



Redacted by virtue of the provisions of the Local Government Act 1972

REPORT OF THE CHIEF FINANCIAL OFFICER

● **Draft Revenue Budget 2012/13 to 2015/16**

Finance & General Purposes Committee version dated 9th February 2012

Recommendation

Members of the Finance and General Purposes Committee are asked to recommend to the Police Authority the proposals set out in this report which requires a revenue budget of £95.698 million, which results in a Council Tax precept of £198.54 (£189.09 in 2011/12) for a Band D property, which equates to a 5.00% Council Tax increase for 2012/13.

Chief Financial Officers Budget Statement

The budget of the Police Authority is a public statement of intent against which the organisation will be held publicly accountable for its actual performance. Budgeting in the public sector is a challenging task with service demands and new policy initiatives frequently running ahead of finite funding streams.

The Authority faced unprecedented Public Sector spending cuts of 5.1% in 2011/12 and faces a further 6.7% reduction in 2012/13. The force is seeking to mitigate cuts on the front line by identifying savings initiatives to achieve a balanced budget and by requesting a precept increase in 2012/13 which complies with capping guidance and supported by public opinion.

This report provides details of the final settlement for 2012/13; an assessment of the cost consequences of unavoidable commitments; assumptions made in setting the draft 2012/13 to 2015/16 revenue budget and states the council tax precept required to achieve the net revenue budget requirement for 2012/13 with indicative precept figures for 2013/14 to 2015/16.

Net Revenue Budget Requirement 2012/13

The draft budget proposals for 2012/13 require a net revenue budget requirement of £95.698 million (£97.337 million in 2011/12) which is a 1.68% decrease on 2011/12.

Council Tax Position 2012/13

In order to fund this budget requirement there is a council tax funding requirement of £41.658 million resulting in a council tax increase of 5.00%. Based on a Band D property this equates to £198.54 compared to £189.09 in 2011/12; an increase of 18p per week.

The force currently has a savings target of £7.611m for the period 2012/13 to 2015/16. This is in addition to the £5.074 million of cost reductions delivered in 2011/12 and £798k in 2010/11, making a total of £13.483m over the period to 2015/16. A reduction of 1% in the requested council tax precept would increase this funding gap by £395k on a recurring basis and jeopardise the achievement of the savings plan which in turn will impact on front line policing. Deliverability of the savings plan has to be considered risky in view of all factors.

The Welsh Government has decided not to give local authorities the additional “one off” grant from the UK Government to freeze council tax, in favour of measures that will support jobs and the wider economy.

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Dyfed Powys Police Authority is however hugely conscious of pressures on household budgets and will seek to act prudently and responsibly in this tough economic climate. The WLGA has stated that while households in Wales are likely to face some increase in their council tax they predict that these will be at a ten year low in 2012/13.

A summary revenue account and detailed variation statement which shows a breakdown of cost increases into various categories are attached at [Annex 1](#) and [Annex 2](#) respectively.

Andrew Bevan – Chief Financial Officer

Provisional Settlement 2012/13 and funding allocations to 2015/16

On the 13th December 2010, the Minister for Policing and Criminal Justice, Nick Herbert announced details of the aggregate amount of grant available for Police Authorities in England and Wales for 2011/12 together with an indication of how Home Office funding would be allocated for the years 2012/13 to 2014/15. This was accompanied by announcements by the Department for Communities and Local Government (DCLG) and the Welsh Assembly Government (WAG) which sets out funding proposals for 2011/12 and 2012/13.

To ensure a simple, transparent and equal share of reductions, every police authority will see a cash reduction in funding 6.7% in 2012/13 (5.1% in 2011/12) and to core grant received from the Home Office, DCLG and WAG. This equates to a loss in grant of £3.9 million in cash terms for 2012/13.

The Authority received confirmation of the provisional settlement on the 8th December 2011 which is consistent with that previously received.

At the National Directors conference held on the 10th November 2011, a Home Office official confirmed that the settlement for 2012/13 was very likely to remain at a reduction of 6.7%

- Neighbourhood Policing Fund

The Minister has confirmed that he will continue to provide specific Neighbourhood Policing Fund for the first two years of the settlement period. This recognises that Neighbourhood Policing provides a dedicated, consistent and visible presence in communities. From 2013/14 this will be rolled into the formula and Police and Crime Commissioners will have full discretion over this funding, recognising their accountability to the communities they serve.

- Police Community Support Officers Welsh Government Funding

The Welsh Government has committed to providing funding for an additional 500 PCSO's across the four Welsh police forces and British Transport Police over the period 2011/12 to 2014/15. Dyfed Powys Police will receive funding for 68 additional PCSO's during this period which will be recruited by August 2012.

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- Police and Crime Commissioners election

Funding of £50 million for the election of Police and Crime Commissioners will be made available to authorities in 2012/13. According to Mr Herbert, "the amount was specifically included in the police settlement and therefore had no impact on allocations to forces". No further details are available at present.

- Capital grant

Capital funding will increase to £125 million in 2012/13 (£85 million in 2011/12 that was a 60% reduction from 2010/11 levels) before being reduced to £115 million in 2013/14 and 2014/15. Amounts for the National Police Air Service and Special Capital Grant will remain static throughout the period. In 2011/12 an additional £4million for the National Police Air Service and £1 million for Special Capital Grant was provided.

- Revenue Grant 2013/14 to 2015/16

Decisions on floor funding or damping support for the last two years of the settlement 2013/14 and 2014/15 have not been announced as these have not been decided

upon by Ministers. The Home Office has confirmed that it is the Home Secretary's intention to look again at damping arrangements for 2013/14 and 2014/15 and review the formal allocation. This would have material consequences for Dyfed Powys Police as we currently receive £9m in damping funding.

Dyfed Powys Provisional Settlement 2012/13 and funding allocations to 2015/16

Revenue Grant 2012/13 and indicative allocations to 2015/16

The Provisional Settlement 2012/13 will see Dyfed Powys Police core grants reduce by 6.7% in 2012/13 (5.1% in 2011/12), in common with all other police authorities in England and Wales. This equates to a loss in core grants of £7.012 million over the period 2011/12 and 2012/13. This is in addition to the £798k lost from revenue as a result of the emergency budget announcement in June 2010. Indicative figures are provided for 2013/14 to 2015/16.

The revenue grant for Dyfed Powys Police is allocated as follows:

| Funding Source | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Police Grant | 30,850 | 30,998 | 31,608 | 29,388 | 31,095 | 30,500 | 30,500 |
| Floor Grant | 5,674 | 6,440 | 9,200 | 9,000 | 6,634 | 5,639 | 4,500 |
| Revenue Support Grant | 2,541 | 2,267 | 3,714 | 15,652 | 15,445 | 15,237 | 15,237 |
| NNDR | 15,362 | 16,083 | 13,401 | | | | |
| Rule 2 Grants | 3,265 | 2,765 | 0 | 0 | 0 | 0 | 0 |
| Crime Fighting Fund | 2,289 | 2,289 | 0 | 0 | 0 | 0 | 0 |
| Basic Command Unit | 217 | 217 | 0 | 0 | 0 | 0 | 0 |
| Neighbourhood Policing Fund | 1,595 | 1,595 | 1,595 | 1,595 | 0 | 0 | 0 |
| Total Government Funding | 61,793 | 62,654 | 59,518 | 55,635 | 53,174 | 51,376 | 50,237 |

Rule 2 special formula grants, the Crime Fighting Fund and Basic Command Unit Grant were consolidated into the police funding formula from 2011/12.

The Minister has confirmed that he will continue to provide specific Neighbourhood Policing Fund for the first two years of the settlement period.

Neighbourhood Policing

The Authority will also receive a grant totalling £7.258m from the Welsh Government for an additional 74 PCSO's over the period 2011/12 to 2015/16:

| Funding Source | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Total |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Recurring Costs</u> | | | | | | |
| Salaries and on-costs | 123 | 1,768 | 2,303 | 2,436 | 0 | 6,629 |
| Mobile Data | 10 | 24 | 26 | 26 | 0 | 86 |
| Airwave | 5 | 13 | 14 | 14 | 0 | 47 |
| Total Recurring Costs | 138 | 1,804 | 2,344 | 2,476 | 0 | 6,763 |
| <u>Non Recurring Costs</u> | | | | | | |
| Redundancy costs | 0 | 0 | 0 | 0 | 296 | 296 |
| Set up costs | 87 | 112 | 0 | 0 | 0 | 200 |
| Total Non-Recurring Costs | 87 | 112 | 0 | 0 | 296 | 496 |
| Total Expenditure | 226 | 1,917 | 2,344 | 2,476 | 296 | 7,258 |
| Total Income | (226) | (1,917) | (2,344) | (2,476) | (296) | (7,258) |

The recruitment profile for these 74 PCSO's is:

| Date | Number |
|---------------|---------------|
| November 2011 | 7 |
| February 2012 | 18 |
| April 2012 | 18 |
| July 2012 | 18 |
| October 2012 | 13 |
| | 74 |

The funding provided in 2015/16 is to cover potential redundancy costs.

Capital Grant 2012/13 and indicative allocations to 2015/16

Under the provisional settlement the Authority will receive an additional £0.200 million in the 2012/13 capital grant allocation:

| Funding Source | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| | £'m | £'m | £'m | £'m | £'000 |
| Capital Grant | 0.6 | 0.8 | 0.7 | 0.8 | 0.9 |

Dyfed Powys Final Settlement 2012/13

The Authority received notification from the Minister of Social Justice and Local Government confirming the provisional police settlement for the Welsh Police Authorities in 2012/13 on the 8th December 2012. The final police settlement was announced on the 1st February 2012 with no change from the provisional settlement.

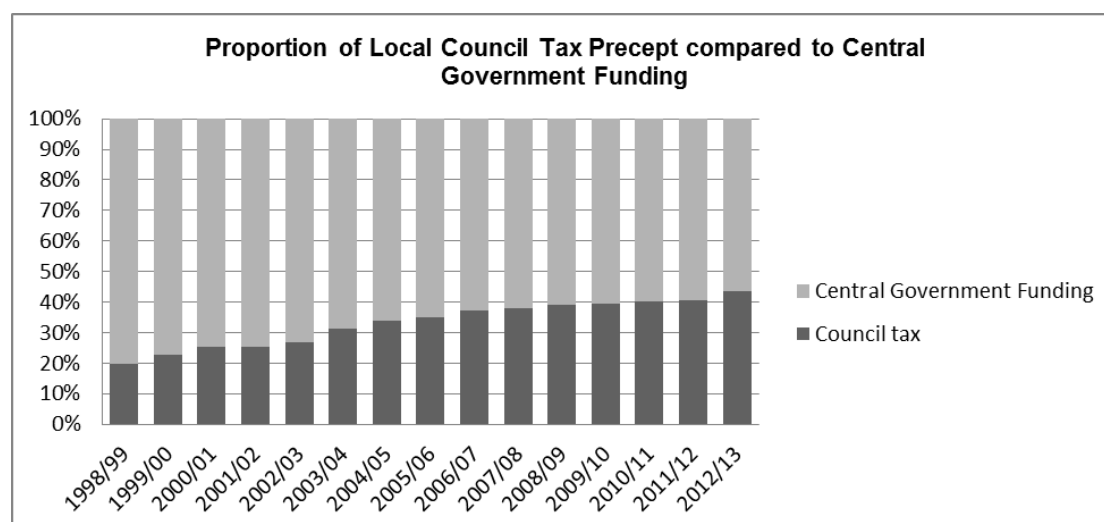
Council Tax Base

The Council Tax Base is defined as the number of Band D equivalent properties in a local authority's area. The average Council Tax base increase on 2012/13 is 0.66% as illustrated in the graph below.

| Council Tax Base | | | |
|-------------------------|-------------------|-------------------|-----------------|
| | 2011/12 | 2012/13 | Increase |
| Council | Final | Final | |
| Carmarthenshire | 67,590.61 | 67,944.43 | 0.52% |
| Ceredigion | 30,008.69 | 30,161.68 | 0.51% |
| Pembrokeshire | 52,284.47 | 52,653.62 | 0.71% |
| Powys | 58,555.68 | 59,062.66 | 0.87% |
| Total | 208,439.45 | 209,822.39 | 0.66% |

Council Tax Precept Income

The draft proposals set out in this report require council tax precept income of £41.658m. It can be seen that 20% of the net budget requirement was funded by council tax in 1998/1999 compared to 44% in the draft proposals for 2012/13.



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Financial Assumptions

Detailed work has now been carried out to arrive at a budget for 2012/13 and indicative budgets for 2013/14 and 2015/16.

The following basic pay award and inflation assumptions have been assumed in budget calculations:

| Funding Source | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|---------|----------------|-----------------|-----------------|
| Grant Funding | (6.70%) | (1.60%) | (3.38%) | (2.22%) |
| Pay inflation | | | | |
| Police Officers | 0% | 7 months at 1% | 12 months at 1% | 12 months at 1% |
| Police staff | 0% | 7 months at 1% | 12 months at 1% | 12 months at 1% |
| Other inflation | | | | |
| Inflation – Utilities | 5% | 5% | 5% | 5% |
| Inflation – Fuel | 5% | 5% | 5% | 5% |
| Inflation – Other non-pay and non-grant income | 2.5% | 2.5% | 2.5% | 2.5% |
| Pay and Conditions Review | 0% | 0% | 0% | 0% |

These other inflation assumptions are consistent with those incorporated in the ACPO “National Financial Picture – progress update” report.

Police Reform & Social Responsibility Act 2011

The Police Reform and Social Response has been considered in terms of possible financial implications and risk. It however difficult to plan for this financially, as the implications are still uncertain. It has therefore been assumed in these budget projections that this is cost neutral.

Pay Cost Pressures

Pay Increase 2011/12

Police Officers and Police Staff

The Chancellor of the Exchequer in his Autumn Statement set public sector pay awards at an average of 1% for each of the two years after the current pay freeze comes to an end in September 2013.

| 2012/13 | | | | 2013/14 | 2014/15 | 2015/16 | TOTAL |
|---|------------------|--------------|--------|------------------|--|--|------------------|
| Cost Pressure | Increase (£'000) | % Budget | % Cum | Increase (£'000) | Increase (£'000) 1 st April 2014 to 31 st August 2014 | Increase (£'000) 1 st April 2015 to 31 st August 2015 | Increase (£'000) |
| Police Officer pay increase - April to August | 0 | 0.00% | -4.68% | 0 | 212 | 216 | 428 |
| Police Staff pay increases - April to August | 0 | 0.00% | -4.68% | 0 | 95 | 92 | 187 |
| Total Increase | 0 | 0.00% | | 0 | 307 | 308 | 615 |

Pay Increase 2012/13

Police Officers and Police Staff

| 2012/13 | | | | 2013/14 | 2014/15 | 2015/16 | TOTAL |
|--|------------------|--------------|--------|--|--|--|------------------|
| Cost Pressure | Increase (£'000) | % Budget | % Cum | Increase (£'000) 1 st Sept 2013 to 31 st March 2014 | Increase (£'000) 1 st Sept 2014 to 31 st March 2015 | Increase (£'000) 1 st Sept 2015 to 31 st March 2016 | Increase (£'000) |
| Police Officer pay increase - September to March | 0 | 0.00% | -4.68% | 297 | 301 | 305 | 903 |
| Police Staff pay increase - September to March | 0 | 0.00% | -4.68% | 129 | 129 | 131 | 389 |
| Total Increase | 0 | 0.00% | | 426 | 430 | 436 | 1,292 |

Police staff earning less than £21,000 per annum

The emergency budget in June 2010 stated “the Government announces a two year pay freeze for public sector workforces, except for workers earning less than £21,000 a year who will receive an increase of at least £250 per year in these years”.

The Association of Police Authorities (APA) wrote in October 2011 stating that the Trade Union Side (TUS) had made a pay claim to the Police Staff Council (PSC) for a £250 flat rate increase on all PSC pay points and the deletion of the lowest pay point on the PSC pay point. The claim was likely made in response to the government’s policy announcement in the 2010 Budget of a £250 pay rise for any public sector worker earning under £21,000. The constituent Members on the Employer Side of the PSC have considered the claim and are minded to grant all police staff workers earning under £21,000 a one-off, non-consolidated payment of £250. The Employer Side are writing to the TUS to advise of the decision.

Since this correspondence was issued a number of technical queries have been raised with the APA which has been fed to the Employer Side Secretariat for clarification.

The original Government announcement stated that the £250 will be payable for each of the two years for which a pay freeze will apply. Provision was made for the two years of this payment in 2011/12.

Pay increments

Police Officers

Winsor has recommended that Police officers incremental progression should be suspended for a two-year period commencing September 2011 with the exception of police constables on the bottom three spine points for the rank. This requires additional budget of £185k.

Police Staff

For Police Staff, progression through a scale will normally be by one pay point each year subject to satisfactory performance. Annual increments will be paid on 1st April of each year, subject to the maximum of the grade.

Where the member of staff is regraded, appointed to a new post or commences after 1st October of any year, then the first increment will be paid six months after the date of change and thereafter on 1st April, subject to the maximum of the grade.

A package of proposals has been negotiated with UNISON which includes a revision to the police staff salary scales resulting in all staff reducing one spine point in April 2013. This £380k saving is incorporated into the cost reduction plane.

| 2012/13 | | | | 2013/14 | 2014/15 | 2015/16 | TOTAL |
|---------------------------|------------------|--------------|--------|------------------|------------------|------------------|------------------|
| Cost Pressure | Increase (£'000) | % Budget | % Cum | Increase (£'000) | Increase (£'000) | Increase (£'000) | Increase (£'000) |
| Police Officer Increments | 185 | 0.19% | -4.49% | 170 | 200 | 200 | 755 |
| Police Staff Increments | 155 | 0.16% | -4.33% | 158 | 154 | 151 | 618 |
| Total Increase | 340 | 0.35% | | 328 | 354 | 351 | 1,373 |

Winsor Review of Remuneration and Conditions of Service

The Winsor review is an independent review of Police Officer and Staff remuneration and conditions which came within the remit of the Police Negotiating Board (PNB), commissioned by the Home Secretary on the 1st October 2010 and conducted by Mr T.P. Winsor, to be reported in two parts. The first part of the review was published on the 8th March 2011. In accordance with the terms of reference set by the Home Secretary, the report focused on short term reforms. In particular, the report covered:

- The deployment of officers and staff (including allowances, payments for overtime, and for assisting other police forces);
- Incremental progression in the pay scales for all officers up to the rank of Deputy Chief Constable and bonuses for senior officers;
- Post and performance related pay (including special priority payments, competency related threshold payments and a proposed Expertise and Professional Accreditation Allowance)
- How officers leave the police service.

The Police Arbitration Tribunal was convened to consider a failure to reach agreement between the two sides of the Police Negotiation Board and its Standing Committees on certain recommendations arising from Part One of the review.

The decision of the Police Arbitration Tribunal was published in January 2012 and has the following recurring cost implications in 2011/12 for the Authority:

| Winsor Recommendation | Cost Implication |
|--|------------------|
| | £'000 |
| Recommendation 2 – Police constables, sergeants, inspectors and chief inspectors should receive an additional 10% of their basic pay, on an hourly basis, for hours worked between 8:00pm and 6:00am (non-pensionable). | 1,450 |
| Recommendation 6 – Determination Annex G, made under Regulation 25 of the Police Regulations 2003, should be amended to replace time and a third premium pay for casual overtime with plain time. The minimum hours for being recalled between duty should be abolished and instead paid at plain time for the hours worked, with travelling time. | (15) |
| Recommendation 7 – Determination Annex H, made under Regulation 26 of the Police Regulations 2003, should be amended to remove double time premium pay and the notice period of five days for working on a rostered rest day. Time and a half premium pay should be payable for working on a rostered rest day with fewer than 15 days' notice. | (22) |
| Recommendation 8 – Determination Annex H, made under Regulation 26 of the Police Regulations 2003, should be amended to allow the payment of overtime at double time for 25 December and seven other days chosen for the next financial year by the officer before 31 January. Cancellation with fewer than 15 days' notice should require the authority of an Assistant Chief Constable. | (250) |
| Recommendation 25 – The chief officer bonus scheme should be suspended for a two-year period commencing September 2011. | (20) |
| Recommendation 27 – The bonus scheme for superintendents and chief superintendents should be suspended for a two-year period commencing September 2011. | (10) |
| Recommendation 33 – Special Priority Payments should be abolished from 31 August 2011 and all outstanding SPPs up to that date should be paid on a pro-rated basis. | (625) |
| Recommendation 48 – Officers maternity entitlement should increase from 13 weeks at full pay to 18 weeks at full pay, with officers having the option, with the agreement of their chief officer, to spread the final five weeks of maternity pay over 10 weeks at reduced rate. | 15 |
| Total Cost | 523 |

| 2012/13 | | | | 2013/14 | 2014/15 | 2015/16 | TOTAL |
|------------------------|------------------|----------|--------|------------------|------------------|------------------|------------------|
| Cost Pressure | Increase (£'000) | % Budget | % Cum | Increase (£'000) | Increase (£'000) | Increase (£'000) | Increase (£'000) |
| Winsor Recommendations | 523 | 0.54% | -3.80% | 0 | 0 | 0 | 523 |

Police Officers Pension Scheme

An actuarial valuation of the Police Pension Scheme 1987 (PPS) and the New Police Pension Scheme 2006 (NPPS), led by the Government Actuary's Department (GAD) commenced in 2008. This is the first formal triennial valuation of its kind for the police pension scheme.

The valuation forms an essential part of the new police pension financing arrangements introduced on 1 April 2006, and ensures that the cost of the scheme can be adequately met by the contribution rates paid by both officers and police authorities. An interim valuation led to the reduction of the employer contribution rate from 24.6% to 24.2% from 1st April 2008.

The Home Office announced on the 30th January 2012 that contributions payable by police officers will increase with effect from the 1st April 2012. The relevant regulations will be amended, subject to the relevant Parliamentary procedure, in order that the changes take effect from that date. The employer contribution rate does not however change as a result of these intended regulation amendments.

Police Officer Pension Contributions and Inflation

Inflation in respect of the Police Officers Pension Scheme and pension benefits has the following requirement:

| 2012/13 | | | | | 2013/14 | 2014/15 | 2015/16 | TOTAL |
|--|------------------|--------------|--------|--|------------------|------------------|------------------|------------------|
| Cost Pressure | Increase (£'000) | % Budget | % Cum | | Increase (£'000) | Increase (£'000) | Increase (£'000) | Increase (£'000) |
| Police Officer pay increase - April to August, employer contributions | 0 | 0.00% | -3.80% | | 0 | 45 | 45 | 90 |
| Police Officer pay increase - September to March, employer contributions | 0 | 0.00% | -3.80% | | 134 | 138 | 142 | 414 |
| Inflation on pension benefits | 68 | 0.07% | -3.73% | | 71 | 55 | 58 | 252 |
| Total Increase | 68 | 0.07% | | | 205 | 238 | 245 | 756 |

Bank Holidays

The base budget includes provision for the payment of overtime for ten Bank Holidays. Each Bank Holiday costs the Force approximately £70,000 to provide minimum coverage levels. Divisions and Departments are expected to manage this fluctuation in bank holidays from within their devolved budget.

The bank holiday calendar for the next four financial years is:

| | 2012 | 2013 | 2014 | 2015 |
|-------------------------|-------------|-------------|-------------|-------------|
| New Year's Day | | 01-Jan | 01-Jan | 01-Jan |
| Good Friday | 06-Apr | 29-Mar | 18-Apr | 03-Apr |
| Easter Monday | 09-Apr | 01-Apr | 21-Apr | 06-Apr |
| Royal Wedding | - | - | - | - |
| Early May Bank Holiday | 07-May | 06-May | 05-May | 04-May |
| Spring Bank Holiday | 04-Jun** | 27-May | 26-May | 25-May |
| Queen's Diamond Jubilee | 05-Jun | - | - | - |
| Summer Bank Holiday | 27-Aug | 26-Aug | 25-Aug | 31-Aug |
| Christmas Day | 25-Dec | 25-Dec | 25-Dec | 25-Dec |
| Boxing Day | 26-Dec | 26-Dec | 26-Dec | 28-Dec* |

In 2012/13 there will be a requirement to provide for ten bank holidays, inclusive of the additional bank holiday in June 2012 to mark the Queen's diamond jubilee. The late May bank holiday ** will be moved to the 4th June 2012 and the 5th June will be made into an extra bank holiday. The number of bank holidays in 2013/14 and 2014/15 will be seven and eight respectively. No provision has been made in the 2012/13 budget for the Queens diamond jubilee.

Non Pay and Income Inflation 2012/13

Non pay inflation and price increases

Non pay inflation has been assumed at the following rates for the purposes of the 2012/13 budget calculation:

- Gas price increase 47% on 70% of actual
- Electricity price increase 26.25% on 70% of actual
- Utilities inflation 5%
- Transport fuel duty inflation 5%; and
- Other non-pay costs 2.5%

These inflation assumptions are consistent with those incorporated in the ACPO "National Financial Picture – progress update" report and with the reported price increases for gas and electricity provided by the Authority's suppliers.

Latest Price Inflation

Consumer Price Inflation decreased to 5% year on year to October 2011, from 5.2% a month earlier. This is a bigger fall than had been forecast by economists. Retail Prices Inflation fell to 5.4% from 5.6%.

The most significant downward contributions to the change in the 12 month rate between September and October came from transport, driven by falls in air fares and a small fall in fuel prices, and food and non-alcoholic beverages, driven by food as

prices fell by the largest amount for a September to October period since 1996, due to widespread supermarket discounting.

The most significant upward contribution to the change in the 12 month rate came from clothing and footwear, where prices rose by a record amount for a September to October period, driven by clothing and housing and household services, where gas and electricity bills rose.

Utilities – Gas and Electricity Price Increase

The Authority procures its gas and electricity supply via the Government Procurement Service.

- Gas is supplied by Corona Energy; and
- Electricity is supplied by EDF Energy.

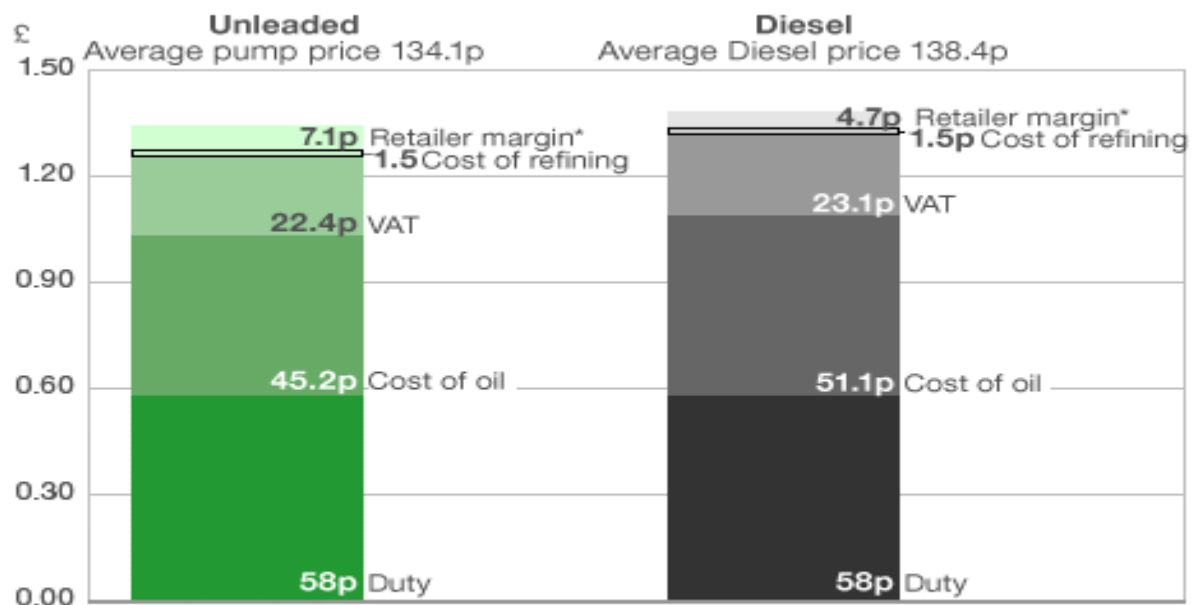
Prices for gas supplies for the 6 months from 1st October 2011 show an increase of 47% in the energy element, whilst prices for electricity supplies for the same period show an increase of 26.25%. The energy element accounts for 60% to 70% of the total bill with the remaining cost relating to distribution and transmission costs.

New prices will be agreed from April 2012 but it is considered prudent to budget at the increased level experienced in October 2011 as energy prices are expected to continue increasing.

Transport Fuel Inflation

Whilst the government determines fuel duty and VAT - over half of the cost of a litre of fuel, it has no control over the global oil price which makes up the other half.

How the cost of petrol and diesel breaks down, Oct 2011



*Gross margin to cover supply, distribution, and all other operating costs plus contribution to profit

Source: Wood Mackenzie

The annual fuel tax escalator; a mechanism under which fuel duty is increased by 1p per litre above inflation was scrapped by the Coalition Government. However the planned inflation-linked part of the duty rise was only postponed from April 2011 to January 2012 and from April 2012 to August 2012.

In his Autumn Statement the Chancellor of the Exchequer confirmed that this fuel duty will be deferred until August 2012. In addition the inflation increase that was planned for August 2012 which is expected to be worth 1.92p per litre is cancelled.

No increase has been included within the 2012/13 budget for this increase in fuel duty which will be found from existing resources.

| 2012/13 | | | | 2013/14 | 2014/15 | 2015/16 | TOTAL |
|----------------------------|------------------|--------------|--------|------------------|------------------|------------------|------------------|
| Cost Pressure | Increase (£'000) | % Budget | % Cum | Increase (£'000) | Increase (£'000) | Increase (£'000) | Increase (£'000) |
| Gas Price Increase | 26 | 0.03% | -3.70% | 0 | 0 | 0 | 26 |
| Electricity Price Increase | 139 | 0.14% | -3.56% | 0 | 0 | 0 | 139 |
| Non-pay Inflation | 488 | 0.50% | -3.06% | 491 | 488 | 502 | 1,969 |
| Income Inflation | (51) | -0.05% | -3.11% | (52) | (53) | (54) | (210) |
| Total Increase | 602 | 0.62% | | 439 | 435 | 448 | 1,924 |

Collaboration

National Air Support Service

A report on proposals for the National Air Support Unit was presented to Members at the Finance and General Purposes Committee on the 12th September 2011 and Police Authority meeting on the 19th September 2011.

The budget includes provision for the cost of fixed wing coverage of £349k for 2012/13 onwards when the current force helicopters life span comes to an end.

It is the Authority's resolution to continue to raise objections in relation to the National Police Air Service proposals.

Regional Firearms Collaboration

A report on proposals for the Regional Firearms Facilities was presented to Members at the Finance and General Purposes Committee on the 12th September 2011 and Police Authority meeting on the 19th September 2011.

It was resolved to establish the facility at a cost to the Authority of £237k.

| 2012/13 | | | | 2013/14 | 2014/15 | 2015/16 | TOTAL |
|---------------------------------|------------------|--------------|--------|------------------|------------------|------------------|------------------|
| Cost Pressure | Increase (£'000) | % Budget | % Cum | Increase (£'000) | Increase (£'000) | Increase (£'000) | Increase (£'000) |
| National Air Support Service | 349 | 0.36% | -2.75% | 0 | 0 | 0 | 349 |
| Regional Firearms Collaboration | 237 | 0.24% | -2.51% | 0 | 0 | 0 | 237 |
| Total Increase | 586 | 0.60% | | 0 | 0 | 0 | 586 |

Other Cost Pressures

Civil Contingencies Sergeant

Provision has been made in the draft 2012/13 budget for £55k for an additional Civil Contingencies Sergeant. This post is required to meet statutory responsibilities under the Civil Contingency Act 2004. Resilience issues have previously been identified in the area of emergency planning however the new Strategic Command Centre will also undoubtedly result in a vast increase of work in the field of Emergency Planning.

Scientific Support ISO Quality Standard.

It is a mandatory requirement that SSU attain and retain the ISO accreditation to demonstrate that are operating to the highest quality standard. As a result of the SUU collaboration not being progressed the department has reviewed its structure to propose a change in roles for existing staff to ensure this quality management system is implemented and maintained. This has been supported by SERG and is the cheapest option available at an additional £13k per annum.

Chaplaincy costs

The force is in the process of appointing approximately 10 local Police Volunteer Chaplains. An amount of £2k has been requested as a recurring revenue budget to cover the costs of running the Chaplaincy. This is in addition to previously allocated non-recurring budget of £2k for initial set up costs and £2.5k for training.

Local Safeguarding Children Board Contributions

The Assistant Chief Constable has approved an annual contribution of £2,500 to each of the four Local Safeguarding Children Board's in the force area. A total of £10,000 has therefore been included within the draft 2012/13 recurring budget.

Special Constables Duty Management System

The Force needs to improve its processes for managing Special Constables and streamline data collection required for the Special Constable (SC) Balanced Scorecard required under the SC National Strategy.

The SC National Strategy Implementation Advice highlights a number of key indicators of performance management:

- Financial performance
- Activity
- Hours
- Training
- Human Resources

Whilst the HR data submission is straightforward as this information is captured on the Force HR system, collation of the data for the other elements is problematic and time-consuming. A paper-based system is currently used to capture duty hours, expenses and operational / non-operational duties. However, the current system does not capture activities or the resulting outcomes.

Discussions at the Wales Special Constabulary Regional Strategic Lead Meeting identified the need for a performance management system to accurately demonstrate the value of the SC. The initial proposal was to progress this on all Wales basis for presentation to APCO Cymru for approval. However the other Welsh forces are either progressing an in-house solution purchasing a bespoke system at present.

Given that the Force has an in-house DMS, there is a requirement to purchase a bespoke system to provide visibility of SC duty hours and to collate performance data. The Force system does not have the capability to provide the required functionality and that development of the system to do so is not viable due to the fact that this is an internet based system and would not be conducive to DMS and that the functionality of Dutysheet has specific user requirements to meet the needs of the Special Constabulary.

A system called 'Dutysheet' has been identified which has been specifically developed for UK police forces special constabulary.

DCC Roberts is the ACPO lead for the Special Constabulary in the force and has set aside a budget of up to £12k to purchase such a database.

The total value of the proposed purchase for a 42 month contract is £9,999.99 plus VAT. An amount of £3k has therefore been included in the draft 2012/13 budget on a recurring basis.

CMRD Peace system

CMRD currently utilise the Charter System which software is designed to provide a consistent and RIPA compliant approach to conduct, manage and analyse source and covert surveillance activities for the detection and prevention of criminal activity. Additional funding of £20k is required to make this system RDHI v2.0 compliant.

Zanzibar Procurement Hub

The NPIA National Police Procurement hub is an “Amazon-style” electronic marketplace that provides the police service in England and Wales with the ability to buy goods and services from approved customers. It links purchase to payment without having to use paper orders and invoices. Its aims are to:

- Provide the service with the ability to purchase and pay for goods and services online
- Support collaborative working across multiple forces
- Provide real time information of purchases to support compliance to contracts
- Deliver a single converged system linking all 43 forces together in line with Information Systems Improvement Strategy (ISIS)
- Reduce the administrative costs of processing transactions and drive regionalisation of procurement and finance functions, putting the service in a better position for back and middle office outsourcing
- Ensure the police service uses those contracts mandated by government
- To reduce the cost of purchase across the service by buying and managing suppliers better.

There is a recurring annual subscription cost for the Zanzibar procurement hub of £25k.

National Policing Improvement Agency (NPIA) Full Cost Recovery

The National Audit Office raised concerns that the NPIA did not charge its customers for the full economic cost of all its services in line with HM Treasury rules and their own policy.

Further indications of the level of charging for services from the NPIA have been announced to move the NPIA to a full cost recovery basis for charging over a three year period commencing in 2012/13. The implication is that at 2012/13 prices, and with the current cost base a move to full cost recovery for all existing charges, including PND would increase fees by £28.9m (25.9%) of which £25.9m would come from forces. It is expected that efficiency measures through further reductions in operating costs will reduce this level. A further complication is that the NPIA is due to be phased out largely in 2012 with activities transferring to successor bodies.

Some progress towards full cost recovery will be made in 2012/13 when the NPIA will raise an additional £6m from forces as recommended by the Charging Advisory Group. The Dyfed Powys element of the £6m amounts to £40k.

National Policing Improvement Agency (NPIA) System Subscriptions

Other than the Police National Database (PND) the NPIA database products are already close to full economic cost recovery with the 2012/13 prices reflecting the full cost recovery for each individual product. For PND there will be further increases in 2013/14 and 2014/15.

In 2012/13 the force will incur the following operational costs in relation to the IT services it procures:

| IT Service | 2012/13 Charge £ |
|--|-----------------------------|
| Automatic Number Plate Recognition | 15,690 |
| Livescan | 97,992 |
| Police National Database | 49,745 |
| Police National Computer – full access | 195,597 |
| NABIS | 8,685 |
| NMPR | 2,076 |
| CRASH | 4,206 |
| ACRO | 7,600 |
| Uniformed Operational Support Training | 3,526 |
| Total Charge | 385,117 |

The above reflects approximately a £15k increase on 2011/12.

NPIA funded IT projects

The NPIA IT database products with the exception of PND are close to full economic recovery. It is therefore prudent to make allowance in the 2012/13 budget for the anticipated tripling of the PND subscription by 2014/15, increasing the budget requirement by £99,490.

National Policing Improvement Agency (NPIA) Mobile Identification

The mobile identification programme enables the force to develop and adopt new ways of working by improving officers' ability to use and share information when out on patrol.

The force currently has four mobile fingerprint units and contributes £64,800 from a earmarked reserve towards the cost of the central architecture over the period 2010/11 to 2013/14.

Financial year 2012/13 is the first year that the force will be required to subscribe towards the operations charges of the Mobile Id system at a cost of £21,817 which is still to be confirmed.

NPIA training

Delegate fees for NPIA training are expected to increase by 9.7% in 2012/13. An increase in budget of £4k has been included based on the last three financial years training expenditure.

| 2012/13 | | | | 2013/14 | 2014/15 | 2015/16 | TOTAL |
|---|------------------|--------------|--------|------------------|------------------|------------------|------------------|
| Cost Pressure | Increase (£'000) | % Budget | % Cum | Increase (£'000) | Increase (£'000) | Increase (£'000) | Increase (£'000) |
| Civil Contingencies Sergeant | 55 | 0.06% | -2.45% | 0 | 0 | 0 | 55 |
| SSU ISO Quality Standard | 13 | 0.01% | -2.44% | 0 | 0 | 0 | 13 |
| Chaplaincy | 2 | 0.00% | -2.43% | 0 | 0 | 0 | 2 |
| Special Constables Duty Management System | 3 | 0.00% | -2.43% | 0 | 0 | 0 | 3 |
| CMRD Peace system | 20 | 0.02% | -2.41% | 0 | 0 | 0 | 20 |
| Zanzibar procurement hub | 25 | 0.03% | -2.38% | 0 | 0 | 0 | 25 |
| NPIA full cost recovery | 40 | 0.04% | -2.34% | 0 | 0 | 0 | 40 |
| NPIA system subscriptions | 15 | 0.02% | -2.33% | 0 | 0 | 0 | 15 |
| NPIA funded IT projects | 100 | 0.10% | -2.23% | 0 | 0 | 0 | 100 |
| NPIA Mobile ID | 22 | 0.02% | -2.20% | 0 | 0 | 0 | 22 |
| NPIA training | 4 | 0.00% | -2.20% | 0 | 0 | 0 | 4 |
| LSCB Contributions | 10 | 0.01% | -2.19% | 0 | 0 | 0 | 10 |
| Total Increase | 309 | 0.31% | | 0 | 0 | 0 | 299 |

Redacted by virtue of the provisions of the Local Government Act 1972

Income Reductions

Investment Income

Projections for investment interest from the force treasury advisors Arlingclose, suggest that base rates will remain at 0.5% up until the March 2015 quarter. With this in mind, the impact of any increase in the base rate in March 2015 will not have a significant impact until 2015/16.

| | Mar-12 | Jun-12 | Sep-12 | Dec-12 | Mar-13 | Jun-13 | Sep-13 | Dec-13 | Mar-14 | Jun-14 | Sep-14 | Dec-14 | Mar-15 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Official Bank Rate | | | | | | | | | | | | | |
| Upside risk | | | | | 0.25 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Central case | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Downside risk | | | | | | | | | | | | | |

Given the continuing nervousness within the financial markets, the force is only currently investing with the Debt Management Office at an interest rate of 0.25%. Based on an average investment of £24m per day at an interest rate of 0.25% it is expected that annual interest in 2012/13 would only amount to £62k i.e. £421k under budget. This scenario is based upon an extremely cautious strategy, reflecting the current uncertain and volatile global financial markets.

During 2008/09 a earmarked reserve was established to fund the anticipated reduction in investment income in 2009/10 and future years. At the 31st March 2011 this reserve stood at £660k.

The investment income budget for 2011/12 was approved at £482,356. The investment income projection for 2011/12 is currently £244k which means that £238k will need to be funded from earmarked reserve, to balance the budget in 2011/12. Clearly utilisation of the reserve for this purpose is not sustainable.

Given that the financial position is not expected to improve in the short term it is considered prudent to build this budget shortfall of £421k into the recurring revenue budget.

Financial Administration Fee for the Drug Intervention programme (DIP)

The Welsh Government has received the DIP grant allocation settlement for 2012/13 from the Home Office. The DIP budget is subject to a further 8% cut to its budget in 2012/13, representing in total a 24% cut since 2009/10. Given these financial pressures, DIP are seeking to make cost savings across all budget lines and have requested a review of the current fee in relation to the financial administration fee charged by the force. Discussions are on-going to reduce this fee by £5k to £30,000.

Loan Charges Grant Reduction

Loan charges are payable in respect of debt incurred for capital spending approved prior to the introduction of the new capital control system in April 1990.

Grant is received from the Home Office, calculated as 51% of net eligible expenditure. As loans are repaid, the budget for interest payments funded by grants reduces.

It is therefore suggested that in 2012/13 the income budget is increased by £15k to provide for the decrease in government grant until 31st March 2013.

Site Sharing Income

Site sharing income during the 2011/12 year to date shows a reduction against expectations of £46k due to the decommissioning of the old radio network.

Redacted by virtue of the provisions of the Local Government Act 1972

| 2012/13 | | | | | 2013/14 | 2014/15 | 2015/16 | TOTAL |
|--------------------------------------|------------------|--------------|--------|--|------------------|------------------|------------------|------------------|
| Cost Pressure | Increase (£'000) | % Budget | % Cum | | Increase (£'000) | Increase (£'000) | Increase (£'000) | Increase (£'000) |
| Interest Receipts | 421 | 0.43% | -1.76% | | 0 | 0 | 0 | 421 |
| Financial administration fee for DIP | 5 | 0.01% | -1.75% | | 0 | 0 | 0 | 5 |
| Loan Charges | 15 | 0.02% | -1.74% | | 0 | 0 | 0 | 15 |
| Site sharing income | 50 | 0.05% | -1.68% | | 0 | 0 | 0 | 50 |
| Total Increase | 65 | 0.07% | | | 0 | 0 | 0 | 65 |

Balances, Provisions and Reserves

The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued a Local Authority Accounting Practice (LAAP) Bulletin on reserves and balances. This bulletin identifies types of reserves and suggests that when an Authority reviews its medium term financial plan and prepares the annual budget that consideration is given to the establishment and maintenance of reserves.

Section 25 of the Local Government Act 2003 requires that the Authority's Chief Financial Officer report to the Authority at the time the budget is being set, on the robustness of the estimates and adequacy of reserves contained in the budget proposals.

There are also a range of safeguards in place that militate against the authority over-committing itself 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 all authority members 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 authority's 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 authorities.

It is important that authority members take responsibility for ensuring the adequacy of reserves and provisions when they set the budget so that unexpected demand led pressures on the budget can be met without adverse impact on the achievement of the authority's key priorities. The Terms of Reference of the Finance and General Purposes Committee should reflect this responsibility.

Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer to advise the authority about the level of reserves that should be held and to ensure that there are clear protocols for their establishment and use.

Statement on Reserves

The level of general reserve and any movements on the fund

Legislation and other guidance require that a general reserve is maintained supported by the audit recommendation that the level of reserve is held at 2.5% of the net revenue expenditure budget. The guidance also requires that the Authority considers risk when determining reserve levels.

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*."

Whilst CIPFA does not stipulate a minimum or optimal level of reserve, its general guidance is to establish a reserve representing "*resources set aside for purposes such as general contingencies and cash flow management*."

Maintaining a General Reserve ensures compliance with the Local Government Finance Act 1992 for authorities to "*have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement*."

The general reserve currently amounts to £2.800 million which equates to 2.9% of the 2011/12 net revenue expenditure budget and is therefore slightly above the minimum level of 2.5% previously recommended by Audit.

The following factors have been considered in determining the appropriate level of general reserve:

Overall financial position and adequacy of financial control

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 control in operation.

The overall financial position has been considered by the Authority as part of the budget process and, whilst secure, is keenly affected by the threat of government funding cuts and capping which must be borne in mind.

It is also important to remember the context of the medium term financial strategy (MTFS) so that the Authority 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

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.*"

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.

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 force's 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

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 Authority 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 authority's medium term financial strategy;

The level of the General Reserve at 31st March 2011 for Dyfed Police family of Most Similar Forces (MSF) are as follows:

| Force | General Fund Balance | % of Net Revenue Expenditure Budget |
|------------------------|-----------------------------|--|
| | £'m | % |
| Lincolnshire | 5.0 | 4.03 % |
| Norfolk | 4.5 | 3.07 % |
| North Wales | 6.8 | 4.92 % |
| Average for MSF | | 4.01 % |

Based on the above it is suggested that the level of general reserve increases by £1m to £3.8m which represents 3.9% of the proposed 2012/13 net revenue expenditure budget. This is in line with our MSF's. 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.

These can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- A contingency to cushion the impact of unexpected events or emergencies
- A means of building up funds referred to as earmarked reserves, to meet known or predicted liabilities.

The main earmarked revenue reserves held by the Force and Authority are presented in the following table and have been subject to review as part of the 2011/12 budget setting process.

| Reserve | Balance at 31 st March 2011 | Movement | Estimated Balance at 31 st March 2012 | Description |
|--------------------------------------|--|----------------|--|---|
| | £'000 | £'000 | £'000 | |
| Pensions Cost Reserve | 1,441 | 0 | 1,441 | To mitigate any volatility caused by lump sum payments in respect of ill-health early retirements and injury awards. |
| Insurance Reserve | 750 | 0 | 750 | Funds that are held to meet potential and contingent insurance liabilities. This relates to the surplus/deficit at 31 st March on the internal insurance account. |
| Operational Service Delivery Reserve | 361 | (85) | 276 | Reserves available to support local policing, patrol/incident response and custody facilities. |
| Central Operational Support Reserve | 820 | (75) | 745 | Funds held in support of specialist police units when specialist equipment and training are required to deal with public order, firearms incidents, civil emergencies and roads policing. |
| Central Non Operational Reserve | 1,080 | (100) | 980 | Comprises funds held for uniform and protective clothing replacement £500k, to support the training programme £100k and estates serving contracts £350k |
| Investigations Reserve | 3,500 | (170) | 3,330 | Reserves held for specialist investigations including murders, protecting vulnerable people and counter terrorism. |
| Governance Reserve | 6,699 | (2,000) | 4,699 | Funds required in support of future years recurring budgets, including £2.4 m for voluntary redundancy costs, £850k for equipment replacement and £600k to manage future years investment income. |
| Total | 14,651 | (2,430) | 12,221 | |

Another reserve held by the Authority is the FRS17 pensions reserve – this is a specific accounting mechanism used to reconcile payments made for the year to the police officer pension scheme and Local Government Pension Scheme in accordance with those schemes' requirements and the net change in the authority's recognised liability under FRS17 – *Retirement Benefits*, for the same period. An appropriation is made to or from the pensions reserve to the Movement on the General Fund which reflects the amount that would be required to be raised in council tax. The opening Balance on this reserve is £517,335k as provided by the actuary.

Andrew Bevan – Chief Financial Officer

Budgetary Risk

Section 25 of the Local Government Act 2003 requires that the Authority's Chief Financial Officer reports to the Authority 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 for the Authority; and in addition
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

It is important that authority members take responsibility for ensuring that budgetary risk has been minimised when they set the budget.

The level of budgetary risk must be formally considered by the Finance and General Purposes Committee informed by the advice and judgement of the Chief Financial Officer. To enable the Committee to reach its decision, the Chief Financial Officer has performed a risk assessment of material items of revenue and capital budgets which is included in the tables on the following pages.

Police Reform & Social Responsibility Act 2011 and Winsor Review

Both the above need to be considered in terms of possible financial implications and risk. It is however difficult to plan for these financially, as the implications of both are still uncertain. It has therefore been assumed in these budget projections that both will be cost neutral.

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 | 53% | 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, SPP etc could exceed budget.</p> | <p>The establishment is monitored continually as part of budgetary control process. A Strategic Establishment Review Group meets monthly to monitor and control the establishment on a strategic basis. An Establishment Control Procedure is in the process of being updated.</p> <p>The Financial Controller, Chief Financial Officer and Head of HR approve all Establishment Control forms.</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> <p>All requests for bonus payments are submitted to a Bonus Payments Panel to ensure consistency, compliance with policies and to ensure the budget is not exceeded. Similarly a Special Priority Group stipulates which roles will receive the payment.</p> |

| Budget area | % of net revenue budget | Risk level | Identified Risk | Mitigating factor |
|---------------------------|-------------------------|------------|---|--|
| Police Staff Salary Costs | 28% | High | The number of staff in post increases above the approved funded establishment. Projects requiring staff involvement out of normal working hours are accurately costed for additional costs such as overtime etc. | The establishment is monitored continually as part of budgetary control process. A Strategic Establishment Review Group meets monthly to monitor and control the establishment on a strategic basis. An Establishment Control Procedure is in the process of being updated. The Financial Controller, Chief Financial Officer and Head of HR approve all Establishment Control forms. Professional payroll and human resources staff will be engaged in establishing staff entitlement for additional hours. |
| Police Officer Pensions | 13% | Medium | Linked to police officer salary costs above | Linked to police officer salary costs above |
| Indirect Staff Costs | 1% | Low | Not material | Training budgets to reflect only operationally critical requirements. |
| Premises Costs | 3% | 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. Recent increases in fuel costs continue. | 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 Chief Financial Officer. Robust budget monitoring procedures are in place and adhered to. |

| Budget area | % of net revenue budget | Risk level | Identified Risk | Mitigating factor |
|--------------------------------|-------------------------|------------|--|---|
| Supplies and Services | 10% | High | <p>Non purchase orders could result in over spends against the budget.</p> <p>Procurement procedures are in place to ensure value for money is achieved.</p> | <p>Where possible purchase orders are processed with a built in budget check.</p> <p>The procurement department will 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> |
| Agency and Contracted Services | 2% | Low | Not material | Not material |
| Capital Financing | 2% | Low | Not material | Not material |
| Specific Grant | -10% | 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>Posts funded by grants should be recruited on a temporary basis for the duration of the grant.</p> | <p>A grant register records all grants due.</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 HR.</p> |
| Other Income | -5% | Low | Not material | |
| Use of Reserves | 0% | 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>Reserves and Balances Policy.</p> <p>Budget Working Group and Finance and General Purposes Committee review the level and requirement of reserves.</p> |
| 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 Finance and General Purposes Committee. Chief Officers receive regular reports and an Estates Management Group meets to monitor capital projects. |

A financial forecast assists in identifying any budget areas likely to exceed the budget for early corrective action to be taken

Andrew Bevan – Chief Financial Officer

Strategic Framework

The budget process needs to link closely with the Authority's strategic priority setting process. Dyfed Powys Police priorities for 2012/13 are:

1. Anti-social Behaviour
2. Violent Crime
3. Drug Related Crime; and
4. Protecting the Public.

These have been identified by the Force and targets have been set by the Authority to help drive improvement in each area. Performance against these targets will be measured and monitored.

Budget Approval

The Financial Governance Group (formally Budget Working Group) met on the 20th June 2010 and the 6th and 25th January 2012 to discuss the position in relation to the expected financial requirement. Consideration was given to the cost reduction plan. This group will continue to meet throughout the budget setting process.

The Finance and General Purposes Committee received draft budget proposals at their meeting on the 17th December 2011 and this report sets out the final proposals. At this meeting, members of the Committee are being asked to recommend for approval the 2012/13 budget and required council tax precept.

The full Police Authority will be asked to set the council tax precept at their meeting scheduled for the 17th February 2012.

Impact Consideration

| Implication | Impact Considered (Yes/No) | Impact Identified (section reference) |
|----------------------------------|----------------------------|---------------------------------------|
| Legal | Yes | None |
| Financial | Yes | Main report |
| Race and Equality | Yes | None |
| Human Rights | Yes | None |
| Environmental and Sustainability | Yes | None |
| Risk Analysis | Yes | Main report |
| National Park Implications | Yes | None |

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| Revenue Account 2012/13 to 2015/16 | | | | | | ANNEX 1 | | |
|--|-----------------------|---------------------|------------------|----------|--------------------------|----------------|----------------|--|
| | Revised Budget | Draft Budget | Variation | | Indicative Budget | | | |
| | 2011/12 | 2012/13 | 2012/13 | | 2013/14 | 2014/15 | 2015/16 | |
| Police Authority Costs | £'000 | £'000 | £'000 | % | £'000 | £'000 | £'000 | |
| Staff Costs | 373 | 372 | -1 | -0.18% | 374 | 378 | 382 | |
| Running Expenses | 571 | 514 | -57 | -9.97% | 498 | 487 | 495 | |
| Total Police Authority Costs | 943 | 886 | -58 | | 873 | 865 | 877 | |
| Employees | | | | | | | | |
| Police Officers | 52,309 | 51,085 | -1,224 | -2.34% | 51,383 | 52,099 | 52,822 | |
| Police Staff | 21,836 | 20,201 | -1,635 | -7.49% | 19,645 | 19,113 | 19,304 | |
| PCSO's | 2,523 | 4,311 | 1,788 | 70.84% | 4,867 | 5,031 | 2,919 | |
| Police Pensions (net) | 12,157 | 12,225 | 68 | 0.56% | 12,297 | 12,401 | 12,508 | |
| Indirect Staff Costs | 758 | 777 | 19 | 2.50% | 800 | 820 | 841 | |
| Total Employee Costs | 89,584 | 88,600 | -984 | | 88,993 | 89,463 | 88,393 | |
| Running Expenses | | | | | | | | |
| Premises Costs | 3,172 | 3,367 | 195 | 6.16% | 3,405 | 3,507 | 3,628 | |
| Transport Costs | 2,527 | 2,907 | 381 | 15.06% | 2,972 | 3,072 | 3,181 | |
| Supplies & Services | 9,345 | 9,845 | 499 | 5.34% | 9,589 | 9,654 | 9,763 | |
| Agency & Contracted Services | 2,164 | 2,228 | 64 | 2.97% | 2,234 | 2,279 | 2,336 | |
| Total Running Expenses | 17,208 | 18,347 | 1,139 | | 18,200 | 18,512 | 18,908 | |
| Capital Financing Costs | 915 | 740 | -175 | -19.13% | 740 | 740 | 740 | |
| Total Expenditure | 108,650 | 108,573 | -77 | | 108,805 | 109,580 | 108,918 | |
| Income | | | | | | | | |
| Specific Grants | -6,276 | -8,266 | -1,989 | 31.69% | -7,010 | -7,102 | -4,962 | |
| Other Income | -5,201 | -4,774 | 427 | -8.21% | -4,824 | -4,876 | -4,929 | |
| Total Income | -11,477 | -13,039 | -1,562 | | -11,834 | -11,978 | -9,891 | |
| TOTAL NET REVENUE EXPENDITURE | 97,173 | 95,534 | -1,639 | | 96,971 | 97,602 | 99,026 | |
| Use of / Contribution to Reserves | 164 | 164 | 0 | 0.00% | 164 | 164 | 164 | |
| NET EXPENDITURE TO BE MET BY GOVERNMENT GRANTS & PRECEPTS | 97,337 | 95,698 | -1,639 | | 97,134 | 97,765 | 99,190 | |
| Grants and Precepts | | | | | | | | |
| Police Grant | -40,808 | -38,388 | 2,420 | -5.93% | -37,729 | -36,139 | -35,000 | |
| NNDR | -13,401 | -15,652 | -2,251 | 16.80% | -15,445 | -15,237 | -15,237 | |
| RSG | -3,714 | 0 | 3,714 | -100.00% | 0 | 0 | 0 | |
| Total External Support | -57,923 | -54,040 | 3,883 | | -53,174 | -51,376 | -50,237 | |
| Precepts on Billing Authorities | -39,414 | -41,658 | -2,244 | 5.69% | -43,960 | -46,389 | -48,953 | |
| TOTAL RESOURCES | -97,337 | -95,698 | 1,639 | | -97,134 | -97,765 | -99,190 | |
| Taxbase | 208,439 | 209,822 | | | 210,872 | 211,926 | 212,985 | |
| COUNCIL TAX LEVEL | £189.09 | £198.54 | | | £208.46 | £218.89 | £229.84 | |
| Council Tax Increase | | 5.00% | | | 5.00% | 5.00% | 5.00% | |