



Cambridgeshire
Police & Crime
Commissioner

To: Business Coordination Board

From: Chief Executive

Date: 26 November 2015

MEDIUM TERM FINANCIAL PLAN AND 2016/17 BUDGET UPDATE

1. Purpose

1.1 The purpose of this report is to update the Business Coordination Board (the “Board”) on the Medium Term Financial Plan (the “MTFP”) and the development of the 2016/17 budget.

2. Recommendation

2.1 The Board is recommended to note this report.

3. Background

3.1 This report is presented to provide an update on the preparation of the MTFP and the 2016/17 budget in readiness for:

- The review of the proposed 2016/17 precept by BCB in January 2016 and the Police and Crime Panel (the “Panel”) in February 2016; and
- The review of the 2016/17 budget and MTFP to 2019/20, to be considered at the February 2016 BCB meeting and the March 2016 Police and Crime Panel meeting.

3.2 In January 2015, the Police and Crime Commissioner (the “Commissioner”) approved a budget of £129.1m for the 2015/16 financial year, a reduction in cash terms of £1.9m compared to 2014/15. The MTFP to 2018/19 presented alongside the 2015/16 budget showed a gap of £8.3m in 2016/17 and a cumulative gap of £17.3m up to 2018/19.

3.3 The outturn of the next Comprehensive Spending Review (2016/17 to 2019/20) is awaited at the time of writing of this paper; Government departments had been asked to model savings of 25% and 40% over the period. After two rounds of consultation, it was announced on 9 November 2015 that, as a result of a mistake discovered in the police funding formula consultation, the current formula used to determine police

funding will be retained for an extra year. The new funding formula will probably now come into force in 2017/18, a year later than originally planned.

- 3.4 The Commissioner and Constabulary remain vigilant in the face of the significant financial challenges in order to achieve both financial balance and the operational policing strategy, via local savings, collaboration and strategic use of assets in particular.

4. Key Principles

- 4.1 The following key principles for sound budget setting have been employed in the preparation of the budget and MTFP, as presented to BCB on 27 October 2015:

- The Chief Finance Officer (the “CFO”) of the Commissioner and Director of Finance and Resources of the Constabulary look forward to find suitable projects and initiatives to help to meet future savings requirements; short-term measures will never be taken at the expense of long-term financial stability.
- The guiding principle in setting the precept is to achieve value for money policing whilst not increasing the burden on the taxpayer.
- Every effort is being taken to protect frontline policing to fulfil the Commissioner’s and Constabulary’s statutory functions and meet the public’s needs and expectations, as exemplified in the new Chief Constable’s operational policing strategy of safeguarding the vulnerable, attacking criminality, preventing and reducing crime, achieving excellent value for money and reassuring the public. The financial strategy is never viewed in isolation.
- Long-term borrowing shall not be used for short-term needs: the lifetime of loans should closely match the lifetime of the assets that they are financing.
- Virements are only used to correct budget allocations between cost lines where it is found after budget approval that a particular cost more sensibly sits in a different cost centre; they are not used to mitigate overspends. This facilitates sound financial management and maintains visibility of any over- or underspends.

5. Budgeting Progress

- 5.1 The budget strategy was detailed in the report to BCB on 27 October 2015. This iterative process has continued since that date. The Deputy Police and Crime Commissioner, the PCC CFO and Constabulary Director of Finance and Resources continue to meet to further refine assumptions and review the draft budget. Budget Managers have reviewed their budgets and recommended savings and this process is ongoing.

- 5.2 The main assumptions for the 2016/17 budget comprise:

- Police officer pay rise 1.0%; police staff pay rise 0.6%
- Increment increase 0.6%
- General inflation 1.0%
- Energy cost inflation 1.0%
- Grant decrease 5.0%
- Council tax base increase 2.0% (number of Band D equivalent properties)

- 5.3 As well as the uncertainty over the assumptions above, national issues such as the replacement of the Airwaves system provide further ambiguities. At the time of writing of this paper, the final settlement under the Comprehensive Spending Review 2016/17 to 2019/20 has yet to be announced. On 9 November 2015 it was announced that the transport, environment and communities departments have agreed to cuts of over 30%. The Home Office’s settlement will be announced in late November and the Home Office will then announce the Police finance settlement later in December 2015.
- 5.4 The table below shows the budget gaps for the MTFP period, assuming a Home Office grant reduction of 25% over the MTFP period:

£000	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20
Net revenue expenditure	134,443	136,199	137,223	138,201
Financing	126,017	124,246	122,745	121,647
Budget gap (cumulative)	8,426	11,953	14,478	16,554

- 5.5 A 40% grant cut has also been modelled – this would result in a cumulative gap of £26.2m by 2019/20.
- 5.6 Plans are in place over the CSR period to demonstrate a balanced budget position is achievable. Plans are in hand to achieve the required savings; these plans are under constant review and comprise:
- Local savings:
 - Continuous improvement and cost-reduction of processes, for example the use of Metis technology to free up officer and staff time.
 - Strategic use of estates to minimise operating costs, including where appropriate the disposal of sites that are surplus to operational requirements.
 - Collaboration savings as part of the three-way Strategic Alliance with Bedfordshire Police and Hertfordshire Constabulary. The following recently-announced plans to progress with the collaboration of the following areas will creating savings of ¹£3.2m for Cambridgeshire across the MTFP period:
 - Public Contact: an integrated tri-force public contact service incorporating digitally enabled public services, with increased online access and self-service to provide an improved citizen experience, whilst reducing demand on police resources and increasing resilience.

¹ Latest projection of savings as at October 2015

- Human Resources and Learning and Development: a single organisational support function covering recruitment, knowledge and skills building, managing change programmes, health and safety, and application of regulations, terms and conditions in a unified way.
- Firearms and Explosives Licensing: a single tri-force structure and process to manage applications, renewals and revocations of firearms and explosives licences, and manage risk and appropriate use of intelligence.
- Additional areas where there is evidence that collaboration will improve efficiency and resilience include Information Management, ICT, Criminal Justice and Custody and collaboration plans in these areas are also progressing. These are predicted to produce savings of ²£3.1m for Cambridgeshire across the MTFP period.
- Partnership working, including the emerging devolution plans for community safety, exploring how closer working can ensure the increasingly complex needs of Cambridgeshire's growing population are met using a shrinking public sector budget.
- Transport cost and supplies and services savings, utilising collaborative procurement to obtain the best possible deal and continue to make cash releasing savings
- The Budget Assistance Reserve stood at £9.8m as at 31 March 2015 and may grow to £11.3m as at 31 March 2016 if the projected 2015/16 underspend of £1.5m is realised. This cash-backed reserve has been built up to provide the ability to smooth the impact of future funding reductions whilst the changes and savings being achieved through organisational and operational support collaboration are realised. It is possible that this reserve will need to be fully utilised over the period of the MTFP, depending on the magnitude of the cuts under CSR.

6. Timetable and Next Steps

- 6.1 The Constabulary's Finance Team continue to review the budget requirements with budget holders for 2016/17. This exercise will be completed by the end of November and will draw out further savings from service areas.
- 6.2 The Deputy Police and Crime Commissioner, the Commissioner's Chief Finance Officer and the Constabulary's Director of Finance and Resources are currently working to identifying options and strategies to present to the Commissioner, to achieve a balanced budget for 2016/17.
- 6.3 The timetable for the remainder of the budget-setting process is as follows:
- December 2015: predicted date of confirmation of Police finance settlement by Home Office
 - January 2016: precept-setting report for 2016/17 presented to Business Co-ordination Board
 - February 2016: precept-setting report for 2016/17 presented to Panel

² Latest projection of savings as at October 2015

- February 2016: budget for 2016/17 and MTFP to 2019/20 presented to Business Co-ordination Board
- March 2016: budget for 2016/17 and MTFP to 2019/20 presented to Panel

7. Summary

7.1 The Commissioner and Constabulary are not complacent in the face of the significant financial challenges going forward. In order to balance the budget and ensure strong operational performance the Commissioner and Constabulary have plans to continue to redesign and transform service delivery. This is being achieved against an increasingly pressured environment. The scale of reductions of government grant could mean organisations find themselves carrying increasing operational risks with the number of projects that have to come to fruition for the Commissioner and Constabulary to balance the budget rising. The robust budget strategy is a key plank in keeping people safe and maintaining police resources and people’s confidence in an ever more uncertain environment.

10. Recommendation

10.1 The Board is recommended to note this report.

BIBLIOGRAPHY

Source Documents	Cambridgeshire Police and Crime Commissioner’s Police and Crime Plan 2013-16 www.cambridgeshire-pcc.gov.uk/police-crime-plan Budget Strategy report presented to BCB 27 October 2015 http://www.cambridgeshire-pcc.gov.uk/wp-content/uploads/2015/10/15-10-27-BCB-Agenda-Item-8.0-Budget-Strategy.pdf
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