

**DEVON AND CORNWALL POLICE AUTHORITY
BUDGET WORKING PARTY,15/10/08 : BRIEFING NOTES**

1. **Present** : John Smith, Mike Bull, Mike Hicks, Lynne Dunn, Simon Day, Bryan Preston, Brian Greenslade, Allison Malcolm, David Money, Martyn Hodge
2. **Credit Crunch** : The Treasurer presented the latest developments in the world financial crisis. It appears the Local Government Association is to conduct an investigation into how several local authorities had significant sums in Iceland when it appears that credit ratings were being reduced for the Icelandic banks for some months before the crash. This was somewhat academic for Devon and Cornwall as these banks had never had a high enough rating to be considered for our lending list. It transpired after the meeting that the Audit Commission had lost £10m in Icelandic banks (!)

The Treasurer has banned any foreign investments for the present other than the government guaranteed Irish banks but we still have some holdings in Copenhagen and Paris via our external fund manager. These are with the top banks in each country but are still being checked now. It was also reported that the Investment Fund has several holdings in relatively small building societies but these are mutual societies tending to lend out what they get in from depositors so are less exposed to the wholesale money market risk.

3. **Resource Background and Financial Strategy**: Last February members agreed what was in effect a 3 year budget to support the Chief Constable's vision and to fund the back-filling of posts to move 200 officers back to the front line. This served the Authority well getting through a testing budget/capping process. However, all good strategies need to be reviewed and rolled forward. A number of topics were discussed

- developments in government policy on capping
- delays in identifying all the 196 posts for disestablishment and in back-filling for the 200 officers
- resultant changes in the timing of spending and saving
- possible reactions to the Conservative proposals on freezing council tax
- financial burdens arising from equal pay claims
- pay awards (it was announced after the meeting that the Police Federation had settled on a 3 year deal at 2.65%, 2.6% and 2.55%. The strategy assumed 2.5% per year plus a one off £500,000 in year 1. Very close to the actual
- likely national spending restrictions, particularly in years 2 and 3.
- the need for year on year flexibility

After discussion, it was concluded that the strategy for spending levels and council tax was proving remarkably robust as long as the promised savings were delivered. It was concluded that the 3 year financial strategy should be rolled forward for planning purposes with council tax rises of 4.94% next year, 4.94% in 2010/11 and between 2.94% and 4.94% in 2011/12.

4. Presentation from Sandy Goscomb : Sandy gave a wide ranging presentation covering bench marking, spending developments, budget monitoring and prospects for the next budget. As members will be aware, Sandy has recently joined the Force as Interim Director of Finance and it was interesting to get a fresh pair of eyes on our finances and plans. Her talk covered

- comparative statistics. Members have repeatedly been shown that Devon and Cornwall is a relatively low taxing, low spending authority with above average police numbers and below average support costs. It was encouraging to have this confirmed.
- the credit crunch could lead to rising acquisitive crime, falling interest rates and pressures on funding. We are already seeing some national services being charged for when they were promised free. This will get worse.
- Budget monitoring showing extra spend from the Exeter bombing offset by extra interest earned and slippage in delivering the 196 posts to be disestablished and in spending on backfill. In effect the development programme has moved back a quarter on both savings and spending.
- Budget gap for next year of around £2m and £2.9m in 2010/11 even if all the current savings are delivered.

Members concluded that flexibility in spending and saving was to be accepted but the actual level of savings and the move of officers to the front line was absolute. If savings are delivered, the remaining gaps - although formidable - are actually of manageable proportions and are deliverable.

5. Efficiency Data : Angela Daveney reported on government plans to show efficiency savings data on council tax forms and/or council tax leaflets. The proposals are primarily geared at billing authorities but may have implications for police authorities. Devon and Cornwall has a proud record on savings but the proposals covering more than one year and with estimates and actuals will be very confusing for the public. Some of the comparative data is not collected nationally and focussing on changes each year makes no allowance for authorities who have already made large efficiency gains.

6. Next Meeting : 18/12/08 @ 10.00

John Glasby