/person per annum. The average across all PCC's offices is 119 and the average for the 'most similar group' is 111 pence/person.

11. Applying the 119 pence/head average cost to Avon & Somerset's 1.65 million population would generate an OPCC annual cost of £1.96 million. The Avon and Somerset PCC office is currently costing just below £1.4 million per annum which is saving over half a million pounds (over 25% less) compared to the average Office of PCC in England & Wales.
12. The PCC proposes to retain the same overall OPCC budget in 2016/17, despite the OPCC absorbing new charges for contributing to the national Police ICT co. (£25k).

**OPCC Outturn 2015/16 and draft budget 2016/17 by key area, is as follows:**

<b>Cost Area</b>	<b>Budget 2015/16</b>	<b>Outturn 2015/16</b>	<b>Draft Budget 2016/17</b>
1. Staff costs incl. PCC and training.	985	962	977
2. Transport & travel	27	19	18
3. Audit, annual accounts and joint audit committee	136	129	131
4. Subscriptions: APCC, APACE, PaCCTS, ICT co	35	25	55
5. Communications, media, PR	55	55	55
6. Treasury mngt	62	62	62
7. Legal & other fees	30	79	35
8. Office stationary, ICT, events	35	35	33
9. Custody visiting & volunteers	16	15	15
<b>Total</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>

**RECOMMENDATIONS and ACTION**

13. Members of the Joint Finance Meeting are invited to review and discuss the issues in this report, the OPCC budget outturn for 2015/16 and the proposed budget for 2016/17.

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